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FULL FINANCIAL REPORT 2003

st.george

Full Financial Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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Statements of Financial Performance

FOR THE YEAR ENDED 30 SEPTEMBER 2003

		CONSOLIDATED		BANK	
	NOTE	**2003 $M**	2002 $M	**2003 $M**	2002 $M
Interest income	3	**3,434**	3,064	**3,386**	3,014
Interest expense	3	**1,983**	1,731	**2,015**	1,813
Net interest income		**1,451**	1,333	**1,371**	1,201
Other income	4,9	**910**	852	**733**	697
Total ordinary income (net of interest expense)		**2,361**	2,185	**2,104**	1,898
Charge for bad and doubtful debts	5	**102**	87	**100**	91
Operating expenses					
– staff		**577**	586	**517**	521
– computer and equipment		**207**	250	**189**	236
– occupancy		**125**	128	**123**	124
– administration and other		**261**	283	**226**	267
Total operating expenses	6,9	**1,170**	1,247	**1,055**	1,148
Share of net loss of associates accounted for using the equity method		**3**	1	**-**	-
Goodwill amortisation and write-off	7,9	**108**	182	**69**	67
Profit from ordinary activities before income tax		**978**	668	**880**	592
Income tax expense	8,9	**325**	240	**280**	179
Profit from ordinary activities after income tax		**653**	428	**600**	413
Net (loss)/profit attributable to outside equity interests		**(5)**	1	**-**	-
Net profit attributable to members of the Bank		**658**	427	**600**	413
Non Owner Changes in Equity					
Net increase in asset revaluation and realisation reserve	37	**18**	17	**24**	14
Net increase in claims equalisation reserve	37	**6**	3	**-**	-
Net increase in borrowers' and depositors' redemption reserve	37	**1**	-	**1**	-
Net decrease in retained profits on the initial adoption of:					
Revised AASB 1028 "Employee Benefits"	38	**(1)**	-	**(1)**	-
		24	20	**24**	14
Total change in equity other than those resulting from transactions with owners as owners		**682**	447	**624**	427
Dividends per ordinary share (cents)	10	**95**	80	**95**	80
Basic earnings per ordinary share (cents)	11	**120.7**	74.8		
Diluted earnings per ordinary share (cents)	11	**120.8**	76.0		
Basic earnings per preferred resetting yield marketable equity security ($)	11	**6.36**	6.36		

These Statements of Financial Performance should be read in conjunction with the accompanying notes to the financial statements.

Statements of Financial Position

AS AT 30 SEPTEMBER 2003

		CONSOLIDATED		BANK	
		2003	2002	**2003**	2002
	NOTE	**$M**	$M	**$M**	$M
ASSETS					
Cash and liquid assets	15	**769**	414	**768**	413
Due from other financial institutions	16	**335**	239	**257**	199
Trading securities	17	**5,276**	5,778	**5,127**	5,660
Investment securities	18	**143**	391	**115**	354
Loans and other receivables	19	**48,904**	42,767	**47,444**	41,832
Bank acceptances of customers		**3,391**	1,662	**3,391**	1,662
Amounts receivable from controlled entities		**–**	–	**1,444**	1,322
Investment in controlled entities		**–**	–	**1,764**	1,723
Investment in associated companies	23	**7**	10	**2**	4
Other investments	24	**102**	108	**20**	18
Property, plant and equipment	25	**506**	546	**385**	414
Goodwill	26	**1,268**	1,377	**826**	895
Other assets	27	**2,013**	1,712	**1,874**	1,555
TOTAL ASSETS		**62,714**	55,004	**63,417**	56,051
LIABILITIES					
Deposits and other borrowings	28	**45,291**	38,394	**45,212**	38,376
Due to other financial institutions	29	**501**	912	**501**	895
Bank acceptances		**3,391**	1,662	**3,391**	1,662
Amounts payable to controlled entities		**–**	–	**1,233**	1,650
Provision for dividends	30	**10**	221	**2**	211
Income tax liability	31	**320**	272	**287**	224
Other provisions	32	**93**	115	**85**	108
Bonds and notes	33	**5,548**	7,303	**5,548**	7,303
Loan capital	34	**1,080**	1,002	**1,080**	1,002
Bills payable and other liabilities	35	**2,115**	1,285	**2,012**	1,067
TOTAL LIABILITIES		**58,349**	51,166	**59,351**	52,498
NET ASSETS		**4,365**	3,838	**4,066**	3,553
SHAREHOLDERS' EQUITY					
Share capital	36	**3,468**	3,349	**3,485**	3,349
Reserves	37	**104**	79	**114**	89
Retained profits	38	**442**	71	**467**	115
Shareholders' equity attributable to members of the Bank		**4,014**	3,499	**4,066**	3,553
Outside equity interests in controlled entities	39	**351**	339	**–**	–
TOTAL SHAREHOLDERS' EQUITY		**4,365**	3,838	**4,066**	3,553

These Statements of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	NOTE	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M	BANK 2003 $M	BANK 2002 $M
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		**3,441**	3,074	**3,384**	3,021
Interest paid		**(2,109)**	(1,762)	**(2,133)**	(1,847)
Dividends received		**3**	2	**43**	92
Other income received		**1,009**	926	**577**	511
Operating expenses paid		**(1,205)**	(1,171)	**(992)**	(877)
Income taxes paid		**(259)**	(231)	**(205)**	(161)
Net proceeds from/(payments for) the sale and purchase of trading securities		**472**	(2,208)	**504**	(2,105)
Net cash provided by/(used in) operating activities	(a)	**1,352**	(1,370)	**1,178**	(1,366)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of controlled entities	(c)	**-**	(33)	**-**	(6)
Disposal of controlled entities	(d)	**(4)**	(2)	**-**	-
Restructuring costs		**(20)**	(18)	**(20)**	(10)
Investment in controlled entities		**-**	-	**(41)**	-
Net proceeds from/(payments for) the sale and purchase of investment securities		**247**	72	**237**	(1)
Net increase in loans and other receivables		**(6,208)**	(2,764)	**(5,680)**	(2,749)
Payments for shares		**(4)**	(24)	**(1)**	(17)
Proceeds from sale of shares		**12**	28	**10**	26
Payments of research and development costs		**(6)**	(11)	**-**	-
Payments for property, plant and equipment		**(53)**	(74)	**(47)**	(66)
Proceeds from sale of property, plant and equipment		**64**	10	**64**	10
Net (increase)/decrease in amounts receivable from controlled entities		**-**	-	**(83)**	289
Net increase in other assets		**(2)**	(232)	**(1)**	(187)
Net cash used in investing activities		**(5,974)**	(3,048)	**(5,562)**	(2,711)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits		**7,024**	2,542	**6,970**	2,889
Proceeds from other borrowings		**9,901**	19,758	**9,901**	19,758
Repayment of other borrowings		**(10,845)**	(19,232)	**(10,845)**	(19,232)
Proceeds from loan capital		**249**	301	**249**	301
Repayment of loan capital		**(39)**	-	**(39)**	-
Decrease in amounts payable to controlled entities		**-**	-	**(278)**	(727)
Net (decrease)/increase in other liabilities		**(434)**	95	**(429)**	89
Proceeds from the issue of shares		**5**	99	**5**	99
Net proceeds from the issue of a perpetual note		**17**	-	**17**	-
Dividends paid		**(374)**	(290)	**(340)**	(250)
Net cash provided by financing activities		**5,504**	3,273	**5,211**	2,927
Net increase/(decrease) in cash and cash equivalents		**882**	(1,145)	**827**	(1,150)
Cash and cash equivalents at the beginning of the financial year		**(469)**	676	**(493)**	657
Cash and cash equivalents at the end of the financial year	(b)	**413**	(469)	**334**	(493)

These Statements of Cash Flows should be read in conjunction with the notes to the Statements of Cash Flows and the accompanying notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTES TO STATEMENTS OF CASH FLOWS				
(a) Reconciliation of net profit to net cash provided by operating activities				
Profit from ordinary activities after tax	**653**	428	**600**	413
Profit on trading	**(53)**	(45)	**(53)**	(48)
Exchange gain on foreign currency borrowing - controlled entity	**-**	-	**(38)**	(18)
Profit on sale of property, plant and equipment	**(25)**	(1)	**(25)**	(1)
Net profit on sale of shares	**(3)**	(22)	**(2)**	(21)
Bad and doubtful debts expense	**102**	87	**100**	91
Depreciation	**71**	68	**60**	56
Amortisation				
- leasehold	**1**	1	**1**	1
- goodwill	**108**	110	**69**	67
- deferred expenditure	**75**	66	**64**	60
Write-down of investments	**4**	22	**-**	18
Write-off of deferred expenditure	**-**	60	**-**	60
Goodwill write-off	**-**	72	**-**	-
Decrease in interest receivable	**2**	11	**1**	6
Decrease/(increase) in other income receivable	**10**	(14)	**(35)**	22
Decrease/(increase) in trading securities	**472**	(2,208)	**504**	(2,105)
Decrease in interest payable	**(126)**	(30)	**(126)**	(34)
Increase/(decrease) in accrued expenses	**35**	(6)	**18**	19
Increase in income tax liability provisions	**48**	7	**63**	23
(Decrease)/increase in other provisions	**(22)**	24	**(23)**	25
Net cash provided by/(used in) operating activities	**1,352**	(1,370)	**1,178**	(1,366)
(b) Reconciliation of cash				
For the purpose of the Statements of Cash Flows, cash at the end of the financial year is reconciled to the following items in the Statements of Financial Position:				
Cash and liquid assets	**769**	414	**768**	413
Due from other financial institutions - at call	**328**	194	**250**	154
Due to other financial institutions - at call	**(501)**	(912)	**(501)**	(895)
Bills payable	**(183)**	(165)	**(183)**	(165)
Cash and cash equivalents at the end of the financial year	**413**	(469)	**334**	(493)

NOTES TO STATEMENTS OF CASH FLOWS

(c) Acquisition of controlled entities

There were no acquisitions of controlled entities during the year ended 30 September 2003.

During the year ended 30 September 2002, the Bank acquired 100% of Deutsche Equity Lending Australia Limited (now St.George Equity Finance Limited) and Deustche ML Nominees Limited (now Target Nominees Limited).

On 5 November 2001, WealthPoint Limited (now St.George WEL Limited) became a wholly owned subsidiary.

Net cash flows relating to these acquisitions were $6 million and $27 million respectively.

(d) Disposal of controlled entities

On 8 January 2003, the consolidated entity disposed of its 100% interest in Australian Clearing Services Pty Limited (ACS) for $1.2 million consideration. ACS's contribution to net profit from 1 October 2002 to the date of its disposal was $191,000.

On 22 March 2002, the consolidated entity disposed of its 100% interest in Falkiners Stockbroking Limited for nil consideration.

Details of the disposals undertaken are as follows:

	2003 ACS $M	2002 FALKINERS $M
Consideration receivable	**1**	-
Fair value of net tangible assets disposed:		
– Cash	**4**	2
– Loans & other receivables	**16**	7
– Property, plant and equipment	**1**	-
– Creditors	**(19)**	(7)
– Provisions	**-**	(2)
Net assets disposed	**2**	-
Less: cash disposed	**(4)**	(2)
Net outflow of cash on disposal	**(4)**	(2)

Notes to the Financial Statements

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

In this Financial Report, St.George Bank Limited, the parent entity is referred to as the Bank.

The following terminology is also used:

- the consolidated entity is St.George Bank Limited and its controlled entities; and
- controlled entities are entities controlled by St.George Bank Limited (as listed in Note 46).

The significant accounting policies that have been adopted in the preparation of this Financial Report are as follows:

(a) Bases of Accounting

This general purpose Financial Report complies with the accounts provisions of the Banking Act, Corporations Act 2001, applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

Unless otherwise indicated, all amounts are expressed in Australian currency and are shown in $ million.

The accounting policies adopted have been consistently applied and except for changes in accounting policies set out in Note 2 are consistent with those of the previous year.

(b) Historical Cost

This Financial Report has been prepared on the basis of historical cost except for AASB 1038: "Life Insurance Business" requirements or where indicated. Securities and derivatives held for trading purposes have been marked to market.

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount as at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. When assessing the recoverable amount for a particular non-current asset, the net cash flows arising from the asset's continued use and subsequent disposal have not been discounted to its present value, except where specifically stated.

(c) Consolidation

The consolidated Financial Report comprises the Financial Report of the Bank and its controlled entities.

Where an entity commenced or ceased to be controlled during the year, its results are only included from the date control commenced or up to the date control ceased.

Outside interests in the equity and results of the entities that are controlled by the Bank are shown as a separate item in the consolidated Financial Report.

All inter-entity balances and transactions have been eliminated.

(d) Excess of Market Value over Net Assets of Controlled Entities

Investments in controlled entities by St.George Life Limited are recorded at market value. On consolidation, the excess of net market value of these controlled entities over their underlying net assets is separately recognised and included in other assets.

This amount is assessed at each reporting date with changes in value recorded as other income or expense in accordance with Accounting Standard AASB 1038 "Life Insurance Business."

(e) Foreign Currency

All monetary assets and liabilities held in foreign currencies are shown in this Financial Report at the exchange rates prevailing at balance date. Foreign currency forwards, futures, swaps and options are valued at the appropriate market rates at balance date. Unrealised profits and losses arising from these revaluations are recognised in the Statements of Financial Performance.

For foreign exchange trading activities, it is the policy of the consolidated entity to maintain a substantially matched position in foreign currency assets and liabilities, hence net exposure to exchange risk is not material.

(f) Translation of Controlled Foreign Entities

The Financial Reports of overseas controlled entities that are integrated foreign operations are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the Statements of Financial Performance. The Financial Reports of overseas controlled entities that are self sustaining foreign operations are translated using the current method. Monetary assets and liabilities are translated into Australian currency at the rates of exchange current at balance date. Equity items are translated at historical rates. Non monetary items and revenue and expense items are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal of the operations.

(g) Roundings

The Bank is a company of the kind referred to in ASIC Class Order No 98/0100 dated 10 July 1998. Accordingly, amounts in this Financial Report have been rounded to the nearest one million dollars except where otherwise stated.

(h) Cash and Liquid Assets

Cash and liquid assets comprise cash held in branches, ATMs, cash at bankers, money at call, bills receivable and remittances in transit and securities purchased under agreement to resell. Interest income on cash and liquid assets is recognised in the Statements of Financial Performance when earned.

(i) Due from Other Financial Institutions

Balances due from other financial institutions include loans, nostro balances and settlement account balances due from other banks. They are brought to account at the gross balance outstanding. Interest income is recognised in the Statements of Financial Performance when earned.

(j) Trading Securities

Trading securities are purchased without the intention of being held to maturity. The securities are recorded at net fair value based on quoted market prices. Realised and unrealised gains and losses are recognised in the Statements of Financial Performance. Interest on trading securities is included in net interest income. At acquisition, trading securities are recorded on a trade date basis.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(k) Investment Securities

Investment securities are purchased with the intention of being held to maturity. The securities are recorded at cost plus accrued interest and, in respect of fixed interest securities, are adjusted for amortised premiums and discounts. Premiums and discounts are amortised from the date of acquisition so that the securities reflect their face value at maturity. The amortisation of premiums and discounts is recognised in the Statements of Financial Performance as net interest income. Gains or losses on disposal of investment securities prior to maturity are brought to account when realised. Unrealised losses are not brought to account unless the recoverable amount is less than the carrying amount. Investment securities are recorded on a trade date basis. Interest income is recognised in the Statements of Financial Performance when earned.

(l) Repurchase Agreements

Securities sold under agreements to repurchase are retained in the Statements of Financial Position as Trading Securities or Investment Securities, as applicable, and accounted for accordingly. The obligation to repurchase is recognised as a liability and disclosed as Deposits and Other Borrowings. Securities purchased under agreements to resell are recorded as Liquid Assets.

(m) Loans and Other Receivables

Loans and other receivables include residential, commercial, credit card, overdrafts and other personal loans, leasing, hire purchase, bill financing, leveraged leases and margin lending.

Receivables referred to above are carried at the recoverable amount represented by the gross value of the loan balance adjusted for specific provisions for doubtful debts, interest reserved and in respect of leveraged leases, unearned tax remissions.

Interest and material yield related fees are recognised in the Statements of Financial Performance when earned.

(i) Leasing Receivables
Finance leases, in which the consolidated entity is the lessor, are included in Loans and Other Receivables. At the beginning of the lease term, the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value is recorded in the Statements of Financial Position. Income attributable to the leases is brought to account progressively in the Statements of Financial Performance over the lease term in accordance with an actuarial method so as to achieve a constant periodic rate of return on the leases outstanding.

(ii) Structured Investments
Investments by the consolidated entity in research and development syndicates, participation in leveraged leases and equity swaps are recorded at the amounts equal to the consolidated entity's participation and included in Loans and Other Receivables in the Statements of Financial Position.

Revenue is brought to account based on a method that yields a constant rate of return.

(n) Impaired Assets

The consolidated entity has adopted the Australian Prudential Regulation Authority's (APRA) guidelines for classifying impaired assets, which consist of the following broad categories:

(i) Non-Accrual Loans
Loans are classified as non-accrual where:

(1) contractual payments of principal and/or interest are 90 or more days in arrears, and where the value of security is insufficient to cover repayment of principal and interest;
(2) a specific provision has been raised; and/or
(3) there is reasonable doubt about the ultimate collectability of principal and interest within an acceptable timeframe.

Income on non-accrual loans is recognised only on a cash basis and when the cash received is not a principal payment. If necessary a specific provision for doubtful debts is recognised so that the carrying amount of the loan does not exceed the expected future cash flows.

(ii) Restructured Loans
These are loans where the original contractual terms have been amended to provide concessions of interest or principal as a result of a customer's financial or other difficulties in complying with the original facility terms. For these loans, interest and fees are recognised as income on an accruals basis, whilst the customer complies with the modified terms and conditions.

(iii) Assets Acquired Through Security Enforcement
This category comprises assets where ownership has been assumed in settlement of a debt. These assets are recorded in the Statements of Financial Position under Other Investments (refer Note 1(r)) and are subject to revaluation each year.

(o) Bad Debts Written Off and Provision for Doubtful Debts

Bad debts are written off as they arise. For personal lending, residential lending and commercial lending, the consolidated entity has a policy of providing for possible losses on the basis of amounts set aside to cover specific debts that are considered doubtful.

The general provision for doubtful debts (not tax effected) when combined with the tax effected balance of Unearned Income-Mortgage Insurance Premiums represents 0.51% (2002: 0.52%) of risk weighted assets.

Unearned Income-Mortgage Insurance Premiums, disclosed in the Statements of Financial Position under Bills Payable and Other Liabilities, represents a provision against potential defaults not specifically identified in respect of the housing loans insured by St.George Insurance Pte Ltd.

In the insurance operation, a loss provision is maintained against potential claims where the entity has been notified that a claim may arise.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(p) Bank Acceptances of Customers
The potential liability arising as a result of bank bill acceptances that are sold into the market is recorded in the Statements of Financial Position as a liability. An equal and offsetting claim exists against customers in the event of a call on this potential liability and is recorded in the Statements of Financial Position as an asset. Bank acceptances generate fee income that is recognised in the Statements of Financial Performance when earned.

Discounted bills accepted by the consolidated entity are recorded as part of Trading Securities as the intention at the time of discount is to offer the bills for resale.

(q) Investments in Associated Companies
Investments in associates have been accounted for using the equity method where material.

Under the equity method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated Statements of Financial Performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence but not control.

(r) Other Investments
Property, plant and equipment held for sale are shown in the Statements of Financial Position as Other Investments.

Buildings classified as Other Investments are not depreciated.

Land and buildings held for sale have been independently valued at 30 September 2002. Adjustments arising from revaluations are reflected in the Asset Revaluation and Realisation Reserve applicable to this class of asset. If no such reserve exists, revaluation decrements are recognised in the Statements of Financial Performance and to the extent that an increment reverses a previous revaluation decrement, it is recognised as revenue in the Statements of Financial Performance.

Holding costs such as rates and taxes are not capitalised. Development costs are capitalised to the extent that they are considered to be recoverable.

Shares in entities and other securities are recorded at cost or recoverable amount. Unrealised losses relating to diminution in the value of shares in entities and other securities are recognised in the Statements of Financial Performance.

(s) Property, Plant and Equipment
The consolidated entity obtains an independent valuation of its land and buildings as required, except where such properties are in the course of construction or major renovation, or in the process of being sold.

In addition, individual land and buildings are valued prior to sale where their carrying value exceeds the recoverable amount. Capital gains tax, if applicable, is recognised in determining income tax expense in the period in which the land and buildings are sold.

Increments and decrements arising upon revaluation of land and buildings are recognised in the Asset Revaluation and Realisation Reserve and continue to be recorded in this reserve following subsequent disposal. If no such reserve exists, revaluation decrements are recorded in the Statements of Financial Performance and to the extent that an increment reverses a previous revaluation decrement, it is recognised as revenue in the Statements of Financial Performance.

(t) Depreciation
Plant and equipment of the consolidated entity, including buildings, are depreciated on a straight-line basis over their estimated useful lives.
Leasehold improvements are depreciated on a straight-line basis over the remaining lease term or their estimated useful lives, whichever is the shorter.

The estimated useful lives are as follows:

– Buildings	20 to 60 years
– Plant and Equipment	3 to 10 years
– Leasehold Improvements	1 to 10 years

(u) Goodwill
With the exception of acquisitions undertaken by St.George Life Limited (refer Note 1 (d)), the excess of purchase consideration plus incidental costs over the fair value of the identifiable net assets at the date of each acquisition is recognised as goodwill. Such goodwill is recorded as an intangible asset in the Statements of Financial Position and is amortised, by systematic charges against income, on a straight line basis over the period of time during which benefits are expected to arise. Goodwill is amortised from the date of acquisition over a period not exceeding twenty (20) years. The unamortised balance of goodwill and the period of amortisation is reviewed annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the Statements of Financial Performance.

In determining the fair value of the identifiable net assets acquired, a liability for restructuring is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(v) Other Assets
Other assets comprise sundry debtors, at the cash value to be realised when settled.

Other assets also include unrealised gains on derivative instruments recognised in accordance with Note (1) (hh), deferred expenditure, prepayments and the excess market value over the net assets of St.George Life Limited's controlled entities. Expenditure is deferred where it is considered that it is probable that future economic benefits embodied in the expenditure will eventuate and can be reliably measured. Deferred expenditure is amortised over the period in which the related benefits are expected to be derived and is reviewed at each reporting date to determine the amount, if any, that is no longer recoverable. Any such amount is written off in the Statements of Financial Performance. The excess market value over the net assets of St.George Life Limited's controlled entities is assessed at each reporting date with changes in value being recorded in the Statements of Financial Performance.

(w) Deposits and Other Borrowings
Deposits and other borrowings comprise negotiable certificates of deposit, term deposits, saving deposits, cheque and other demand deposits, unsecured guaranteed notes and secured borrowings. Interest is recognised in the Statements of Financial Performance when incurred.

(x) Due to Other Financial Institutions
Balances due to other financial institutions include deposits, settlement account balances and vostro balances. They are brought to account at the gross balance outstanding. Interest is recognised in the Statements of Financial Performance when incurred.

(y) Provision for Dividends
This item comprises provision for dividends in respect of depositary capital securities and preferred resetting yield marketable equity securities.

The provision for dividend relating to preferred resetting yield marketable equity securities is calculated on a balance of $300 million at a fixed rate of interest of 6.36% per annum for the first five years, after which the Bank has the option to reset the rate. The dividends are paid semi-annually in February and August.

The depositary capital securities dividend provision is calculated on the value of securities, being US$250 million, at a fixed rate of interest of 8.485% per annum, payable semi-annually in June and December each year.

The provision for dividend relating to ordinary shares is recognised in the reporting period in which the dividends are declared.

(z) Income Tax Liability
The consolidated entity has adopted the liability method of tax effect accounting, whereby income tax expense for the year is matched with the accounting profit after allowing for permanent differences not deductible/assessable for income tax purposes.

Timing differences arising from items brought to account in differing periods for income tax and accounting purposes have been reflected in future income tax benefit and provision for deferred income tax.

(aa) Provision for Employee Entitlements
The provision for employee entitlements to annual leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated using wage and salary rates the Bank expects to pay and includes related on-costs.

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Liabilities for employee entitlements that are not expected to be settled within twelve months are discounted using the rates attaching to national government guaranteed securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

The Bank has an executive option plan and various employee share plans in operation. Refer to Note 41 for further information.

The Bank contributes to two employee superannuation funds. Contributions are charged as an expense in the Statements of Financial Performance as incurred. Further information is set out in Note 45 to this Financial Report.

(bb) Provision for Directors' Retirement
Provision for directors' retirement payments has been made in accordance with the Bank's Constitution.

(cc) Provision for Restructuring Costs

(i) On Acquisition
A liability for restructuring costs is recognised at the date of acquisition of an entity where the acquiring entity is demonstrably committed to the restructuring and a reliable estimate of the liability can be made. Restructuring costs of the acquired entity are included in the determination of goodwill on acquisition.

(ii) Of existing entities
Where a reliable estimate can be made, a liability for restructuring costs of an existing entity is recognised at the date of commencement of the restructuring program.

(dd) Bonds and Notes
Bonds and Notes comprise euro commercial paper and other fixed and floating senior debt securities issued under the Bank's debt instrument programme, euro note programme and other private placements. Interest is recognised in the Statements of Financial Performance as incurred.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(ee) Loan Capital

Loan Capital comprises subordinated debt issued by the consolidated entity which qualifies for inclusion as capital in accordance with APRA prudential requirements. Interest is recognised in the Statements of Financial Performance as incurred.

(ff) Bills Payable and Other Liabilities

Bills Payable and Other Liabilities include unrealised losses on derivative instruments recognised in accordance with Note (1) (hh), market revaluation of trading derivatives, revaluation of cross currency swaps used to hedge foreign currency risk, sundry creditors and accruals, unearned income on mortgage insurance premiums and banker's bond premiums. These liabilities are recognised at the cash value to be realised when settled.

(gg) Shareholders' Equity

(i) Ordinary Share Capital - Issued and Paid Up
Ordinary share capital is recognised at the value of the amount paid up. Share issue and share buy-back costs are charged against share capital.

Ordinary shares issued to employees at a discount to market price under the Employee Reward Share Plan and Executive Performance Share Plan will have no amount debited to Share Capital.

(ii) Preferred Resetting Yield Marketable Equity Securities
On 21 February 2001, three million preferred resetting yield marketable equity securities at $100 each were issued by the Bank. The issue netted $291 million after issue related expenses. These shares are entitled to a preference dividend of 6.36% per annum for the next five years, after which the Bank has the option to reset the rate.

(iii) Reserves

(1) Asset Revaluation and Realisation Reserve - increments and decrements (where they reverse a previous increment) arising upon the revaluation of land, buildings and other investments are recognised in the Asset Revaluation and Realisation Reserve.

(2) Claims Equalisation Reserve – the purpose of this reserve is to provide a prudential buffer against fluctuations in mortgage insurance claims. In the event that there was an abnormal claims experience, a portion of this reserve could be transferred back to retained profits.

(3) Reserve for Redemption of Borrowers' and Depositors' Shares – the purpose of this reserve is to recognise the redemption of all Borrowers' and Depositors' shares.

(iv) Outside Equity Interests in Controlled Entities
Outside equity interests comprise depositary capital securities issued by St.George Funding Company LLC, ordinary shares issued to minority shareholders by St.George Motor Finance Limited and perpetual notes issued by the Bank.

The depositary capital securities were issued on 19 June 1997 raising US$250 million. The securities are on issue in perpetuity subject to redemption rights held by the Bank in years 2007, 2017 and 2022. APRA approval is required to enable the redemption rights of the Bank to be exercised. The securities have no voting rights with respect to the operations of the Bank and are treated as Tier 1 capital for Capital Adequacy purposes.

On 16 December 2002, the Bank issued one perpetual note raising NZ $19 million. The note has no voting rights or entitlement to dividends or other payment. In a winding up, the note on issue is convertible into ordinary shares of the Bank.

(hh) Derivative Financial Instruments

The consolidated entity makes use of the derivatives market for trading purposes and to hedge foreign exchange and interest rate risk.

Derivatives bought or sold for trading purposes are carried at net fair value at balance date. Realised and unrealised changes in the net fair value are recognised in the Statements of Financial Performance in the period in which the change occurs.

Derivatives bought or sold for the Bank's hedging purposes are accounted for on the same basis as the underlying exposure. Where the underlying exposure is accounted for on an accruals basis, any gain or loss realised on the derivative instrument is deferred and taken up as an adjustment to the yield on the underlying exposure over its remaining life.

The market value of trading derivatives and deferred gains or losses on hedging derivatives are recognised as Other Assets when favourable to the consolidated entity and Other Liabilities when unfavourable.

(ii) Life Insurance Business

The consolidated entity conducts life insurance business through its controlled entity, St.George Life Limited (SGL). SGL which is accounted for in accordance with the requirements of Accounting Standard AASB 1038 "Life Insurance Business" as summarised below:

(i) All assets, liabilities, revenues, expenses and equity are included in the financial report irrespective of whether they are designated as relating to policyholders or to shareholders.

(ii) All assets are measured at net market values.

(iii) All liabilities are measured at net present values. Policy liabilities are calculated in accordance with the principles of Margin on Services (MoS) profit reporting as set out in Actuarial Standard AS 1.03 "Valuation of Policy Liabilities" issued by the Life Insurance Actuarial Standards Board. Other Liabilities are measured at net present value at reporting date.

(iv) Premiums and claims are separated on a product basis into their revenue, expense and change in liabilities components unless the separation is not practicable or the components cannot be reliably measured.

(v) Return on all investments controlled by SGL are recognised as revenues.

The shareholders' interest in the profits of the statutory funds is brought to account in the Statement of Financial Performance of the consolidated entity. Profits derived by life insurance companies are determined in accordance with the principle of MoS profit reporting as set out in Actuarial Standard AS 1.03 "Valuation of Policy Liabilities" issued by the Life Insurance Actuarial Standards Board. Policy liabilities are calculated in a way which allows for systematic release of planned profit margins as services are provided to policy owners and the revenues relating to those services are received.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Shareholders' access to the retained profits and shareholders' capital is restricted to the extent that these monies are required to meet the solvency and capital adequacy standards under the Life Insurance Act 1995.

(jj) Fiduciary Activities

A number of controlled entities act as Trustee and/or Manager, Administrator or Custodian for a number of superannuation funds, investment trusts, superannuation services, approved deposit funds, life insurance funds and managed client portfolios. The value of managed funds at 30 September 2003 was $19,820 million (2002: $17,447 million).

The assets and liabilities of these funds and trusts are not included in the consolidated Financial Report as the Bank does not have the capacity to directly or indirectly control the funds and trusts.

Commissions and fees derived by the controlled entities in respect of these activities are included in the Statements of Financial Performance.

(kk) Fee Income

Fees, if material, are segregated between cost recovery and risk related. The risk related fees are taken to income over the period of the underlying risk. The balance of the fees is considered to represent cost recovery and is taken to income when received.

(ll) Unearned Revenue

(i) Unearned revenue in relation to finance leases, commercial hire purchases, consumer lending and bills of sale has been calculated using appropriate actuarial factors so that revenue earned over the term of the contract bears a constant relationship to the funds employed.
Receivables referred to above are shown in the Statements of Financial Position net of unearned revenue.

(ii) Unearned income of the insurance operation has been calculated by spreading the net premium revenue over the expected period of the risk.
The unexpired risk reserve of the insurance operation is disclosed as Unearned Income – Mortgage Insurance Premiums in this Financial Report.

(mm) Operating Leases

Operating lease payments are charged as an expense over the term of the lease, on a basis representative of the pattern of service rendered through the provision of the leased property.

The present value of future operating lease payments for surplus leased space under non-cancellable operating leases is recognised as a liability, net of any sub-leasing revenue, in the year it is determined that the leased space will be of no future benefit to the consolidated entity.

(nn) Loan Securitisation

The consolidated entity periodically sells receivables to special purpose trusts that issue securities to investors. These transactions transfer the risks and rewards of ownership and therefore meet APRA's criteria for recognition as sales. As such, the receivables sold are removed from the Statements of Financial Position.

The consolidated entity receives the following service fees and other income from the securitisation programs:

(i) Service, manager and custodian fees are received and recognised over the period in which the relevant fee is earned.

(ii) Redraw facility fee – the consolidated entity provides the securitisation programs with redraw facilities in accordance with APRA's prudential guidelines.

(iii) Residual income – the consolidated entity is entitled to receive residual income from the securitisation programs. This income comprises interest receivable on the securitised loans (net of any swap receipts/payments) less interest payable to holders of Mortgage Backed Bonds and other fees and expenses payable. The residual income is recognised when receivable.

(iv) Swap fees - Basis and interest rate swaps are provided at arms length to the program by the consolidated entity in accordance with APRA prudential guidelines. Basis and interest rate swaps are accounted for on an accruals basis.

(oo) Earnings Per Share

(i) Basic earnings per ordinary share is determined by dividing net profit after income tax attributed to members of the Bank, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year.

(ii) Basic earnings per preferred resetting yield marketable equity security is determined by dividing the dividend entitlement on these securities during the financial year by the weighted average number of securities outstanding during the financial year.

(iii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per ordinary share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to the dilutive potential ordinary shares.

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 consolidated entity expects to pay as at each reporting date, not wage and salary rates current at the reporting date.

The initial adjustments to the consolidated entity's 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
- $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 on opening retained profits is disclosed in Note 38.

(c) Provisions and Contingencies

The Bank 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 entity's financial report as at 1 October 2002 as a result of this change are:

- $209 million increase in opening retained profits
- $209 million decrease in provision for 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 on opening retained profits is disclosed in Note 38.

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 3 INTEREST				
Interest income				
Cash and liquid assets	**21**	30	**19**	28
Due from other financial institutions	**5**	5	**2**	2
Trading and investment securities	**269**	228	**264**	227
Loans and other receivables	**3,139**	2,801	**3,091**	2,749
Controlled entities	**-**	-	**10**	8
Total interest income	**3,434**	3,064	**3,386**	3,014
Interest expense				
Deposits and other borrowings	**1,488**	1,255	**1,483**	1,255
Bonds and notes	**421**	415	**421**	415
Loan capital	**60**	52	**60**	52
Other financial institutions	**14**	9	**13**	8
Controlled entities	**-**	-	**38**	83
Total interest expense	**1,983**	1,731	**2,015**	1,813

Notes to the Financial Statements

		CONSOLIDATED		BANK	
		2003	2002	**2003**	2002
	NOTE	**$M**	$M	**$M**	$M
NOTE 4 OTHER INCOME					
Dividends					
– Controlled entities		**-**	-	**40**	91
– Other persons		**3**	2	**3**	1
Factoring and invoice discounting income		**20**	20	**-**	-
Trading income		**53**	45	**53**	48
Foreign exchange gain – controlled entity		**-**	-	**38**	18
Management fees – controlled entities		**-**	-	**48**	35
Managed funds		**172**	178	**-**	-
Profit on sale of shares	4(a)	**3**	22	**2**	21
Profit on sale of land and buildings	4(b)	**25**	1	**25**	1
Product fees and commissions					
– Lending fees		**68**	76	**65**	75
– Deposit accounts and other		**398**	359	**366**	328
Rental income		**16**	14	**10**	9
Securitisation service fees		**82**	73	**29**	27
Bills acceptance fees		**48**	32	**48**	32
Brokerage and commission		**-**	10	**-**	-
Other		**22**	20	**6**	11
Total other income		**910**	852	**733**	697
NOTE 4(a) Profit on Sale of Shares					
Gross revenue on sale of shares		**3**	37	**2**	34
Carrying value of shares sold		**-**	15	**-**	13
Profit on sale of shares		**3**	22	**2**	21
NOTE 4(b) Profit on Sale of Land and Buildings					
Gross revenue on sale of land and buildings		**64**	10	**64**	10
Written down value of land and buildings sold		**39**	9	**39**	9
Profit on sale of land and buildings		**25**	1	**25**	1
NOTE 5 BAD AND DOUBTFUL DEBTS					
Bad and doubtful debts (Refer Note 20)					
– Specific provision for doubtful debts		**88**	81	**86**	77
– General provision for doubtful debts		**24**	17	**24**	23
– Recoveries		**(10)**	(11)	**(10)**	(9)
Total bad and doubtful debts expense		**102**	87	**100**	91

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 6 OPERATING EXPENSES				
Staff				
Salaries and wages	**469**	454	**424**	401
Contractors' fees	**10**	12	**8**	9
Superannuation contributions	**39**	35	**35**	31
Payroll tax	**30**	29	**27**	25
Fringe benefits tax	**9**	10	**8**	9
Restructuring	**-**	28	**-**	28
Other	**20**	18	**15**	18
Total staff expenses	**577**	586	**517**	521
Computer and equipment				
Depreciation	**41**	37	**37**	33
Deferred expenditure				
– amortisation	**75**	66	**64**	60
– write-off	**-**	60	**-**	60
Rentals on operating leases	**16**	17	**16**	17
Other	**75**	70	**72**	66
Total computer and equipment expenses	**207**	250	**189**	236
Occupancy				
Depreciation and amortisation	**31**	32	**24**	24
Rent				
– controlled entities	**-**	-	**13**	13
– other persons	**59**	54	**55**	49
Restructuring	**-**	2	**-**	2
Other	**35**	40	**31**	36
Total occupancy expenses	**125**	128	**123**	124
Administration and other				
Fees and commissions	**29**	27	**21**	27
Fees and commissions - controlled entities	**-**	-	**9**	8
Advertising and public relations	**46**	53	**42**	47
Telephone	**13**	14	**12**	14
Printing and stationery	**36**	35	**31**	30
Postage	**18**	17	**17**	16
Write-down of investments	**4**	22	**-**	18
Subscriptions and levies	**6**	5	**6**	5
Other*	**109**	110	**88**	102
Total administration and other expenses	**261**	283	**226**	267
Total operating expenses	**1,170**	1,247	**1,055**	1,148

* Includes donations of $11,700 to the Australian Labor Party, $4,100 to the Liberal Party and $3,100 to the National Party, reflecting functions attended during the year.

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 7 GOODWILL				
Amortisation	**108**	110	**69**	67
Write-off	**-**	72	**-**	-
	108	182	**69**	67
NOTE 8 INCOME TAX EXPENSE				
Income tax expense shown in the Statements of Financial Performance differs from prima facie income tax payable on pre-tax ordinary profit for the following reasons:				
Profit from ordinary activities before income tax	**978**	668	**880**	592
Prima facie income tax payable calculated at 30% of ordinary profit	**293**	200	**264**	178
Add tax effect of permanent differences that increases tax payable				
Amortisation of goodwill	**32**	33	**21**	20
Depreciation on buildings	**2**	3	**-**	1
General provision for doubtful debts	**7**	5	**7**	7
Goodwill write-off	**-**	22	**-**	-
Non-deductible write-downs	**3**	-	**-**	-
Tax losses not recognised	**3**	-	**-**	-
Restatement of deferred tax balances	**-**	1	**-**	1
Underprovision/(overprovision) in prior year	**2**	(1)	**3**	-
Other non-deductible expenditure	**3**	-	**4**	2
Less tax effect of permanent differences that reduces tax payable				
Deduction allowable on depositary capital securities	**10**	12	**-**	-
Deduction allowable on shares issued under Employee Reward Share Plan	**2**	2	**2**	2
Deductions allowable on buildings	**2**	2	**-**	1
Rebateable and franked dividends	**1**	1	**13**	27
Difference between accounting profit and assessable profit on disposal of shares	**-**	4	**-**	-
Difference between accounting profit and assessable profit on disposal of buildings	**3**	-	**3**	-
Other items	**2**	2	**1**	-
Income tax expense	**325**	240	**280**	179

Tax Consolidation

At the date of this report, the Directors of the Bank have not made a decision whether or not to elect into the consolidation regime. The Bank is continuing to consider the implications associated with the tax consolidation regime.

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 9 INDIVIDUALLY SIGNIFICANT ITEMS				
Other Income				
Other income before individually significant item	**910**	834	**733**	678
Individually Significant Item				
Profit on sale of shares (i)	**-**	18	**-**	19
Total other income	**910**	852	**733**	697
Operating expenses				
Operating expenses before individually significant items	**1,170**	1,135	**1,055**	1,040
Individually Significant Items				
Write-down of investments (ii)	**-**	22	**-**	18
Restructure costs (iii)	**-**	30	**-**	30
Write-off of deferred expenditure balances (iv)	**-**	60	**-**	60
	-	112	**-**	108
Total operating expenses	**1,170**	1,247	**1,055**	1,148
Goodwill				
Goodwill amortisation before significant item	**108**	110	**69**	67
Individually Significant Item				
Goodwill write-off (v)	**-**	72	**-**	-
Total goodwill charge	**108**	182	**69**	67
Income tax expense				
Income tax expense before individually significant items	**325**	270	**280**	205
Individually Significant Items				
Income tax expense on profit on sale of shares (i)	**-**	4	**-**	6
Income tax benefit on write-down of investments (ii)	**-**	(7)	**-**	(5)
Income tax benefit on restructure costs (iii)	**-**	(9)	**-**	(9)
Income tax benefit on write-off of deferred expenditure balances (iv)	**-**	(18)	**-**	(18)
	-	(30)	**-**	(26)
Total income tax expense	**325**	240	**280**	179
SUMMARY				
Loss before tax from individually significant items	**-**	(166)	**-**	(89)
Tax benefit attributable to individually significant items	**-**	(30)	**-**	(26)
Net loss after tax from individually significant items	**-**	(136)	**-**	(63)

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 comprised 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.
- $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, $72 million of goodwill was written-off at 31 March 2002.

NOTE 10 DIVIDENDS PROVIDED FOR OR PAID

TYPE	CENTS PER SHARE	CONSOLIDATED $M	BANK $M	DATE OF PAYMENT	FRANKING RATE	PERCENTAGE FRANKED
2003						
Interim 2003 - ordinary shares	**45.0**	**227**	**227**	**2-Jul-03**	**30%**	**100%**
Final 2002 - ordinary shares (1)	**42.0**	**209**	**209**	**13-Dec-02**	**30%**	**100%**
Depositary capital securities (2) (8)		**9**	**-**	**31-Dec-02**	**-**	**-**
Depositary capital securities		**16**	**-**	**30-Jun-03**	**-**	**-**
Depositary capital securities (3)		**8**	**-**	**31-Dec-03**	**-**	**-**
Preferred resetting yield marketable equity securities (5)		**7**	**7**	**20-Feb-03**	**30%**	**100%**
Preferred resetting yield marketable equity securities		**10**	**10**	**20-Aug-03**	**30%**	**100%**
Preferred resetting yield marketable equity securities (7)		**2**	**2**	**20-Feb-04**	**30%**	**100%**
		488	**455**			
2002						
Interim 2002 - ordinary shares	38.0	188	188	2-Jul-02	30%	100%
Final 2002 - ordinary shares (1)	42.0	209	209	13-Dec-02	30%	100%
Depositary capital securities (4)		10	-	31-Dec-01	-	-
Depositary capital securities		19	-	28-Jun-02	-	-
Depositary capital securities (2)		10	-	31-Dec-02	-	-
Preferred resetting yield marketable equity securities (6)		7	7	20-Feb-02	30%	100%
Preferred resetting yield marketable equity securities		10	10	20-Aug-02	30%	100%
Preferred resetting yield marketable equity securities (5)		2	2	20-Feb-03	30%	100%
		455	416			

(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 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 depositary 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:

	CENTS PER SHARE	CONSOLIDATED $M	BANK $M	DATE OF PAYMENT	FRANKING RATE	PERCENTAGE FRANKED
Final – ordinary	50.0	253	253	19-Dec-03	30%	100%

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

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; and

(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; and

(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 11 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

(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.

	2003	2002
Weighted average number of shares		
Basic – ordinary	**502,313,510**	493,146,546
Impact of potential dilutive issue:		
Options over ordinary shares	**238,540**	291,840
PRYMES	**15,016,706**	17,383,746
Diluted – ordinary	**517,568,756**	510,822,132
Basic – PRYMES	**3,000,000**	3,000,000

Reconciliations of earnings used in calculating earnings per share	**2003 $M**	2002 $M
(a) Basic earnings per ordinary share		
Profit from ordinary activities after income tax	**653**	428
Less Net (loss)/profit attributable to outside equity interests	**(5)**	1
Preference dividends	**52**	58
Earnings used in calculating basic earnings per share	**606**	369
Add Goodwill amortisation	**108**	110
Net after tax impact of individually significant items	**-**	136
Earnings used in calculating alternative basic earnings per share	**714**	615
(b) Diluted earnings per ordinary share		
Profit from ordinary activities after income tax	**653**	428
Less Net (loss)/profit attributable to outside equity interests	**(5)**	1
Preference dividends	**52**	58
Add Earnings adjustments on potentially dilutive issues	**19**	19
Earnings used in calculating diluted earnings per share	**625**	388
Add Goodwill amortisation	**108**	110
Net after tax impact of individually significant items	**-**	136
Earnings used in calculating alternative diluted earnings per share	**733**	634
(c) Basic earnings attributable to PRYMES	**19**	19

NOTE 12 AUDITORS' REMUNERATION

	CONSOLIDATED		BANK	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
Amounts paid, or due and payable for audit or review services of statutory financial reports:				
By auditors of the Bank (KPMG)	**1,156**	863	**797**	638
Amounts paid, or due and payable for other services				
By auditors of the Bank (KPMG):				
Audit related services (a)	**1,109**	952	**630**	552
Taxation (b)	**1,255**	696	**1,201**	591
Other (c)	**807**	1,236	**776**	1,167
	3,171	2,884	**2,607**	2,310
Total auditors' remuneration	**4,327**	3,747	**3,404**	2,948

(a) Includes prudential supervision reviews for APRA, prospectus reviews, audits of securitisation trusts and audits and reviews of trusts involved in managed funds activities.

(b) Taxation includes income tax and GST compliance and advice.

(c) Payments made to auditors for other services include:

	2003 $'000	2002 $'000
– Staff assistance services	**136**	135
– Rent and support services in respect of the 1999 acquisition of KPMG Financial Services (now St.George Wealth Management Pty Limited)	**-**	15
– Due diligence assistance	**18**	301
– Other legal services	**279**	487
– Technical advice[1]	**218**	135
– Advice on International Financial Reporting Standards	**156**	-

(1) Primarily comprises advice on structured finance and securitisation transactions.

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000

NOTE 13 REMUNERATION OF DIRECTORS

Remuneration includes all benefits, such as directors' fees, salaries, ongoing superannuation contributions, bonuses and retirement benefits.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	BANK 2003 $'000	BANK 2002 $'000
The total income paid or payable, or otherwise made available, to all directors of the Bank and controlled entities, from the Bank or any related party.	**4,645**	3,636	**3,929**	3,141

The number of directors of the Bank, including the Managing Director, whose total income paid or payable by the Bank or by any related party, falls within the following bands:

			BANK 2003	BANK 2002
$1	–	$10,000	**-**	1
$110,001	-	$120,000	**-**	4
$120,001	-	$130,000	**-**	1
$130,001	-	$140,000	**5**	-
$140,001	-	$150,000	**1**	-
$150,001	-	$160,000	**-**	1
$320,001	-	$330,000	**1**	-
$380,001	-	$390,000	**-**	1 (a)
$510,001	-	$520,000	**-**	1 (b)
$560,001	-	$570,000	**1 (c)**	-
$1,490,001	-	$1,500,000	**-**	1
$2,190,001	-	$2,200,000	**1**	-

No options or shares have been granted to non-executive directors under any of the Bank's employee share or option plans.

Directors' remuneration of the consolidated entity includes the remuneration of executives of the Bank that are directors of partly owned controlled entities. The amount of remuneration included is based on the amount of time spent by the executives on the entities' affairs.

(a) Remuneration includes a retirement payment to G.Ettinger who retired on 29 July 2002. This payment was made in accordance with the Bank's Constitution.

(b) Includes remuneration paid to the Chairman while acting as Executive Chairman for the period 1 October 2001 to 13 January 2002.

(c) Remuneration includes a retirement payment to JJ Mallick who retired on 31 May 2003. This payment was made in accordance with the Bank's Constitution.

NOTE 14 REMUNERATION OF EXECUTIVE OFFICERS

Executives' remuneration includes cash, all prescribed benefits, superannuation and bonuses and excludes shares or options granted under the Employee Performance Share Plan or Executive Option Plan.

Executive officers include the Managing Director, Group Executive Managers and their functional or divisional heads.

The number of executive officers of the consolidated entity whose remuneration for the financial year exceeded $100,000, fall within the following bands:

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
$120,001 - $130,000	**2**	-	**2**	-
$130,001 - $140,000	**1**	1	**1**	1
$140,001 - $150,000	**1**	-	**1**	-
$150,001 - $160,000	**1**	1	**1**	1
$160,001 - $170,000	**3**	-	**3**	-
$170,001 - $180,000	**3**	2	**3**	2
$180,001 - $190,000	**4**	-	**4**	-
$190,001 - $200,000	**1**	-	**1**	-
$200,001 - $210,000	**1**	-	**1**	-
$210,001 - $220,000	**1**	1	**1**	1
$220,001 - $230,000	**-**	3	**-**	3
$230,001 - $240,000	**1**	1	**1**	1
$240,001 - $250,000	**2**	3	**2**	3
$250,001 - $260,000	**1**	3	**1**	3
$260,001 - $270,000	**2**	1	**2**	1
$270,001 - $280,000	**2**	3	**2**	3
$280,001 - $290,000	**-**	2	**-**	2
$290,001 - $300,000	**3**	-	**3**	-
$300,001 - $310,000	**2**	2 (a)	**2**	2 (a)
$310,001 - $320,000	**1**	2 (a)	**1**	2 (a)
$320,001 - $330,000	**1**	2 (a)	**1**	2 (a)
$330,001 - $340,000	**-**	2	**-**	2
$340,001 - $350,000	**1**	4 (a)	**1**	4 (a)
$350,001 - $360,000	**-**	1	**-**	1
$370,001 - $380,000	**1**	1	**1**	1
$380,001 - $390,000	**1**	2	**1**	2
$390,001 - $400,000	**2**	-	**2**	-
$400,001 - $410,000	**1**	-	**1**	-
$410,001 - $420,000	**2**	1 (b)	**2**	1 (b)
$430,001 - $440,000	**1**	1 (b)	**1**	1 (b)
$450,001 - $460,000	**-**	1	**-**	1
$460,001 - $470,000	**-**	1	**-**	1
$480,001 - $490,000	**1**	-	**-**	-
$510,001 - $520,000	**-**	1 (b)	**-**	1 (b)
$540,001 - $550,000	**1**	2 (a)	**1**	2 (a)
$550,001 - $560,000	**-**	1	**-**	1
$560,001 - $570,000	**1**	1	**1**	1
$600,001 - $610,000	**1 (b)**	-	**1 (b)**	-
$610,001 - $620,000	**-**	1	**-**	1
$620,001 - $630,000	**2 (a)**	1 (b)	**2 (a)**	1 (b)
$680,001 - $690,000	**-**	1	**-**	1
$690,001 - $700,000	**1 (b)**	-	**1 (b)**	-
$700,001 - $710,000	**1**	1 (b)	**1**	1 (b)
$730,001 - $740,000	**-**	1 (b)	**-**	1 (b)
$740,001 - $750,000	**1**	-	**1**	-
$800,001 - $810,000	**1**	-	**1**	-
$810,001 - $820,000	**-**	2	**-**	1
$820,001 - $830,000	**1 (b)**	-	**1 (b)**	-
$870,001 - $880,000	**1 (b)**	-	**1 (b)**	-
$880,001 - $890,000	**-**	1 (b)	**-**	1 (b)
$890,001 - $900,000	**-**	1	**-**	1
$910,001 - $920,000	**-**	-	**-**	1
$940,001 - $950,000	**1**	-	**1**	-
$990,001 - $1,000,000	**1**	-	**1**	-
$1,020,001 - $1,030,000	**1**	-	**1**	-
$1,240,001 - $1,250,000	**-**	1 (b)	**-**	1 (b)
$1,310,001 - $1,320,000	**-**	1 (b)	**-**	1 (b)
$1,490,001 - $1,500,000	**-**	1	**-**	1
$1,910,001 - $1,920,000	**-**	1	**-**	-
$2,190,001 - $2,200,000	**1**	-	**1**	-
Total number of executives	**58**	59	**57**	58
Total remuneration received or due and receivable by executive officers of the Bank and controlled entities ($'000)	**24,101**	27,636	**23,614**	25,822

(a) Includes one former employee.
(b) Former employee.

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M

NOTE 15 CASH AND LIQUID ASSETS

Notes, coins and cash at bankers	**220**	203	**219**	203
Money at call	**20**	21	**20**	20
Bills receivable and remittances in transit	**21**	3	**21**	3
Clearing house balance	**14**	30	**14**	30
Securities purchased under agreements to resell	**494**	157	**494**	157
	769	414	**768**	413

NOTE 16 DUE FROM OTHER FINANCIAL INSTITUTIONS

Maturity analysis based on remaining term to maturity at 30 September		
At call	**328**	194
Less than 3 months	**7**	-
Between 3 months and 12 months	**-**	45
	335	239

NOTE 17 TRADING SECURITIES

Government and semi-government securities	**1,243**	1,375	**1,243**	1,375
Bills of exchange - bank accepted/endorsed	**1,419**	1,644	**1,410**	1,635
Negotiable certificates of deposit	**1,187**	512	**1,187**	512
Other marketable securities	**1,427**	2,247	**1,287**	2,138
	5,276	5,778	**5,127**	5,660

NOTE 18 INVESTMENT SECURITIES

Investments at cost				
Government and semi-government securities	**12**	13	**-**	-
Deposits - banks	**16**	24	**-**	-
Mortgage backed securities	**-**	6	**-**	6
Other marketable securities	**115**	348	**115**	348
	143	391	**115**	354
Market Value				
Government and semi-government securities	**12**	13	**-**	-
Deposits - banks	**16**	24	**-**	-
Mortgage backed securities	**-**	6	**-**	6
Other marketable securities	**113**	304	**113**	304
	141	347	**113**	310

Maturity analysis based on remaining term to maturity at 30 September		
At call	**-**	9
Less than 3 months	**67**	50
Between 3 months and 12 months	**-**	-
Between 1 year and 5 years	**76**	332
Greater than five years	**-**	-
Total carrying value	**143**	391

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 19 LOANS AND OTHER RECEIVABLES				
Housing loans (1)	**34,998**	30,535	**34,998**	30,535
Commercial loans	**8,247**	7,256	**7,348**	6,531
Personal loans (2)	**2,762**	2,456	**2,573**	2,362
Lease and commercial hire purchase (3)	**1,996**	1,769	**1,687**	1,653
Structured investments	**189**	176	**183**	170
Credit card receivables	**865**	661	**865**	661
Other	**88**	137	**24**	137
Gross loans and other receivables	**49,145**	42,990	**47,678**	42,049
Less: provisions for impairment (refer Note 20)				
– specific provision for doubtful debts	**65**	71	**61**	68
– general provision for doubtful debts	**176**	152	**173**	149
Net loans and other receivables	**48,904**	42,767	**47,444**	41,832

	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M
Maturity analysis based on remaining term to maturity at 30 September		
Less than 3 months	**21,202**	13,566
Between 3 months and 12 months	**4,304**	2,735
Between 1 year and 5 years	**8,029**	9,462
After 5 years	**15,545**	17,156
Loans and other receivables net of specific provisions for doubtful debts and income yet to mature	**49,080**	42,919

(1) Excludes $7,788 million of securitised housing loans (30 September 2002: $5,669 million).

(2) Excludes $nil million of securitised automotive loans (30 September 2002: $25 million).

(3) Excludes $nil million of securitised automotive leases (30 September 2002: $35 million).

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 20 PROVISIONS FOR IMPAIRMENT				
General provisions	**176**	152	**173**	149
Specific provisions	**65**	71	**61**	68
	241	223	**234**	217
Movements:				
General provisions				
Opening balance	**152**	133	**149**	126
Provision acquired	**-**	2	**-**	-
Charge to Statements of Financial Performance	**24**	17	**24**	23
Closing balance	**176**	152	**173**	149
Specific provisions				
Opening balance	**71**	62	**68**	59
Charge to Statements of Financial Performance	**78**	70	**76**	68
Recoveries	**10**	11	**10**	9
Bad debt write-offs	**(94)**	(72)	**(93)**	(68)
Closing balance	**65**	71	**61**	68
Total provisions				
Opening balance	**223**	195	**217**	185
Provision acquired	**-**	2	**-**	-
Charge to Statements of Financial Performance	**102**	87	**100**	91
Recoveries	**10**	11	**10**	9
Bad debt write-offs	**(94)**	(72)	**(93)**	(68)
Closing balance	**241**	223	**234**	217

NOTE 21 ASSET QUALITY

The following dissection provides details of the consolidated entity's impaired assets as at 30 September:

	CONSOLIDATED							
	2003 $M				2002 $M			
	LOAN BALANCES	**SPECIFIC PROVISION**	**EXPECTED RECOVERY**	**NET INCOME RECEIVED**	LOAN BALANCES	SPECIFIC PROVISION	EXPECTED RECOVERY	NET INCOME RECEIVED
a) Non-accrual loans with provisions								
Non-performing loans	**48**	**32**	**16**	**-**	63	40	23	-
Part/fully performing loans	**1**	**-**	**1**	**-**	1	-	1	1
Total	**49**	**32**	**17**	**-**	64	40	24	1
b) Non-accrual loans without provisions								
Non-performing loans	**5**	**-**	**5**	**1**	13	-	13	-
Part/fully performing loans	**-**	**-**	**-**	**-**	1	-	1	-
Total	**5**	**-**	**5**	**1**	14	-	14	-
Total non-accrual loans	**54**	**32**	**22**	**1**	78	40	38	1
c) Restructured loans								
With provisions	**-**	**-**	**-**	**-**	-	-	-	-
d) Other real estate owned								
Assets acquired through security enforcement	**7**	**-**	**7**	**2**	7	-	7	2
TOTAL IMPAIRED ASSETS	**61**	**32**	**29**	**3**	85	40	45	3

e) Impaired assets by size of loan

	2003		2002	
	NO. OF LOANS	**EXPECTED RECOVERY $M**	NO. OF LOANS	EXPECTED RECOVERY $M
Less than $1 million	**58**	**7**	63	16
$1 million to $5 million	**4**	**8**	8	16
$5 million to $10 million	**2**	**14**	2	13
Greater than $10 million	**-**	**-**	-	-
	64	**29**	73	45

	CONSOLIDATED	
	2003	2002
	$M	$M

NOTE 21 ASSET QUALITY

f) Interest income foregone on impaired assets

The following table shows the estimated amount of interest that would have been earned on non-accrual and restructured loans based upon market interest rates applicable during the year.

	2003 $M	2002 $M
Gross interest income receivable on impaired assets		
Non-accrual loans	**5**	6
Restructured loans	**-**	-
Total gross interest income receivable on impaired assets	**5**	6
Interest income received		
Non-accrual loans	**1**	1
Restructured loans	**-**	-
Total interest income received	**1**	1
Net interest income foregone		
Non-accrual loans	**4**	5
Restructured loans	**-**	-
Total net interest income foregone	**4**	5

g) Past due items

This category primarily includes loans which are in arrears for 90 or more consecutive days, which are well secured and are not classified as impaired assets. Interest on these loans continues to be taken to the Statements of Financial Performance.

	2003 $M	2002 $M
Loan balances	**159**	139

	2003	2002
	%	%

h) Impaired assets as a percentage of loans and other receivables

	2003 %	2002 %
Non-accrual loans - balances		
Non performing loans	**0.11**	0.18
Part/fully performing loans	**-**	-
Non-accrual loans - expected recoveries		
Non performing loans	**0.04**	0.08
Part/fully performing loans	**-**	-
Total impaired assets		
Gross	**0.12**	0.20
Net	**0.06**	0.11

NOTE 22 CONCENTRATION OF CREDIT RISK

The following tables set out the credit risk concentrations of the consolidated entity:

	RISK CONCENTRATION AS AT 30 SEPTEMBER 2003						
	TRADING SECURITIES $M	INVESTMENT SECURITIES $M	LOANS AND OTHER RECEIVABLES $M	BANK ACCEPTANCES OF CUSTOMERS $M	CONTINGENT EXPOSURES (a) $M	DERIVATIVES (a) $M	TOTAL $M
Agriculture, forestry and fishing	-	-	665	140	1	1	807
Financial, investment and insurance	3,480	123	233	136	902	739	5,613
Government and public authorities	1,381	11	4	-	-	16	1,412
Lease finance	-	-	349	-	3	-	352
Personal	-	-	2,157	-	5	1	2,163
Manufacturing	-	-	512	282	-	6	800
Mining	-	-	24	8	-	1	33
Real estate – construction	-	-	1,011	242	29	1	1,283
Real estate – mortgage	-	-	35,039	-	991	-	36,030
Other commercial and industrial	415	9	9,151	2,583	90	7	12,255
Total	5,276	143	49,145	3,391	2,021	772	60,748
Other risk concentrations							
Due from other financial institutions							335
Total gross credit risk							61,083

	RISK CONCENTRATION AS AT 30 SEPTEMBER 2002						
	TRADING SECURITIES $M	INVESTMENT SECURITIES $M	LOANS AND OTHER RECEIVABLES $M	BANK ACCEPTANCES OF CUSTOMERS $M	CONTINGENT EXPOSURES (a) $M	DERIVATIVES (a) $M	TOTAL $M
Agriculture, forestry and fishing	-	-	653	13	1	1	668
Financial, investment and insurance	3,778	378	196	71	673	1,414	6,510
Government and public authorities	1,375	13	4	-	-	-	1,392
Lease finance	-	-	311	-	8	-	319
Personal	-	-	2,580	-	4	-	2,584
Manufacturing	-	-	549	105	-	11	665
Mining	-	-	20	5	-	11	36
Real estate – construction	-	-	826	107	40	-	973
Real estate – mortgage	-	-	30,533	-	769	-	31,302
Other commercial and industrial	625	-	7,318	1,361	77	-	9,381
Total	5,778	391	42,990	1,662	1,572	1,437	53,830
Other risk concentrations							
Due from other financial institutions							239
Total gross credit risk							54,069

(a) Based on credit equivalent balance, refer Notes 44 and 49.

NOTE 23 INVESTMENT IN ASSOCIATED COMPANIES

	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M	BANK 2003 $M	BANK 2002 $M
Equity accounted investments	**7**	10	**-**	-
Investments at cost	**-**	-	**2**	4
Total investments in associates	**7**	10	**2**	4

Details of investments in associates	CONSOLIDATED $M	$M	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST AT 30.9.2003	BALANCE DATE
St.George Development Capital No.2 Pty Limited	**4**	7	POOLED DEVELOPMENT FUND	28.7%	30 June
Others	**3**	3			Various
	7	10			

NOTE 24 OTHER INVESTMENTS

	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M	BANK 2003 $M	BANK 2002 $M
(i) Property, plant and equipment held for sale				
Land and buildings (at independent valuation – 2002)	**-**	31	**-**	-
Land and buildings (at directors' valuation – 2003)	**31**	-	**-**	-
	31	31	**-**	-
(ii) Shares and other securities				
Unquoted investments (at recoverable value)	**69**	75	**20**	18
Other investments	**2**	2	**-**	-
	71	77	**20**	18
Total other investments	**102**	108	**20**	18

NOTE 25 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M	BANK 2003 $M	BANK 2002 $M
Land (at independent valuation – 2000) (1)	**12**	39	**12**	39
Land (at independent valuation – 2001)	**-**	3	**-**	3
Land (at independent valuation – 2002) (1)	**4**	81	**-**	63
Land (at independent valuation – 2003)	**95**	-	**77**	-
	111	123	**89**	105
Buildings (at independent valuation – 2000) (1)	**13**	41	**13**	41
Buildings (at independent valuation – 2001)	**-**	2	**-**	2
Buildings (at independent valuation – 2002) (1)	**2**	195	**-**	129
Buildings (at independent valuation – 2003)	**212**	-	**158**	-
Buildings (at cost)	**71**	74	**26**	28
	298	312	**197**	200
Less accumulated depreciation	**44**	47	**20**	24
	254	265	**177**	176
Plant and equipment (at cost)	**619**	584	**551**	518
Less accumulated depreciation	**480**	429	**434**	388
	139	155	**117**	130
Leasehold improvements (at cost)	**13**	13	**13**	13
Less accumulated amortisation	**11**	10	**11**	10
	2	3	**2**	3
Total property, plant and equipment	**506**	546	**385**	414

NOTE 25 PROPERTY, PLANT AND EQUIPMENT

Valuation

The independent valuation of all land and buildings (except those in the process of sale or renovation) owned by the consolidated entity was carried out at 30 September 2003 by Neil Smith (AAPI, Certified Practising Valuer) of Herron Todd White, Sydney. The valuation was performed on the basis of market value as at balance date.

The resultant net increment of $18 million (land - increment $7 million; buildings - increment $11 million) arising from the revaluation has been transferred to the asset revaluation and realisation reserve (refer Note 37).

(1) Properties in the process of sale were not revalued at 30 September 2003.

Reconciliations

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	CONSOLIDATED		BANK	
	2003 $M	2002 $M	**2003 $M**	2002 $M
Freehold Land				
Carrying amount at beginning of the financial year	**123**	132	**105**	112
Revaluation during the year	**7**	(9)	**3**	(7)
Disposal	**(19)**	-	**(19)**	-
Carrying amount at end of the financial year	**111**	123	**89**	105
Buildings				
Carrying amount at beginning of the financial year	**265**	255	**176**	164
Additions	**3**	4	**1**	5
Revaluation during the year	**11**	26	**21**	21
Disposals	**(20)**	(9)	**(20)**	(9)
Depreciation	**(5)**	(11)	**(1)**	(5)
Carrying amount at end of the financial year	**254**	265	**177**	176
Plant and Equipment				
Carrying amount at beginning of the financial year	**155**	144	**130**	122
Additions	**50**	69	**46**	60
Disposals	**-**	(1)	**-**	(1)
Depreciation	**(66)**	(57)	**(59)**	(51)
Carrying amount at end of the financial year	**139**	155	**117**	130
Leasehold Improvements				
Carrying amount at beginning of the financial year	**3**	3	**3**	3
Additions	**-**	1	**-**	1
Amortisation	**(1)**	(1)	**(1)**	(1)
Carrying value at end of the financial year	**2**	3	**2**	3

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M

NOTE 26 GOODWILL

Goodwill	**2,011**	2,092	**1,344**	1,344
Less – accumulated amortisation	**743**	643	**518**	449
– write-off	**-**	72	**-**	-
	1,268	1,377	**826**	895

NOTE 27 OTHER ASSETS

Deferred expenditure	**361**	437	**304**	391
Less – accumulated amortisation	**212**	192	**179**	170
– write-off	**-**	60	**-**	60
	149	185	**125**	161
Sundry debtors and prepayments	**551**	573	**445**	450
Unrealised revaluation gain on derivatives instruments	**1,230**	865	**1,230**	865
Future income tax benefit	**83**	89	**74**	79
	1,864	1,527	**1,749**	1,394
	2,013	1,712	**1,874**	1,555

NOTE 28 DEPOSITS AND OTHER BORROWINGS

Funds are raised from well diversified sources and there are no material concentrations. Funds comprise the following categories:

Certificates of deposit	**10,259**	7,358	**10,259**	7,358
Term and other deposits	**34,954**	30,973	**34,894**	30,972
Secured borrowings	**59**	34	**59**	34
Unsecured borrowings	**19**	29	**-**	12
	45,291	38,394	**45,212**	38,376

Maturity analysis based on remaining term to maturity at 30 September

At call	**28,366**	23,505
Less than 3 months	**9,163**	8,653
Between 3 months and 12 months	**5,687**	4,272
Between 1 year and 5 years	**2,060**	1,880
After 5 years	**15**	84
	45,291	38,394

NOTE 29 DUE TO OTHER FINANCIAL INSTITUTIONS

Maturity analysis based on remaining term to maturity at 30 September

At call	**501**	912
Less than 3 months	**-**	-
Between 3 months and 12 months	**-**	-
	501	912

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
NOTE 30 PROVISION FOR DIVIDENDS				
Final ordinary dividend	**-**	209	**-**	209
Depositary capital securities dividend	**8**	10	**-**	-
Preferred resetting yield marketable equity securities	**2**	2	**2**	2
Total provision for dividends	**10**	221	**2**	211
Final ordinary dividend proposed and not recognised as a liability	**253**	-	**253**	-
NOTE 31 INCOME TAX LIABILITY				
Provision for income tax	**136**	140	**120**	115
Provision for deferred income tax	**184**	132	**167**	109
Total income tax liability	**320**	272	**287**	224
NOTE 32 OTHER PROVISIONS				
Employee entitlements	**88**	83	**82**	78
Directors' retirement	**3**	2	**3**	2
Restructuring costs	**-**	28	**-**	28
Other	**2**	2	**-**	-
	93	115	**85**	108
Employee entitlements	**88**	83	**82**	78
Add: termination benefits included in restructuring	**-**	22	**-**	22
Total employee entitlements	**88**	105	**82**	100
Number of employees at 30 September	**7,325**	7,342	**6,558**	6,517
NOTE 33 BONDS AND NOTES				
Euro commercial paper by currency of denomination				
AUD euro commercial paper	**137**	511	**137**	511
GBP euro commercial paper	**165**	71	**165**	71
EUR euro commercial paper	**561**	1,025	**561**	1,025
HKD euro commercial paper	**67**	111	**67**	111
NZD euro commercial paper	**-**	36	**-**	36
USD euro commercial paper	**558**	766	**558**	766
	1,488	2,520	**1,488**	2,520
Medium Term Debt by currency of denomination				
AUD medium term debt	**166**	70	**166**	70
EUR medium term debt	**1,773**	1,345	**1,773**	1,345
GBP medium term debt	**173**	17	**173**	17
HKD medium term debt	**299**	329	**299**	329
NZD medium term debt	**52**	14	**52**	14
SGD medium term debt	**85**	104	**85**	104
USD medium term debt	**1,512**	2,904	**1,512**	2,904
	4,060	4,783	**4,060**	4,783
	5,548	7,303	**5,548**	7,303

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M

NOTE 33 BONDS AND NOTES

Maturity analysis based on remaining term to maturity at 30 September		
Less than 3 months	**1,037**	1,788
Between 3 months and 12 months	**1,947**	2,297
Between 1 year and 5 years	**2,505**	3,145
After 5 years	**59**	73
	5,548	7,303

NOTE 34 LOAN CAPITAL

AUD 39m fixed rate notes due 2003	**-**	39	**-**	39
USD 200m fixed rate notes due 2005	**303**	380	**303**	380
USD 150m fixed rate notes due 2007	**224**	282	**224**	282
AUD 140m fixed rate notes due 2007	**141**	141	**141**	141
AUD 160m fixed rate notes due 2007	**160**	160	**160**	160
AUD 100m fixed rate notes due 2008	**101**	-	**101**	-
AUD 150m fixed rate notes due 2008	**151**	-	**151**	-
	1,080	1,002	**1,080**	1,002

Maturity analysis based on remaining term to maturity at 30 September		
Between 3 months and 12 months	**-**	39
Between 1 year and 5 years	**1,080**	963
	1,080	1,002

NOTE 35 BILLS PAYABLE AND OTHER LIABILITIES

Bills payable	**183**	165	**183**	165
Sundry creditors and accruals	**397**	479	**310**	282
Unrealised revaluation loss on derivative instruments	**1,519**	620	**1,519**	620
Unearned income - mortgage insurance premiums	**16**	21	**-**	-
	2,115	1,285	**2,012**	1,067

NOTE 36 SHARE CAPITAL

		CONSOLIDATED		BANK	
	NOTE	**2003 $M**	2002 $M	**2003 $M**	2002 $M
Capital					
505,592,816 fully paid ordinary shares (2002: 498,097,921)	(a)	**3,162**	3,043	**3,162**	3,043
3,000,000 fully paid preferred resetting yield marketable equity securities (2002: 3,000,000)		**291**	291	**291**	291
Perpetual note		**-**	-	**17**	-
General reserve		**15**	15	**15**	15
		3,468	3,349	**3,485**	3,349

(a) Movement in ordinary share capital

		2003 $M	2002 $M	**2003 NO. OF SHARES**	2002 NO. OF SHARES
Balance at beginning of the financial year		**3,043**	2,821	**498,097,921**	483,828,232
Ordinary shares issued	(b)	**119**	222	**7,494,895**	14,269,689
Balance at end of the 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 36 SHARE CAPITAL

(b) Ordinary shares issued	2003 $M	2003 NO. OF SHARES	2003 AVERAGE PRICE $	2002 $M	2002 NO. OF SHARES	2002 AVERAGE PRICE $
Dividend Reinvestment Plan						
- Final dividend 2000/2001	**-**	**-**	**-**	54	3,334,926	16.28
- Final dividend 2000/2001 - underwritten	**-**	**-**	**-**	81	4,964,412	16.28
- Interim dividend 2001/2002	**-**	**-**	**-**	69	3,598,233	19.22
- Final dividend 2001/2002	**46**	**2,547,485**	**18.18**	-	-	-
- Interim dividend 2002/2003	**68**	**3,205,169**	**21.48**	-	-	-
Executive Option Plan (refer Note 41)	**5**	**455,000**	**10.46**	18	1,768,333	10.21
Employee Reward Share Plan (refer Note 41)	**-**	**348,516**	**-**	-	340,312	-
Employee Performance Share Plan (refer Note 41)	**-**	**938,725**	**-**	-	263,473	-
	119	**7,494,895**		222	14,269,689	

Terms and Conditions

Ordinary Shares

Holders of ordinary shares have the right to receive dividends as declared and in proportion to the paid up capital of the shares held. In a winding up, ordinary shareholders would participate in the proceeds from the sale of any surplus assets in proportion to the number and amount paid up on the shares held. Ordinary shares entitle their holder to one vote (per share held) on a poll, either in person or by proxy, at a meeting of the Bank.

Preferred resetting yield marketable equity securities (PRYMES)

A holder of PRYMES is entitled to receive a non-cumulative dividend at a fixed rate which is fixed every five years (the current rate is 6.36% per annum), payable in arrears in half-yearly instalments on 20 February and 20 August until conversion. PRYMES are not redeemable by St.George but may be converted under certain circumstances. Holders of PRYMES have priority over ordinary shares for payment of dividends and for return of capital (not exceeding the issue price) and payment of any dividend declared but unpaid on a winding-up. Holders of PRYMES have no voting rights except in limited circumstances as prescribed by the ASX Listing Rules and their terms of issue.

Capital Management Initiatives

Dividend Reinvestment Plan (DRP)

The St.George DRP will operate for the final ordinary dividend with no discount and participation will be from a minimum of 100 ordinary shares without a cap on participation by individual shareholders. For applications under the DRP to be to be effective, they must be received at the Bank's Share Registry (Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney) by 5.00pm on 5 December 2003.

NOTE 37 RESERVES

	CONSOLIDATED		BANK	
	2003	2002	**2003**	2002
	$M	$M	**$M**	$M
Composition				
Asset revaluation and realisation reserve	**83**	65	**112**	88
Claims equalisation reserve	**19**	13	**-**	-
Depositors' and borrowers' redemption reserve	**2**	1	**2**	1
	104	79	**114**	89
Movements in reserves				
Asset revaluation and realisation reserve				
Balance at beginning of the financial year	**65**	48	**88**	74
Add net increment arising from the revaluation of land and buildings	**18**	17	**24**	14
Balance at end of the financial year	**83**	65	**112**	88
Claims equalisation reserve				
Balance at beginning of the financial year	**13**	10	**-**	-
Add net transfer from retained profits	**6**	3	**-**	-
Balance at end of the financial year	**19**	13	**-**	-
Depositors' and borrowers' redemption reserve				
Balance at beginning of the financial year	**1**	1	**1**	1
Add net transfer from retained profits	**1**	-	**1**	-
Balance at end of the financial year	**2**	1	**2**	1

Asset Revaluation and Realisation Reserve

Increments and decrements (where they reverse a previous increment) arising upon the revaluation of land, buildings and other investments are recognised in the Asset Revaluation and Realisation Reserve.

Claims Equalisation Reserve

The purpose of this reserve is to provide a prudential buffer against fluctuations in mortgage insurance claims. In the event that there was an abnormal claims experience, a portion of this reserve could be transferred back to retained profits.

Reserve for Redemption of Borrowers' and Depositors' Shares

The purpose of this reserve is to recognise the redemption of all Borrowers' and Depositors' shares.

NOTE 38 RETAINED PROFITS

	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M	BANK 2003 $M	BANK 2002 $M
Retained profits at the beginning of the financial year	**71**	102	**115**	118
Adjustments to opening retained profits				
Reversal of 2002 final ordinary dividend on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**209**	-	**209**	-
AASB 1028 "Employee Benefits" adjustment	**(1)**	-	**(1)**	-
Adjusted opening retained profits	**279**	102	**323**	118
Net profit after income tax attributable to members of the Bank	**658**	427	**600**	413
Total available for appropriation	**937**	529	**923**	531
Dividends recognised during the year	**(488)**	(455)	**(455)**	(416)
Transfer to reserve	**(7)**	(3)	**(1)**	-
Retained profits at the end of the financial year	**442**	71	**467**	115

NOTE 39 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

	CONSOLIDATED 2003 $M	CONSOLIDATED 2002 $M
Interest in:		
Depositary capital securities	**334**	334
Perpetual note (1)	**17**	-
Share capital	**2**	2
Retained profits	**(2)**	3
	351	339

(1) Holders of the perpetual note have no voting rights or entitlement to dividends or other payment. In a winding up, the perpetual note converts into ordinary shares and would participate with ordinary shareholders in the proceeds from the sale of any surplus assets in proportion to the number and amount paid up on the shares held.

NOTE 40 AVERAGE BALANCES AND RELATED INTEREST

The following table shows the major categories of interest earning assets and interest bearing liabilities and the respective interest rates earned or paid by the consolidated entity for the years indicated. Averages are month-end averages, which are not materially different from daily averages. Non-accrual loans are included in Interest Earning Assets under Loans and Other Receivables.

	2003			2002		
	AVERAGE BALANCE $M	**INTEREST $M**	**AVERAGE RATE %**	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Interest earning assets						
Cash and liquid assets	**466**	**21**	**4.51**	689	30	4.35
Due from other financial institutions	**160**	**5**	**3.13**	197	5	2.54
Investment/trading securities	**5,612**	**269**	**4.79**	4,994	228	4.57
Loans and other receivables	**46,253**	**3,139**	**6.79**	41,810	2,801	6.70
Total Interest Earning Assets	**52,491**	**3,434**	**6.54**	47,690	3,064	6.42
Non interest earning assets						
Bills receivable	**19**			7		
Property, plant and equipment	**517**			533		
Other assets	**5,613**			5,345		
Provision for doubtful debts	**(234)**			(203)		
Total Non Interest Earning Assets	**5,915**			5,682		
Total Assets	**58,406**			53,372		
Interest bearing liabilities						
Retail deposits	**31,828**	**1,045**	**3.28**	27,853	880	3.16
Other deposits	**8,525**	**443**	**5.20**	7,712	375	4.86
Due to other financial institutions	**429**	**14**	**3.26**	361	9	2.49
Domestic borrowings	**2,517**	**141**	**5.60**	2,408	137	5.69
Offshore borrowings	**6,743**	**340**	**5.04**	7,394	330	4.46
Total Interest Bearing Liabilities	**50,042**	**1,983**	**3.96**	45,728	1,731	3.79
Non interest bearing liabilities						
Bills payable	**170**			172		
Other liabilities	**4,033**			3,698		
Total Non Interest Bearing Liabilities	**4,203**			3,870		
Total Liabilities	**54,245**			49,598		
Shareholders' Equity	**4,161**			3,774		
Total Liabilities and Shareholders' Equity	**58,406**			53,372		
Interest Spread(1)			**2.58**			2.63
Interest Margin(2)			**2.76**			2.80

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

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

NOTE 40 AVERAGE BALANCES AND RELATED INTEREST

Volume and Rate Analysis

The table below allocates changes in interest income and interest expense between changes in volume and changes in rate for the years ended 30 September 2003 and 30 September 2002. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

	2003 OVER 2002			2002 OVER 2001		
	CHANGE DUE TO			CHANGE DUE TO		
	VOLUME $M	**RATE $M**	**TOTAL $M**	VOLUME $M	RATE $M	TOTAL $M
Interest earning assets						
Cash and liquid assets	**(10)**	**1**	**(9)**	(17)	(9)	(26)
Due from other financial institutions	**(1)**	**1**	**-**	1	-	1
Investment/trading securities	**30**	**11**	**41**	57	(61)	(4)
Loans and other receivables	**302**	**36**	**338**	133	(351)	(218)
Change in Interest Income	**321**	**49**	**370**	174	(421)	(247)
Interest bearing liabilities						
Retail deposits	**131**	**34**	**165**	97	(178)	(81)
Other deposits	**42**	**26**	**68**	-	(74)	(74)
Due to other financial institutions	**2**	**3**	**5**	(3)	(1)	(4)
Domestic borrowings	**6**	**(2)**	**4**	(24)	(1)	(25)
Offshore borrowings	**(33)**	**43**	**10**	(44)	(117)	(161)
Change in Interest Expense	**148**	**104**	**252**	26	(371)	(345)
Change in Net Interest Income	**173**	**(55)**	**118**	148	(50)	98

NOTE 41 SHARE AND OPTION PLANS

Three employee share plans and one executive option plan were approved by shareholders at the Annual General Meeting on 3 February 1998. A Non-Executive Directors' Share Purchase Plan was approved by shareholders at the Bank's Annual General Meeting held on 17 December 1999.

Details of these plans are as follows:

(a) Employee Reward Share Plan (Reward Plan)

On 22 November 2002, 348,516 ordinary shares were allotted as bonus shares to 6,454 eligible employees for nil consideration under the Reward Plan. The bonus shares had a market value of $18.30 per share at the date of allotment.

The Reward Plan provides eligible employees with up to $1,000 of ordinary shares per annum at no cost. Allocations under the plan are subject to the achievement of predetermined performance targets as set by the Board and communicated to staff. The performance target for the shares issued during the year related to performance in the 30 September 2002 year.

The hurdles for that year required EPS (before goodwill and significant items) for the year ended 30 September 2002 to exceed the previous year by at least 15%, profit per employee improvement to at least 20% above the previous year and improvements in measured customer satisfaction levels.

Shares issued under the Reward Plan are not recognised as an expense by the consolidated entity. The estimated impact of the Reward Plan shares issued during the year on the consolidated entity's Statement of Financial Performance for the year ended 30 September 2003 would be $6 million ($4 million after tax).

(b) Employee Share Purchase Plan (Purchase Plan)

All permanent employees with continuous service of at least one year as at any relevant share acquisition date, are eligible to participate in the Purchase Plan. Allocations of ordinary shares can occur by allotment or by purchase on market. In consideration for the shares allocated, employees forego remuneration equivalent to the market value of the shares on the date of issue and at a discount equivalent to that available under the Bank's Dividend Reinvestment Plan, when operational. Brokerage is payable by the Bank.

Details of ordinary shares allocated under this Plan are as follows:

DATE OF ALLOCATION	NUMBER OF ORDINARY SHARES ALLOCATED	AVERAGE PURCHASE PRICE OF SHARES ACQUIRED ($)	NUMBER OF EMPLOYEES PARTICIPATING
22-Nov-02	36,108	18.11	134
24-Dec-02	104,511	17.80	142
30-May-03	31,285	20.64	118

The above shares were purchased on market. Shares allocated under the Purchase Plan are expensed in the consolidated entity's Statement of Financial Performance.

NOTE 41 SHARE AND OPTION PLANS

(c) Employee Performance Share Plan (Performance Plan)

Details of awards, comprising rights over unissued ordinary shares, granted under the Performance Plan are as follows:

			MOVEMENTS DURING THE YEAR					
DATE AWARDS GRANTED	VESTING DATE	AWARDS OUTSTANDING 1 OCT 2002	NUMBER OF AWARDS GRANTED	NUMBER OF AWARDS FORFEITED	NUMBER OF AWARDS ALLOTED	AWARDS OUTSTANDING 30 SEP 2003	SENIOR EXECUTIVES IN PLAN	FAIR VALUE OF EACH AWARD GRANTED DURING THE YEAR ($)
31-Aug-98	23-Feb-01	9,000			9,000	-		
2-Jun-99	8-Dec-02	3,000			3,000	-		
2-Jun-99	8-Jun-03	3,000			3,000	-		
20-Dec-99	20-Dec-02	3,000			3,000	-		
1-Nov-00	15-Nov-02	545,000			545,000	-		
1-Nov-00	15-Nov-03	308,494		7,711	100,676	200,107	67	
6-Nov-00	6-Nov-02	1,800			1,800	-	1	
6-Nov-00	6-Nov-03	1,800				1,800		
29-Jan-01	15-Nov-02	4,000			4,000	-	1	
29-Jan-01	15-Nov-03	2,000				2,000		
5-Feb-01	15-Nov-02	22,711			22,711	-	2	
5-Feb-01	15-Nov-03	9,447			2,780	6,667		
5-Mar-01	15-Nov-02	3,000			3,000	-	1	
5-Mar-01	15-Nov-03	1,500				1,500		
14-Mar-01	15-Nov-02	1,047			1,047	-	1	
14-Mar-01	15-Nov-03	897				897		
19-Mar-01	15-Nov-02	2,571			2,571	-		
19-Mar-01	15-Nov-03	1,929		1,929		-		
12-Apr-01	15-Nov-02	4,706			4,706	-	1	
12-Apr-01	15-Nov-03	4,033				4,033		
1-Jul-01	15-Nov-02	750			750	-	1	
1-Jul-01	15-Nov-03	1,500				1,500		
1-Oct-01	15-Nov-03	284,627		5,525	79,278	199,824	90	
1-Oct-01	15-Nov-04	236,045		28,854		207,191	105	
1-Oct-01	15-Nov-04	236,045		46,545		189,500	88	
2-Jan-02	15-Nov-03	2,278				2,278		
2-Jan-02	15-Nov-04	2,278				2,278	1	
2-Jan-02	15-Nov-04	2,278				2,278		
24-Jan-02	15-Nov-02	12,482			12,482	-	1	
24-Jan-02	15-Nov-03	12,482				12,482		
24-Jan-02	15-Nov-03	1,344				1,344		
24-Jan-02	15-Nov-04	1,344				1,344	1	
24-Jan-02	15-Nov-04	1,344				1,344		
31-Jan-02	15-Nov-02	24,409			24,409	-	1	
31-Jan-02	15-Nov-03	24,409				24,409		
31-Jan-02	15-Nov-03	3,872				3,872		
31-Jan-02	15-Nov-04	3,872				3,872	1	
31-Jan-02	15-Nov-04	3,872				3,872		
1-Feb-02	15-Nov-03	911				911		
1-Feb-02	15-Nov-04	911				911	1	
1-Feb-02	15-Nov-04	911				911		
25-Feb-02	25-Feb-03	2,797			2,797	-		
25-Feb-02	25-Feb-04	2,797				2,797	1	
25-Feb-02	25-Feb-05	2,797				2,797		
25-Feb-02	15-Nov-03	3,729				3,729		
25-Feb-02	15-Nov-04	3,729				3,729	1	
25-Feb-02	15-Nov-04	3,729				3,729		
3-Apr-02	15-Nov-02	12,710			12,710	-	1	
3-Apr-02	15-Nov-03	12,710				12,710		
3-Apr-02	25-Feb-03	911				911		
3-Apr-02	25-Feb-04	911				911	1	
3-Apr-02	25-Feb-05	911				911		

NOTE 41 SHARE AND OPTION PLANS

(c) Employee Performance Share Plan (Performance Plan)

			MOVEMENTS DURING THE YEAR					
DATE AWARDS GRANTED	VESTING DATE	AWARDS OUTSTANDING 1 OCT 2002	NUMBER OF AWARDS GRANTED	NUMBER OF AWARDS FORFEITED	NUMBER OF AWARDS ALLOTED	AWARDS OUTSTANDING 30 SEP 2003	SENIOR EXECUTIVES IN PLAN	FAIR VALUE OF EACH AWARD GRANTED DURING THE YEAR ($)
4-Apr-02	24-Jun-02	3,676			3,676	-		
4-Apr-02	24-Jun-03	3,676				3,676	1	
4-Apr-02	24-Jun-04	3,676				3,676		
4-Apr-02	15-Nov-03	1,488				1,488		
4-Apr-02	15-Nov-04	1,488				1,488	1	
4-Apr-02	15-Nov-04	1,488				1,488		
8-Apr-02	15-Nov-02	13,144			13,144	-	1	
8-Apr-02	15-Nov-03	13,144				13,144		
8-Apr-02	15-Nov-03	1,298				1,298		
8-Apr-02	15-Nov-04	1,298				1,298	1	
8-Apr-02	15-Nov-04	1,298				1,298		
1-May-02	15-Nov-02	10,949			10,949	-	1	
1-May-02	15-Nov-03	10,949				10,949		
1-May-02	15-Nov-03	729				729		
1-May-02	15-Nov-04	729				729	1	
1-May-02	15-Nov-04	729				729		
15-May-02	15-Nov-02	7,119			7,119	-		
15-May-02	15-Nov-03	7,119		3,105	4,014	-		
15-May-02	15-Nov-03	911			911	-		
15-May-02	15-Nov-04	911		177		734	1	
15-May-02	15-Nov-04	911		911		-		
16-May-02	15-Nov-02	9,477			9,477	-	1	
16-May-02	15-Nov-03	9,477				9,477		
16-May-02	15-Nov-03	1,162				1,162		
16-May-02	15-Nov-04	1,162				1,162	1	
16-May-02	15-Nov-04	1,162				1,162		
2-Jun-02	22-Jul-02	20,000			20,000	-		
2-Jun-02	22-Jul-03	20,000				20,000	1	
2-Jun-02	22-Jul-04	20,000				20,000		
2-Jun-02	22-Jul-05	20,000				20,000		
2-Jun-02	15-Nov-03	1,155				1,155		
2-Jun-02	15-Nov-04	1,155				1,155	1	
2-Jun-02	15-Nov-04	1,155				1,155		
27-Jun-02	15-Nov-03	454				454		
27-Jun-02	15-Nov-04	454				454	1	
27-Jun-02	15-Nov-04	454				454		
1-Jul-02	1-Jul-02	2,571			2,571	-		
1-Jul-02	1-Jul-03	2,571				2,571	1	
1-Jul-02	1-Jul-04	2,571				2,571		
1-Jul-02	15-Nov-03	864				864		
1-Jul-02	15-Nov-04	864				864	1	
1-Jul-02	15-Nov-04	864				864		
1-Oct-02	15-Nov-04	-	21,433			21,433		18.16
1-Oct-02	15-Nov-05	-	21,433			21,433	8	18.16
1-Oct-02	15-Nov-05	-	21,433			21,433		18.16
12-Dec-02	12-Dec-02	-	25,000 (a)		25,000	-	1	17.98
24-Feb-03	24-Feb-03	-	3,147 (a)		3,147	-	1	17.48
5-May-03	30-Sep-03	-	5,026 (a)			5,026		19.90
5-May-03	30-Sep-04	-	5,026 (a)			5,026	1	19.90
5-May-03	30-Sep-05	-	5,026 (a)			5,026		19.90
	TOTAL	2,042,932	107,524	94,757	938,725	1,116,974		

NOTE 41 SHARE AND OPTION PLANS

(c) Employee Performance Share Plan (Performance Plan)

(a) No performance hurdles relate to these awards as they represent compensation for incentives foregone by the respective executive on leaving their former employer.

Performance hurdles in respect of other awards granted 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.

In accordance with the Rules of the Performance Plan and as approved by shareholders, share allocations can occur by allotment or by purchase on market. The Board will assess the most appropriate basis of allocation at the time each award is exercised. All allocations under the Performance Plan have been by allotment. Shares issued under this Plan are not recorded as an expense.

The market price of the Bank's shares at 30 September 2003 was $20.49 (30 September 2002: $17.70).

The fair value of awards granted during the year has been determined based on the volume weighted average share price of the Bank's ordinary shares using 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). The 107,524 performance awards granted during the year have a fair value of $2 million. If these awards were expensed at this value, there would have been a $2 million reduction in the consolidated entity's and Bank's current year after tax profit.

NOTE 41 SHARE AND OPTION PLANS

(d) Executive Option Plan (Option Plan)

The Managing Director and executive officers are eligible to participate in the Option Plan. Exercise is conditional upon the Bank achieving a prescribed performance hurdle.

Separate performance hurdles have been established in relation to the exercise of the Managing Director's options. The options do not grant rights to the option holders to participate in a share issue of any other body corporate. Non-executive directors are not eligible to participate in the plan.

DATE OPTION GRANTED	EXERCISE PERIOD [1]	EXERCISE PRICE ($) [2]	OPTIONS OUTSTANDING 1 OCT 2002	MOVEMENTS DURING THE YEAR: NUMBER OF OPTIONS GRANTED	NUMBER OF OPTIONS FORFEITED	NUMBER OF OPTIONS EXERCISED	OPTIONS OUTSTANDING 30 SEP 2003	SENIOR EXECUTIVES IN PLAN [3]	FAIR VALUE OF EACH OPTION GRANTED DURING THE YEAR ($) [4]
30-Nov-98	15-Nov-02 to 30-Nov-03	10.30	75,000			75,000	-		
30-Nov-98	15-Nov-03 to 30-Nov-03	10.30	75,000			75,000	-		
30-Nov-98	30-Nov-01 to 30-Nov-03	10.30	120,000			120,000	-		
2-Jun-99	8-Dec-02 to 2-Jun-04	10.73	30,000			30,000	-		
2-Jun-99	8-Jun-03 to 2-Jun-04	10.73	30,000			30,000	-		
3-Nov-99	8-Nov-02 to 8-May-03	10.34	45,000			45,000	-		
20-Dec-99	20-Dec-02 to 20-Dec-04	10.86	80,000			80,000	-		
17-Mar-00	17-Mar-03 to 17-Mar-05	11.39	30,000				30,000	1	
1-Nov-00	15-Nov-03 to 1-Nov-05	11.14	66,667		66,667		-		
1-Oct-01	15-Nov-03 to 1-Oct-06	14.64	66,667		66,667		-		
1-Oct-01	15-Nov-04 to 1-Oct-06	14.64	133,334		133,334		-		
12-Dec-01	12-Jun-04 to 12-Dec-06	16.91	250,000				250,000		
12-Dec-01	12-Jun-05 to 12-Dec-06	16.91	250,000				250,000	1	
12-Dec-01	12-Jun-06 to 12-Dec-06	16.91	500,000				500,000		
1-Oct-02	15-Nov-04 to 1-Oct-07	18.16	-	148,429			148,429		2.33
1-Oct-02	15-Nov-05 to 1-Oct-07	18.16	-	148,429			148,429	8	2.33
1-Oct-02	15-Nov-05 to 1-Oct-07	18.16	-	148,429			148,429		2.33
		TOTAL	1,751,668	445,287	266,668	455,000	1,475,287		

(1) The options may be exercisable at an earlier date as prescribed by the Option Plan Rules.

(2) A premium is added to the exercise price of the options which represents the time value of money component of the value of the options (calculated as the difference between the actual dividend and bond yields for the year from the Grant Date of the options to the earliest exercise date). The exercise price represents the market value of the Bank's ordinary shares at the Grant Date of the options. This market value represents the weighted average trading price during the five trading days prior to the Grant Date, calculated in accordance with the Option Plan Rules.

(3) Participating executives are required to hold a minimum of 5,000 ordinary shares in the Bank in order to participate in the Option Plan.

(4) The fair value of options granted during the year has been determined using the Black-Scholes option pricing model. This valuation takes into account the price at the Grant Date, the expected life of the option, the exercise price for the options, expected dividends and volatility in the price of the underlying stock. The fair value has not been discounted for the probability of not meeting performance hurdles (where applicable). If the options granted during the year were expensed at their fair value, there would have been a $1 million reduction in the consolidated entity's and Bank's current year after tax profit.

NOTE 41 SHARE AND OPTION PLANS

(d) Executive Option Plan (Option Plan)

(5) 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 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 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 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.

(e) Non-Executives Directors' Share Purchase Plan (Directors' Plan)

All non-executive directors are eligible to participate in the Directors' Plan. Ordinary shares are acquired on market.

In consideration for the shares acquired on their behalf, non-executive directors forego directors' fees equivalent to the purchase price of the shares. Brokerage is payable by the Bank. Shares purchased under this Plan are expensed in the Statement of Financial Performance.

Details of shares allocated under the Directors' Plan are as follows:

Date of Allocation	22 NOVEMBER 2002
Number of Ordinary Shares Acquired on Market	10,212
Number of Participating Non-Executive Directors	6
Average Purchase Price of Shares Acquired	$18.11

	CONSOLIDATED		BANK	
	2003 $M	2002 $M	**2003 $M**	2002 $M
NOTE 42 COMMITMENTS				
Capital expenditure commitments as at 30 September not provided for in the financial statements amounted to:				
Not longer than 1 year	**11**	9	**11**	9
Operating lease commitments contracted for as at 30 September:				
Not longer than 1 year	**64**	56	**62**	49
Longer than 1 year and not longer than 2 years	**45**	34	**43**	31
Longer than 2 years and not longer than 5 years	**45**	32	**42**	28
Longer than 5 years	**41**	28	**41**	29
	195	150	**188**	137
NOTE 43 UNCOMMITTED CREDIT FACILITIES				
Offshore and Australian dollar note borrowing facilities				
Uncommitted credit facilities	**10,256**	12,877	**10,256**	12,877
Amount utilised	**9,001**	7,032	**9,001**	7,032
Unused uncommitted credit facilities	**1,255**	5,845	**1,255**	5,845

NOTE 44 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

Detailed below are the notional amounts of contingent liabilities and credit commitments, together with their credit equivalent amounts. The notional amount represents the maximum credit risk. The credit equivalent amount records the estimated maximum or total potential loss if the counterparty were to default and is determined in accordance with APRA's risk weighted capital adequacy guidelines.

	CONSOLIDATED				BANK			
	NOTIONAL AMOUNT		CREDIT EQUIVALENT		NOTIONAL AMOUNT		CREDIT EQUIVALENT	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M
(a) Contingent Liabilities								
Bills endorsements	**361**	343	**361**	343	**361**	343	**361**	343
Guarantees	**344**	127	**344**	127	**344**	127	**344**	127
Documentary letters of credit	**138**	130	**100**	93	**187**	143	**148**	106
Performance related items	**20**	13	**10**	6	**20**	13	**10**	6
Settlement of claims	**-**	1	**-**	1	**-**	1	**-**	1
Total Contingent Liabilities	**863**	614	**815**	570	**912**	627	**863**	583
(b) Credit Related Commitments								
Undrawn facilities	**15,294**	11,787	**1,206**	1,002	**15,192**	11,704	**1,206**	1,002

In accordance with the rules relating to clearing arrangements contained in the Australian Paper Clearing Stream and the Bulk Electronic Clearing Stream of the Australian Payments Clearing Association Limited, the Bank is subject to a commitment to provide liquidity support to these clearing streams in the event of another member financial institution failing to settle.

(c) Deed of Cross Guarantee

Pursuant to an Australian Securities and Investments Commission (ASIC) Class Order 98/1418 dated 13 August 1998, relief was granted during the year to the controlled entities listed below from the Corporations Act 2001 requirements for preparation, audit and publication of Financial Reports. It is a condition of the Class Order that the Bank and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Bank guarantees to each creditor, payment in full of any debt in the event of winding up of any of the controlled entities subject to the Deed, under certain provisions of the Corporations Act. If a winding up occurs under other provisions of the Act, the Bank will only be liable in the event that after six months, any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Bank is wound up.

The controlled entities which were subject to the Deed as at 30 September 2003 were:

St.George Financial Services Limited (formerly St.George Finance Limited)

Advance Leasing Limited

Canberra Advance Property Limited

The controlled entities which are a party to this Deed do not have any external liabilities other than taxation.

The consolidated Statement of Financial Performance for the Bank and the controlled entities which are a party to the Deed (closed group) is as follows:

	CLOSED GROUP	
	2003	2002
	$M	$M
Profit from ordinary activities	**885**	608
Income tax expense	**281**	193
Net profit	**604**	415
Retained profits at the beginning of the financial year	**239**	240
Adjustments to retained profits at beginning of year on initial adoption of:		
Revised AASB 1028 "Employee benefits"	**(1)**	-
Revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**209**	-
Total available for appropriation	**1,051**	655
Dividends	**455**	416
Retained profits at the end of the financial year.	**596**	239

NOTE 44 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

(c) Deed of Cross Guarantee

The consolidated Statement of Financial Position for the closed group is as follows:

	CLOSED GROUP	
	2003 $M	2002 $M
ASSETS		
Cash and liquid assets	**768**	413
Due from other financial institutions	**257**	199
Trading securities	**5,127**	5,660
Investment securities	**115**	354
Loans and other receivables	**47,444**	41,848
Bank acceptances of customers	**3,391**	1,662
Amounts receivable from controlled entities	**1,444**	1,322
Other investments	**1,349**	1,837
Other assets	**3,114**	2,864
TOTAL ASSETS	**63,009**	56,159
LIABILITIES		
Deposits and other borrowings	**45,212**	38,376
Due to other financial institutions	**501**	895
Bank acceptances	**3,391**	1,662
Amounts payable to controlled entities	**1,233**	1,632
Provisions	**374**	546
Other liabilities	**8,103**	9,371
TOTAL LIABILITIES	**58,814**	52,482
NET ASSETS	**4,195**	3,677
SHAREHOLDERS' EQUITY		
Share capital	**3,485**	3,349
Reserves	**114**	89
Retained profits	**596**	239
TOTAL SHAREHOLDERS' EQUITY	**4,195**	3,677

The measurement basis in respect of the assets and liabilities above is consistent with Note 1 to the financial statements.

(d) Litigation

Contingent liabilities exist in relation to matters of litigation and/or possible matters of litigation which, at the date of adoption of this Financial Report, have not been resolved.

An assessment of the likely loss to the Bank and its controlled entities has been made in respect of the above mentioned on a claim by claim basis and specific provision has been made where appropriate. The consolidated entity does not consider that the outcome of any current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

(e) Service Contracts

Service contracts have been entered into with the Managing Director and certain Group Executives. The maximum contingent liability for termination benefits in respect of these contracts was $7 million.

NOTE 45 EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

1. Employee Entitlements

Aggregate employee entitlements, including on-costs, have been disclosed in Note 32 to the Financial Statements.

2. Superannuation Commitments

The Bank and its controlled entities have contributed to the following superannuation funds operated within the Group:

	ST.GEORGE STAFF RETIREMENT FUND	ASGARD SUPERANNUATION ACCOUNT
Fund Type	Defined benefit*	Defined contribution
Type of benefits	Lump sum	Lump sum
Date of last actuarial review	30 October 2003	Not required for fund
Name of actuary	Mr P Hughes BA FIAA FIA	Not required for fund
Basis of contributions	Various percentages of employees' superannuation salaries	In accordance with prevailing legislation

As at the date of the last actuarial review, there are sufficient funds available in these superannuation funds in the event of:

(i) termination of the funds;

(ii) voluntary termination of employment of each member; and

(iii) compulsory termination of employment of each member.

* Benefits of members of the St.George Staff Retirement Fund who joined the fund prior to 1 July 1990, or were transferred from the M&F Retirement Fund are provided on a defined benefit basis. Otherwise, benefits are provided on a defined contribution basis.

The fund assets at net market value, accrued benefits and vested benefits of the defined benefit fund is as follows:

	AS AT 30 JUNE	
St.George Staff Retirement Fund	**2003 $M**	2002 $M
Fund assets at net market value (a)	**242**	250
Present value of accrued benefits (b)	**239**	249
Difference between net market value of assets and present value of accrued benefits.	**3**	1
Vested Benefits	**235**	245

(a) Fund assets at net market value has been extracted from the audited financial statements of St.George Staff Retirement Fund.

(b) Accrued benefits are benefits which the fund is presently obliged to pay at some future date, as a result of membership of the fund and are based on the most recent assessment by the actuary being 30 October 2003 on accrued benefits at 30 June 2003.

Vested benefits are benefits which are not conditional upon the continued membership of the fund or any factor, other than resignation from the fund.

Employer contributions paid to the fund during the year to 30 September 2003 was $37 million (2002: $32 million).

NOTE 46 CONTROLLED ENTITIES

	NOTE	PERCENTAGE OF SHARES HELD 2003 %	2002 %
The following corporations comprise the consolidated entity:			
St.George Bank Limited			
St.George Business Finance Pty Limited		**100**	100
St.George Commercial Credit Corporation Limited		**100**	100
St.George Crusade Investment Pty Limited		**100**	100
St.George Custodial Pty Limited		**100**	100
St.George Development Capital Limited		**100**	100
St.George Dragon Investment Pty Limited		**100**	100
St.George Equity Finance Limited		**100**	100
St.George Executive Superannuation Fund Pty Limited	(d)	**100**	100
St.George Finance Holdings Limited		**100**	100
St.George Financial Services Limited	(e)	**100**	100
St.George Finance Limited	(f)	**100**	100
St.George Funding Company LLC	(a)	**100**	100
St.George Group Holdings Pty Limited		**100**	100
St.George HCAL Pty Limited		**100**	100
St.George Home Finance Pty Limited		**100**	100
St.George Insurance Pte Limited	(a)	**100**	100
St.George Life Limited		**100**	100
St.George Bank New Zealand Limited	(a) (b)	**100**	-
St.George Management Services Pty Limited		**100**	100
St.George Motor Finance Limited		**75**	75
St.George Motor Wholesale Pty Limited		**75**	75
St.George Procurement Management Pty Limited		**100**	100
St.George Procurement Pty Limited		**100**	100
St.George Security and Custody Pty Limited		**100**	100
St.George Staff Retirement Fund Pty Limited		**100**	100
St.George Superannuation Fund Pty Limited	(d)	**100**	100
St.George Superannuation Holdings Pty Limited	(d)	**100**	100
St.George Wealth Management Pty Limited		**100**	100
St.George Wholesale Finance Pty Limited		**100**	100
St.George WEL Limited	(g)	**100**	100
ACS Broker Services Limited	(c)	**-**	100
ACS Management Services Pty Limited	(c)	**-**	100
Advance Asset Management Limited		**100**	100
Advance Commercial Finance Limited		**100**	100
Advance Insurance Agencies Pty Limited	(d)	**100**	100
Advance Leasing Limited		**100**	100
Ascalon Capital Managers Limited		**100**	100
Ascalon Operations and Services Pty Limited		**100**	100
ASGARD Capital Management Limited		**100**	100
Assirt Pty Limited		**100**	100
Assirt Software Pty Limited		**100**	100
Australian Clearing Services Pty Limited	(c)	**-**	100
Buchelin Pty Limited		**100**	100
Canberra Advance Property Limited		**100**	100
Crusade CP Management Pty Limited		**100**	100

NOTE 46 CONTROLLED ENTITIES

	NOTE	PERCENTAGE OF SHARES HELD 2003 %	2002 %
Crusade Management Limited		**100**	100
Danaby Pty Limited		**100**	100
Dragon Investment Services Limited		**100**	100
Dysty Pty Limited		**100**	100
Green Frog Nominees Pty Limited	(c)	**-**	100
HITTON Pty Limited		**100**	100
International Factors Australia Pty Limited	(d)	**100**	100
International Factors Pty Limited	(d)	**100**	100
Kerbridge Energy Pty Limited		**100**	100
Kerbridge Loyalty Software Pty Limited		**100**	100
Lawnbag Pty Limited	(d)	**100**	100
Nationwide Management Pty Limited		**100**	100
NSW Future Plan Pty Limited	(d)	**100**	100
PACT Accountants Investment Group Pty Limited		**100**	100
Scottish Pacific Business Finance Administration Limited		**100**	100
Scottish Pacific Business Finance Holdings Pty Limited		**100**	100
Scottish Pacific Business Finance Limited	(a)	**100**	100
Scottish Pacific Business Finance Pty Limited		**100**	100
Scottish Pacific Management Services Pty Limited		**100**	100
SEALCORP Holdings Limited		**100**	100
SEALCORP Services Pty Limited	(d)	**100**	100
SECURITOR Financial Group Limited		**100**	100
Talaad Pty Limited	(d)	**100**	100
Target Nominees Limited	(d)	**100**	100
Thomaston Rail Pty Limited	(d)	**100**	100
Value Nominees Pty Limited		**100**	100
Votraint No. 1182 Pty Limited		**100**	100
VS&L Insurance Agency Pty Limited		**100**	100
VS&L Services Pty Limited		**100**	100

Notes

(a) St.George Funding Company LLC is a Delaware limited liability company and carries on business in the USA. St.George Insurance Pte Ltd is incorporated in and carries on business in Singapore. Scottish Pacific Business Finance Limited and St.George Bank New Zealand Limited are incorporated in and carry on business in New Zealand. All other controlled entities are incorporated in Australia.

(b) Incorporated on 14 November 2002.

(c) The following controlled entities were disposed of during the year:

ACS Broker Services Limited	8-Jan-03
ACS Management Services Pty Limited	8-Jan-03
Australian Clearing Services Pty Limited	8-Jan-03
Green Frog Nominees Pty Limited	8-Jan-03

(d) These companies are in voluntary liquidation

(e) Formerly St.George Finance Limited

(f) Formerly St.George Partnership Finance Limited

(g) Formerly WealthPoint Limited

NOTE 47 SEGMENTAL RESULTS

(a) Business Segments

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

- Life and general insurance businesses were transferred from PC to WM; and
- 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.

NOTE 47 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

NOTE 47 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

NOTE 48 INTEREST RATE RISK

Interest rate risk arises from a variety of sources including mismatches between the repricing periods of assets and liabilities.

As a result of these mismatches, movements in interest rates can affect earnings or the value of the consolidated entity.

The objective of the consolidated entity's interest rate risk management policies is to minimise fluctuations in earnings over time from volatility in movements in interest rates.

i) Interest Rate Risk in Non-Trading Activities

Interest rate risk is monitored by the Bank's Balance Sheet Management unit to ensure that aggregate exposure to interest rate risk is contained within policy guidelines and defined limits set by the Bank's Asset and Liability Committee (ALCO) which reports to the Board. The Balance Sheet Management unit reports to ALCO at least monthly.

The "gap position" between when assets, liabilities and synthetic instruments are contractually due to reprice represents one measure of the consolidated entity's interest rate risk position. The table below details the gap position at 30 September. The Bank does not use this information to manage interest rate risk as the contractual repricing gap position does not reflect the Bank's anticipated repricing gap position.

	AS AT 30 SEPTEMBER 2003							
	WITHIN 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	AFTER 5 YEARS	NOT INTEREST BEARING	TOTAL	WEIGHTED AVERAGE
	$M	$M	$M	$M	$M	$M	$M	%
ASSETS								
Cash and liquid assets	769	-	-	-	-	-	769	3.23
Due from other financial institutions	335	-	-	-	-	-	335	4.64
Trading securities	2,263	2,211	358	359	27	58	5,276	4.83
Investment securities	37	30	-	76	-	-	143	1.95
Loans and other receivables	36,002	800	3,454	8,836	53	(241)	48,904	7.54
Bank acceptances of customers	-	-	-	-	-	3,391	3,391	
Other assets	-	-	-	-	-	3,896	3,896	
Total Assets	39,406	3,041	3,812	9,271	80	7,104	62,714	6.35
LIABILITIES								
Deposits and other borrowings	30,691	6,975	5,701	1,910	14	-	45,291	4.70
Due to other financial institutions	501	-	-	-	-	-	501	3.40
Bonds and notes	526	3,695	1,206	121	-	-	5,548	4.73
Loan capital	-	292	-	788	-	-	1,080	5.50
Bank acceptances	-	-	-	-	-	3,391	3,391	
Other liabilities	-	-	-	-	-	2,538	2,538	
Total Liabilities	31,718	10,962	6,907	2,819	14	5,929	58,349	4.23
Shareholders' equity and outside equity interests in controlled entities						4,365	4,365	
Off-balance sheet items affecting interest rate sensitivity	(7,255)	7,963	(2,233)	1,521	4	-	-	
Net mismatch	433	42	(5,328)	7,973	70	(3,190)		
Cumulative mismatch	433	475	(4,853)	3,120	3,190	-		

NOTE 48 INTEREST RATE RISK

	AS AT 30 SEPTEMBER 2002							
	WITHIN 1 MONTH $M	1 TO 3 MONTHS $M	3 MONTHS TO 1 YEAR $M	1 TO 5 YEARS $M	AFTER 5 YEARS $M	NOT INTEREST BEARING $M	TOTAL $M	WEIGHTED AVERAGE %
ASSETS								
Cash and liquid assets	414	-	-	-	-	-	414	2.39
Due from other financial institutions	239	-	-	-	-	-	239	4.55
Trading securities	4,126	1,250	203	111	45	43	5,778	4.85
Investment securities	33	-	-	358	-	-	391	3.20
Loans and other receivables	31,947	658	2,975	7,375	35	(223)	42,767	7.35
Bank acceptances of customers	-	-	-	-	-	1,662	1,662	
Other assets	-	-	-	-	-	3,753	3,753	
Total Assets	36,759	1,908	3,178	7,844	80	5,235	55,004	6.30
LIABILITIES								
Deposits and other borrowings	27,983	4,477	4,088	1,840	6	-	38,394	4.99
Due to other financial institutions	912	-	-	-	-	-	912	4.18
Bonds and notes	1,895	3,280	1,804	324	-	-	7,303	4.16
Loan capital	-	101	79	822	-	-	1,002	5.95
Bank acceptances	-	-	-	-	-	1,662	1,662	
Other liabilities	-	-	-	-	-	1,893	1,893	
Total Liabilities	30,790	7,858	5,971	2,986	6	3,555	51,166	4.53
Shareholders' equity and outside equity interests in controlled entities						3,838	3,838	
Off-balance sheet items affecting interest rate sensitivity	(11,879)	10,967	(576)	1,404	84	-	-	
Net mismatch	(5,910)	5,017	(3,369)	6,262	158	(2,158)		
Cumulative mismatch	(5,910)	(893)	(4,262)	2,000	2,158	-		

Gap positions are managed by the Balance Sheet Management unit through the use of derivative products, particularly swaps and options.

Interest rate risk also arises from the impact of interest rate shifts on pricing relationships between asset and liability products of a retail or wholesale nature. The risk is monitored through simulation modelling which estimates the impact on net interest earnings due to changes in interest rates and/or the size and mix of the consolidated entity's balance sheet. Through the use of this simulation model, ALCO oversees interest rate risk management by determining profit risk parameters, product design and pricing policies. The model's key assumptions are regularly reviewed to take account of both historical relationships and the current competitive and interest rate environment. Risk to earnings is measured by calculating the fluctuation in net interest earnings based on a 1% parallel increase in the bank bill swap curve. This risk is managed to ensure the net interest earnings fluctuation in the next 12 months is limited to a maximum of 10% of operating profit after income tax. This measure captures spread and market risk exposures.

ii) Market Risk from Trading Activities

Market risk represents the risk to earnings from movements in price due to fluctuations in interest rates, exchange rates and market volatility.

Market risk from trading activities is measured and reported by staff segregated and independent from the dealing, settlements and accounting functions. Intra day and overnight limits have been implemented by the Board. A Value-at-Risk (VaR) based on variance-covariance methodology is used as the primary method to quantify potential gains or losses resulting from movements in market interest rates and underpins the limit structures referred to above. The policy discipline applies to both trading and investment portfolios and includes physical positions and derivatives and performance against limit is reported to the Board Risk Management Committee monthly.

NOTE 48 INTEREST RATE RISK

The consolidated entity uses an internal model for the calculation of VaR. For the unique risks relating to options, a contingent loss matrix, developed according to the specifications of Prudential Statement APS 113, issued by the Australian Prudential Regulation Authority (APRA), is used to generate delta-equivalent cash flows for use in the VaR model and a separate measurement for gamma, vega and other higher order terms. Both models use a 99% confidence interval and a one day holding period. APRA has accredited the consolidated entity's internal model for the calculation of capital allocation to market risk.

Stress testing of trading positions is conducted daily and back-testing of the internal VaR model is conducted monthly to ensure that the model is a viable predictor of actual trading losses.

NOTE 49 DERIVATIVES

Derivative Financial Instruments

Definition

A derivative is a financial instrument which provides the holder with the ability to participate in some or all of the price changes of an underlying financial asset, reference rate or index.

Common derivatives used by the consolidated entity are swaps, options, futures, forwards and foreign exchange contracts. The major characteristics of these are summarised below.

Swaps

An interest rate swap is an agreement between two parties to exchange interest obligations periodically based on an underlying notional principal. A cross currency swap involves a principal exchange of amounts in one currency for another currency and a re-exchange of the same principal amounts at maturity. Interest payments and receipts on the principal amounts are exchanged periodically throughout the term.

Options

An option is a contract that grants the holder the right but not the obligation to buy or sell the underlying asset at a specific price on a specified date. A call option grants the holder the right but not the obligation to buy at a specified price whereas a put option grants the holder the right but not the obligation to sell at a specified price. The purchaser or holder of the option pays a premium up front to acquire the rights in the option. The risk to the holder is limited to the premium whilst the risk to the seller of the option is unlimited.

Futures

A futures contract is a binding obligation to buy or sell a specific quantity of a specific type of goods at an agreed price. Every contract has a buyer and a seller. Most contracts dealt on exchanges are closed out prior to delivery date.

Forwards

A forward rate agreement (FRA) is an agreement to fix an interest rate on an agreed notional amount, term and date. The parties then settle the difference between the agreed interest rate and the market rate on the FRA settlement date.

Objectives for Holding Derivative Instruments

The consolidated entity makes use of the derivatives market both for trading purposes and to manage the risk of the Statement of Financial Position.

Hedging

Derivatives provide protection to income streams in a volatile financial environment.

Derivatives enable holders of actual or anticipated assets and liabilities (those with a value that may vary with rising or falling interest rates) to modify and eliminate the risk of varying values by transferring it to another entity that is willing to assume the risk.

The consolidated entity's objective when entering the derivative market for asset and liability management purposes is to protect future interest income streams in light of uncertain economic variables. The core operations of the consolidated entity are subject to the risk of interest rate fluctuations to the degree that the interest earning assets exceed the interest bearing liabilities or vice versa, in any given maturity or repricing period.

Trading

The majority of derivatives trading originates from proprietary trading and servicing selected clients' needs. Strict controls and trading limits are used to monitor the price risk resulting from interest rate and exchange rate fluctuations on net open positions. The credit risk associated with the instruments is limited to the current net market value which represents a small portion of the notional amount.

NOTE 49 DERIVATIVES

Strategies for Achieving Objectives for Holding Derivative Instruments

The primary objective in asset and liability management is to provide the maximum level of income while maintaining prudent levels of interest rate, liquidity and funding risk. In order to achieve these objectives a variety of interest rate forwards, swaps and options as well as cross currency derivatives are employed.

For all activities, the consolidated entity monitors future interest rate risk by simulating future net interest income resulting from applying a variety of different rate scenarios to its projected Statement of Financial Position. The consolidated entity also seeks to manage net interest income by hedging interest rate exposure arising from anticipated future transactions.

This process is controlled and managed through ALCO which addresses risk exposures and hedging requirements on a monthly basis (or more frequently if required). Where an on-balance sheet solution cannot be employed to position the Statement of Financial Position effectively, the derivatives market is used.

The risks associated with derivatives are identical to the risks that are encountered by the consolidated entity for normal retail and commercial banking business (credit risk, market risk and liquidity risk). These risks are managed consistently in line with the consolidated entity's overall risk management policies.

The following table provides an overview of the consolidated entity's exchange rate and interest rate derivatives as at 30 September.

It includes all trading and non-trading contracts.

	CONSOLIDATED				BANK			
	NOTIONAL AMOUNT		**CREDIT EQUIVALENT**		**NOTIONAL AMOUNT**		**CREDIT EQUIVALENT**	
	2003 $M	2002 $M	**2003 $M**	2002 $M	**2003 $M**	2002 $M	**2003 $M**	2002 $M
(a) Interest Rate Commitments								
Futures	**7,627**	29,179	**-**	-	**7,627**	29,179	**-**	-
Forward rate agreements	**29,830**	20,180	**4**	5	**29,830**	20,180	**4**	5
Swaps	**55,382**	62,457	**198**	445	**55,382**	62,457	**198**	445
Options	**34**	16	**-**	-	**34**	16	**-**	-
Total Interest Rate Commitments	**92,873**	111,832	**202**	450	**92,873**	111,832	**202**	450
(b) Foreign Exchange Commitments								
Spot, Forwards	**13,849**	15,063	**263**	328	**13,849**	15,063	**263**	328
Swaps	**5,985**	5,336	**277**	643	**5,985**	5,336	**277**	643
Options	**4,321**	571	**30**	16	**4,321**	571	**30**	16
Total Foreign Exchange Commitments	**24,155**	20,970	**570**	987	**24,155**	20,970	**570**	987

The credit equivalent amounts represent a measure of the potential loss to the consolidated entity as a result of non performance by a counter party.

The notional amounts for derivatives do not represent assets or liabilities on the Statement of Financial Position, but represent the basis for calculating net amounts from underlying reference rates. The consolidated entity's exposure to counterparty risk is, therefore, limited to the positive value attached to the derivative arising from favourable movements in the underlying reference rates.

The credit risk associated with futures contracts is negligible as contracts are collateralised by cash with any changes in market value of contracts being settled on a daily basis with the clearing house.

As the consolidated entity's primary reason for holding derivatives is for Statement of Financial Position hedging purposes, the majority of derivatives have been transacted with financial institutions of investment grade quality. The consolidated entity's credit policy and procedures ensures that exposures to counterparty risks are constantly monitored, thereby limiting credit risk concentration to any individual counterparty through risk limits approved by the Board.

NOTE 50 RELATED PARTY INFORMATION

Australian banks have been exempted (subject to certain conditions), under an ASIC Class Order 98/110 dated 10 July 1998, from making disclosure of:

- any loan made, guaranteed or secured by a bank to related parties; and
- financial instrument transactions between related parties (other than in respect of shares and share options), where a director of the relevant entity is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business on either:
  - an arms-length basis; or
  - with approval of a general meeting of the relevant entity and its ultimate parent entity.

The exemption does not cover transactions which relate to the supply of goods and services to a bank.

The Class Order does not apply to a loan or financial instrument transaction which any director of the Bank should be reasonably aware that, if not disclosed, would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

This exemption is subject to the Bank providing evidence to ASIC that the Bank has systems of internal controls and procedure which:

(a) in the case of any material financial instrument transaction, ensure that; and

(b) in any other case, are designed to provide a reasonable degree of assurance that;

any financial instrument transaction which may be required to be disclosed in the Bank's financial statements and which is not entered into regularly is brought to the attention of directors.

Directors

The names of each person holding the position of director during the financial year are:

F J Conroy
J J Mallick
G P Kelly
L F Bleasel
J S Curtis
P D R Isherwood
L B Nicholls
G J Reaney
J M Thame

Loans to directors

The aggregate amount of loans outstanding as at 30 September 2003 was $Nil (2002: $Nil).

Shareholdings

The number of shares and preferred resetting yield marketable equity securities (PRYMES) held by directors of the Bank and director related entities at 30 September is as follows:

	ORDINARY SHARES		PRYMES	
	2003	2002	**2003**	2002
Balance at beginning of financial year	**307,605**	319,907	**596**	649
Directors no longer in office	**(21,202)**	(52,574)	**(43)**	(53)
Net purchases on market	**14,037**	6,187	**-**	-
Net disposals on market	**(25,000)**	(6,100)	**-**	-
Shares issued under Share Purchase Plans	**10,212**	15,185	**-**	-
Shares issued under Performance Plan	**25,000**	25,000	**-**	-
Balance at end of financial year	**310,652**	307,605	**553**	596

No share options have been granted to non-executive directors during the year.

NOTE 50 RELATED PARTY INFORMATION

Other transactions of directors and their director related entities

a) Financial instrument transactions

Financial instrument transactions (other than in respect of loans and shares disclosed above) with the directors of the Bank occur in the ordinary course of business of the Bank on an arm's length basis, and are considered to be trivial or domestic transactions as they are in the nature of normal personal banking and deposit transactions.

b) Other transactions (other than financial instrument transactions)

– All other transactions with director related entities are conducted on an arm's length basis in the normal course of business and on standard commercial terms and conditions. These transactions principally involve the provisions of financial, utility and postal services by director related entities.

Other transactions were conducted by the consolidated entity with other director related entities on an arms length basis and are considered to be trivial.

Controlled entities

The Bank's aggregate investment in amounts receivable from and amounts due to controlled entities are disclosed in the Statement of Financial Position of the Bank.

Details of amounts paid or received from controlled entities in the form of dividends or interest are set out in Notes 3 and 4 of the Financial Statements.

Apart from the details disclosed above no non-executive director or director-related entity has entered into a material contract with the consolidated entity during the year. In the opinion of the directors there are no contracts in existence with non-executive directors and their director-related entities that may conflict with their ability to act in the best interests of the Bank.

NOTE 51 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure is limited to the net fair value of the consolidated entity's on and off-balance sheet financial instruments.

The disclosure excludes all non-financial instruments and hence the aggregate net fair value amounts are not representative of the underlying value of the consolidated entity.

The net fair value represents the amount (after transaction costs) for which an asset could be exchanged or a liability settled in an arms-length transaction between willing parties. The value of the consolidated entity's relationship with customers together with non-financial instruments are not included in the disclosure below.

Quoted market prices are adjusted for material transaction costs and used as the measure of net fair value. Where quoted market prices are not available, net fair values are based on present value estimates or other methods of valuation. The fair value of short term financial instruments is estimated to equal their carrying value as these instruments reprice or mature in 180 days or less with no significant change in credit risk.

The estimates of net fair value are subjective and involve the exercise of judgement. Changes in assumptions used could have a material impact on the amounts disclosed. As a result, it is difficult to make reasonable comparisons of the consolidated entity to other financial institutions due to the wide range of valuation techniques and numerous estimates which must be made.

	CARRYING VALUE		FAIR VALUE	
	2003	2002	**2003**	2002
	\$M	\$M	**\$M**	\$M
Financial Assets				
Cash and liquid assets	**769**	414	**769**	414
Due from other financial institutions	**335**	239	**335**	239
Trading securities	**5,276**	5,778	**5,276**	5,778
Investment securities	**143**	391	**141**	347
Loans and other receivables	**48,904**	42,767	**48,978**	42,937
Bank acceptances of customers	**3,391**	1,662	**3,391**	1,662
Financial Liabilities				
Deposits and other borrowings	**45,291**	38,394	**45,351**	38,433
Due to other financial institutions	**501**	912	**501**	912
Bank acceptances	**3,391**	1,662	**3,391**	1,662
Bonds and notes	**5,548**	7,303	**5,546**	7,350
Loan capital	**1,080**	1,002	**1,127**	987
Other financial liabilities	**580**	644	**460**	511

Cash and liquid assets, due from other financial institutions and bank acceptances of customers

The carrying value of cash and liquid assets, due from other financial institutions and bank acceptances of customers approximate their net fair value as they are short term in nature or are receivable on demand.

Trading securities

Trading securities are recorded at market value. Market value is based on quoted market prices, broker or dealer price quotations.

Investment securities

Net fair value is based on quoted market prices, broker or dealer price quotations. Where such prices are not available, net fair value is estimated using quoted market prices for securities with similar characteristics.

NOTE 51 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

Loans and other receivables

The carrying value of loans and other receivables is net of specific and general provisions for doubtful debts and unearned income. For variable rate loans (excluding impaired loans), the carrying amount is a reasonable estimate of net fair value. The net fair value of fixed rate loans that reprice within six months of balance date is the carrying value at 30 September. For other fixed rate loans, the net fair value was calculated by discounting the estimated future cash flows using current market rates.

For impaired assets the net fair value is calculated by discounting expected future cash flows using a discount rate which includes a premium for uncertainty of the cash flows.

Deposits and other borrowings

The net fair value of at call, variable rate deposits and fixed rate deposits repricing within six months, is the carrying value at 30 September. For other deposits, discounted cash flow models based upon current market rates for debt with similar characteristics and maturities were used to calculate net fair values.

Due to other financial institutions

The carrying values of balances due to other financial institutions is considered to approximate their net fair value.

Bonds and notes and loan capital

The net fair value of bonds and notes and loan capital was calculated based on quoted market prices at 30 September. Where quoted prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining maturity of the instrument was used.

Other financial liabilities

This category includes the on-balance sheet impact of derivatives for which the net fair value is calculated by discounting projected cash flows using current market yields. The carrying amount of accrued expenses payable is considered to approximate the net fair value.

Provision for income tax, dividends, employee entitlements and restructuring are not considered to be financial instruments.

NOTE 52 EVENTS OCCURRING AFTER REPORTING DATE

Since 30 September 2003 the Bank has proposed a final dividend, see Note 10 for details.

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 corporate purposes and to increase the Bank's capital base.

Aside from the matters referred to above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely in the opinion of the directors of the Bank, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

In the opinion of the directors of St.George Bank Limited:

1. (a) the financial statements and notes, set out on pages 2 to 64 are in accordance with the Corporations Act 2001, including:
   - (i) giving a true and fair view of the financial position of the Bank and the consolidated entity as at 30 September 2003 and their performance, as represented by the results of their operations and cash flows for the year ended on that date; and
   - (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) at the date of this declaration, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe the Bank and the subsidiaries identified in Note 44 (c) will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Bank and those subsidiaries pursuant to ASIC Class Order 98/1418.

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

F J Conroy
Chairman

Gail Kelly

G P Kelly
Chief Executive Officer and Managing Director

Dated at Sydney, New South Wales
5 November 2003

Independent Audit Report to the Members of St.George Bank Limited

FOR THE YEAR ENDED 30 SEPTEMBER 2003

SCOPE

We have audited the financial report of St.George Bank Limited, for the year ended 30 September 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes (1 to 52), and the directors' declaration set out on pages 2 to 65. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Bank and the entities it controlled at the end of the year or from time to time during the financial year. The Bank's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Bank.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and the other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Bank's and the consolidated entity's financial position and performance, as represented by the results of their operations and cash flows.

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

AUDIT OPINION

In our opinion, the financial report of St.George Bank Limited is in accordance with:

a) the Corporations Act 2001, including:

   (i) giving a true and fair view of the Bank's and consolidated entity's financial position as at 30 September 2003 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG.

KPMG

J F Teer
Partner

45 Clarence Street,
Sydney, New South Wales, 2000
5 November 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 percent). 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 percent. Qualifying capital is comprised of two discrete tiers. Tier 1 capital must constitute at least 50 percent 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 **$M**	2002 $M
Qualifying Capital		
Tier 1		
Share capital	**3,468**	3,349
Reserves	**413**	548
Retained profits	**442**	71
Less : Expected dividend[1]	**(190)**	-
Goodwill and other APRA adjustments[2]	**(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
Deductions		
Investment in non-consolidated entities net of goodwill Tier 1 deductions[3]	**27**	27
Other	**1**	13
Total deductions from capital	**28**	40
Total qualifying capital	**3,814**	3,507

(1) In accordance with AASB 1044, provision for dividends on ordinary shares can only be recognised when declared.
However, for capital adequacy purposes, expected dividends on ordinary shares are required to be deducted from capital.
The expected dividend has been adjusted for estimated dividend reinvestment plan participation.

(2) Investments (pre-acquisition retained earnings) in funds management and administration companies and the investment mortgage insurance company (St.George Insurance Pte Ltd.) are deducted from Tier 1 capital.

(3) Holdings of other bank's capital instruments and investments (excluding pre-acquisition retained earnings) in funds management and administration companies and life insurance companies are deducted from the total of Tier 1 and Tier 2 capital.

Supplementary Financial Information

CAPITAL ADEQUACY

	FACE VALUE 2003 $M	RISK WEIGHT %	RISK WEIGHTED BALANCE 2003 $M	RISK WEIGHTED BALANCE 2002 $M
Risk Weighted Assets				
(i) On Balance Sheet Assets				
Cash, claims on Reserve Bank, Australian Commonwealth, State and Territory Governments, Central Government and Central Banks of OECD countries	**7,583**	**-**	**-**	-
Longer term claims on Australian Commonwealth, State and Territory governments	**-**	**10**	**-**	-
Claims on local governments, public sector entities, Authorised Deposit Taking Institutions	**343**	**20**	**69**	97
Loans secured by residential property	**38,017**	**50**	**19,008**	16,365
All other assets	**16,132**	**100**	**16,132**	14,440
Total on Balance Sheet assets* - credit risk	**62,075**		**35,209**	30,902

	FACE VALUE 2003 $M	CREDIT EQUIVALENT AMOUNT 2003 $M	RISK WEIGHTED BALANCE 2003 $M	RISK WEIGHTED BALANCE 2002 $M
(ii) Off Balance Sheet Exposures				
Direct credit substitutes	**447**	**447**	**447**	222
Trade and performance related items	**68**	**20**	**20**	16
Commitments	**15,294**	**1,206**	**687**	612
Foreign exchange, interest rate and other market related transactions	**116,994**	**772**	**161**	412
Total off Balance Sheet exposures - credit risk	**132,803**	**2,445**	**1,315**	1,262
Risk weighted assets - credit risk			**36,524**	32,164
Risk weighted assets - market risk			**379**	331
Total risk weighted assets			**36,903**	32,495

	2003	2002
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

* The difference between total on balance sheet assets and the consolidated entity's Statement of Financial Position results from the alternative treatment prescribed by APRA for items such as goodwill and provisions for bad and doubtful debts.

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 Depository 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

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AUDITORS

KPMG
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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

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