FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2001

Table of Contents

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2001

		Consolidated		Bank	
		2001	2000	**2001**	2000
	NOTE	**$M**	$M	**$M**	$M
Interest income	2	**3,311**	3,194	**3,251**	3,122
Less: Interest expense	2	**2,076**	2,022	**2,194**	2,087
Net interest income		**1,235**	1,172	**1,057**	1,035
Less: Bad and doubtful debts	4	**77**	50	**75**	47
Net interest income after bad and doubtful debts		**1,158**	1,122	**982**	988
Other income	3,7	**690**	660	**607**	674
Total ordinary income (net of interest expense and bad and doubtful debts)		**1,848**	1,782	**1,589**	1,662
Less: Operating expenses					
– staff		**507**	518	**456**	476
– computer and equipment		**164**	159	**156**	150
– occupancy		**116**	111	**113**	106
– other		**298**	350	**263**	387
Total operating expenses	5,7	**1,085**	1,138	**988**	1,119
Share of net loss of associates accounted for using the equity method		**3**	–	**–**	–
Profit from ordinary activities before goodwill amortisation and income tax		**760**	644	**601**	543
Goodwill amortisation	5	**99**	101	**71**	72
Profit from ordinary activities before income tax		**661**	543	**530**	471
Income tax expense	6,7	**255**	189	**180**	103
Net profit		**406**	354	**350**	368
Net profit attributable to outside equity interests		**1**	–	**–**	–
Net profit attributable to members of the Bank		**405**	354	**350**	368
Non Owner Changes in Equity					
Net increase in asset revaluation and realisation reserve		**3**	23	**3**	17
Net increase in claims equalisation reserve		**3**	1	**–**	–
		6	24	**3**	17
Total change in equity other than those resulting from transactions with owners as owners		**411**	378	**353**	385
Dividends per ordinary share (cents)	8	**65**	55	**65**	55
Basic earnings per share (cents)	9	**72.1**	61.8		
Diluted earnings per share (cents)	9	**72.6**	61.5		

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 2001

		Consolidated		Bank	
		2001	2000	**2001**	2000
	NOTE	**$M**	$M	**$M**	$M
ASSETS					
Cash and liquid assets	13	**438**	499	**437**	518
Due from other financial institutions	14	**458**	148	**434**	120
Trading securities	15	**4,224**	3,930	**4,211**	3,772
Investment securities	16	**463**	1,219	**353**	1,127
Loans and other receivables	17	**39,699**	39,454	**38,806**	38,199
Bank acceptances of customers		**1,170**	607	**1,170**	607
Amounts receivable from controlled entities		**–**	–	**1,969**	2,129
Investments in controlled entities		**–**	–	**1,713**	1,578
Investments in associated companies	21	**123**	149	**10**	7
Other investments	22	**93**	97	**16**	16
Property, plant and equipment	23	**534**	564	**401**	431
Goodwill	24	**1,409**	1,485	**979**	1,054
Other assets	25	**2,193**	1,458	**2,090**	1,357
Total Assets		**50,804**	49,610	**52,589**	50,915
LIABILITIES					
Deposits and other borrowings	26	**35,539**	35,047	**35,509**	34,737
Due to other financial institutions	27	**790**	1,038	**790**	1,038
Bank acceptances		**1,170**	607	**1,170**	607
Amounts payable to controlled entities		**–**	–	**2,441**	2,092
Provision for dividends	28	**179**	153	**168**	143
Income tax liability	29	**265**	313	**201**	193
Other provisions	30	**91**	138	**83**	133
Bonds and notes	31	**7,776**	7,369	**7,776**	7,369
Loan capital	32	**769**	979	**769**	979
Bills payable and other liabilities	33	**599**	325	**362**	274
Total Liabilities		**47,178**	45,969	**49,269**	47,565
Net Assets		3,626	3,641	3,320	3,350
SHAREHOLDERS' EQUITY					
Share capital	34	**3,127**	3,174	**3,127**	3,174
Reserves	35	**59**	53	**75**	72
Retained profits	36	**102**	77	**118**	104
Shareholders' Equity Attributable to Members of the Bank		**3,288**	3,304	**3,320**	3,350
Outside equity interests in controlled entities	37	**338**	337	**–**	–
Total Shareholders' Equity		**3,626**	3,641	**3,320**	3,350

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 2001

		Consolidated		Bank	
		2001	2000	**2001**	2000
	NOTE	**$M**	$M	**$M**	$M
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		**3,329**	3,192	**3,260**	3,127
Interest paid		**(2,136)**	(1,973)	**(2,252)**	(1,934)
Dividends received		**1**	1	**77**	57
Other income received		**839**	631	**482**	244
Operating expenses paid		**(1,119)**	(944)	**(740)**	(641)
Income taxes paid		**(243)**	(157)	**(150)**	(111)
Net (payments)/proceeds from sale and purchase of trading securities		**(442)**	549	**(440)**	549
Net cash provided by operating activities	(a)	**229**	1,299	**237**	1,291
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Scottish Pacific	(c)	**–**	(27)	**–**	(27)
Additional investment in controlled entities		**–**	–	**–**	(73)
Restructuring costs		**(43)**	(45)	**(43)**	(45)
Net (increase)/decrease in balances due from other financial institutions		**(310)**	216	**(310)**	216
Net proceeds/(payments) from sale and purchase of investment securities		**769**	(944)	**788**	(923)
Net increase in loans and other receivables		**(310)**	(3,450)	**(662)**	(3,257)
Payments for shares		**(58)**	(155)	**(34)**	(16)
Proceeds from sale of shares		**18**	2	**–**	1
Proceeds from sale of Advance Property Fund units		**156**	–	**–**	–
Payments for other investments		**–**	(13)	**–**	–
Payments of research and development costs		**(9)**	(6)	**–**	–
Payments for property, plant and equipment		**(52)**	(57)	**(45)**	(46)
Proceeds from sale of property, plant and equipment		**5**	10	**5**	10
Net (increase)/decrease in amounts receivable from controlled entities		**–**	–	**(118)**	166
Proceeds from significant items		**–**	–	**–**	6
Net increase in other assets		**(44)**	(76)	**(246)**	(71)
Net cash provided by/(used in) investing activities		**122**	(4,545)	**(665)**	(4,059)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits		**551**	2,411	**802**	2,203
Proceeds from other borrowings		**21,398**	20,391	**21,398**	20,187
Repayment of other borrowings		**(21,260)**	(18,738)	**(21,260)**	(18,738)
Proceeds from loan capital		**–**	1,070	**–**	1,070
Repayment of loan capital		**(198)**	(1,097)	**(198)**	(1,097)
Increase in amounts payable to controlled entities		**–**	–	**280**	38
Net (decrease)/increase in other liabilities		**(70)**	(818)	**128**	(933)
Share buyback		**(376)**	(81)	**(376)**	(81)
Proceeds from issue of shares		**27**	7	**27**	7
Net proceeds from the issue of PRYMES		**291**	–	**291**	–
Dividends paid		**(341)**	(303)	**(301)**	(269)
Net cash provided by financing activities		**22**	2,842	**791**	2,387
Net increase/(decrease) in cash and cash equivalents held		**373**	(404)	**363**	(381)
Cash and cash equivalents held at the beginning of the financial year		**(352)**	52	**(361)**	20
Cash and cash equivalents held at the end of the financial year	(b)	**21**	(352)	**2**	(361)

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 2001

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
Notes to the Statements of Cash Flows				
(a) Reconciliation of net profit to net cash provided by operating activities				
Net profit	**406**	354	**350**	368
Depreciation	**65**	66	**56**	56
Amortisation				
– goodwill	**99**	101	**71**	72
– deferred expenditure	**46**	38	**43**	35
Dividend receivable	**(2)**	(2)	**(80)**	(225)
Profit on sale of property, plant and equipment	**(5)**	(1)	**(5)**	(1)
Loss on sale of property, plant and equipment	**–**	3	**–**	3
Increase in accrued expenses	**7**	96	**163**	198
Increase in provision for income tax	**2**	64	**24**	31
Decrease/(increase) in interest receivable	**23**	(2)	**10**	1
Increase in other income receivable	**3**	(31)	**26**	(96)
(Increase)/decrease in trading securities	**(442)**	549	**(440)**	549
Bad and doubtful debts expense	**77**	50	**75**	47
Increase in prepaid expenses	**–**	(10)	**–**	–
Decrease in employee entitlements provisions	**–**	(3)	**(2)**	(4)
Decrease in Directors' retirement provisions	**–**	(1)	**–**	(1)
(Decrease)/increase in interest payable	**(59)**	53	**(58)**	157
Net profit on sale of shares	**(2)**	(1)	**–**	–
Exchange gain on foreign currency borrowing – controlled entity	**–**	–	**19**	32
Write-back of excess provision	**(6)**	–	**(6)**	–
Write-down of external investments	**20**	–	**18**	–
Write-down of investment in WealthPoint Limited	**22**	–	**–**	–
Write-down of investments in SMS Management and Technology Limited	**4**	–	**–**	–
Profit on sale of business	**–**	–	**–**	(4)
Profit on sale of controlled entities	**–**	(83)	**–**	–
Increment on revaluation of controlled entities	**–**	(15)	**–**	–
Goodwill write-off	**2**	13	**2**	13
Redesign restructure costs	**–**	75	**–**	74
Write-off of investments in R&D syndicates	**–**	7	**–**	7
Profit on trading	**(31)**	(21)	**(29)**	(21)
Net cash provided by operating activities	**229**	1,299	**237**	1,291
(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	**438**	499	**437**	518
Due from other financial institutions – at call	**451**	148	**433**	120
Due to other financial institutions – at call	**(700)**	(822)	**(700)**	(822)
Bills payable	**(168)**	(177)	**(168)**	(177)
Cash and cash equivalents held at the end of the financial year	**21**	(352)	**2**	(361)

Notes to the Statements of Cash Flows (Continued)

(c) Acquisition of controlled entities

On 16 May 2000, St.George Bank Limited acquired 100% of the ordinary issued share capital of Scottish Pacific Business Finance Group for $42 million. The excess of fair value over the net assets of Scottish Pacific Business Finance Group at the date of acquisition was $32 million.

	Consolidated	
	2001	2000
	$M	$M
Fair value of net tangible assets acquired		
– Property, plant and equipment	–	2
– Loans and other receivables	–	209
– Cash	–	5
– Borrowings	–	(203)
– Other liabilities	–	(1)
– Other provisions	–	(2)
	–	10
Goodwill on acquisition	–	32
Consideration	–	42
Less: – Cash acquired	–	5
– Deferred payment – non cash	–	10
Net outflow of cash on acquisition	–	27

(d) Disposal of entities

During the year, a number of subsidiaries involved with Research and Development syndicates were sold. The disposal of these companies had no cash impact and generated no profit or loss on disposal. Refer to Note 44 for further details.

On 30 September 2000, St.George disposed of its interest in ASSIRT Pty Limited and ASSIRT Software Pty Limited.
This disposal included St.George's interest in Quicktrade. St.George received 100,744,667 fully paid Bourse Data Limited (now WealthPoint Limited) convertible preference shares valued at $1.20 per share as consideration. Details of the disposal are as follows:

	Consolidated	
	2001	2000
	$M	$M
Consideration		
Non-cash consideration	–	121
Non-cash incidental costs and costs accrued by the Group	–	(4)
	–	117
Fair value of the net tangible assets disposed		
Investment in subsidiaries (at cost)	–	10
Due to St.George Bank Group	–	(14)
Other assets	–	7
Other investments	–	8
Goodwill	–	21
Net assets disposed	–	32
Profit on sale	–	85
Net inflow of cash on disposal	–	–

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
- controlled entities are entities controlled by St.George Bank Limited (as listed in Note 44).

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.

Reclassification of Financial Information

As a result of the first time application on 1 October 2000 of the revised Accounting Standards AASB 1018 *Statement of Financial Performance* and AASB 1034 *Financial Report Presentation and Disclosures;* and the new AASB 1040 *Statement of Financial Position,* a number of comparative amounts were reclassified or repositioned to ensure comparability with the current reporting period.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items, refer Note 7. These items are no longer identified separately on the face of the Statements of Financial Performance.

The reconciliation of opening to closing retained profits has been transferred from the Statements of Financial Performance and is now presented in Note 36.

The accounting policies adopted are consistent with those of the previous year, except as noted below.

Accounting for Investments in Associated Companies

The consolidated entity has adopted the equity accounting method for the first time as per Accounting Standard AASB 1016 *Accounting for Investments in Associates.* As a result, a loss of $3 million before tax ($3 million after tax) has been taken to the Statements of Financial Performance.

Revaluation of Non-Current Assets

The consolidated entity has applied the revised Accounting Standard AASB 1041 *Revaluation of Non-Current Assets* prior to its operative date in accordance with Section 334(5) of the Corporations Act 2001 (refer Notes 22 and 23).

Change in Basis of Determining Earnings per Share

The consolidated entity has elected to apply the revised Accounting Standard AASB 1027 *Earnings per Share* prior to its operative date in accordance with Section 334(5) of the Corporations Act 2001.

Earnings per share information for the year ended 30 September 2000 has been recalculated in accordance with the revised standard to ensure comparability with the current financial year. The impact of the restatement was to alter the diluted earnings per share information only (refer Note 9).

(b) Historical Cost

This Financial Report has been prepared on the basis of historical cost and does not take into account changing money values except where stated. 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 amounts 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.

(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. 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 includes 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. 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.

(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, margin lending, equity swaps and research and development participation.

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 Financial Report.
Revenue is brought to account based on a method that yields a constant rate of return. The income is received on an after tax basis and is brought to account in the Statements of Financial Performance on a before tax basis.

(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% (2000: 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 loss may arise.

(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.

In the determination of the recoverable amount of the investment in WealthPoint Limited, the net cash flows arising from the asset's continued use and subsequent disposal have been discounted to its present value.

Change in Accounting Policy

In previous years, investments in associates were carried at cost or recoverable amount. In the current financial year, the consolidated entity has adopted for the first time the equity accounting method for certain investments in accordance with Accounting Standard AASB 1016 *Accounting for Investments in Associates*. As a result, a loss of $3 million before tax ($3 million after tax) has been included in the Statements of Financial Performance.

(r) Other Investments

Property, plant and equipment held for sale is 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 2001. 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.

In the determination of the recoverable amount of the investment in Virtual Communities Limited, the net cash flows arising from the asset's continued use and subsequent disposal have been discounted to its present value.

(s) Property, Plant and Equipment

The consolidated entity obtains independent valuation of its land and buildings as required, except where such properties are in the course of construction or major renovation.

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.

(v) Other Assets
Other Assets comprise sundry debtors, market revaluation of trading derivatives and the revaluation of cross currency swaps used to hedge foreign currency risk. These assets are recorded at the cash value to be realised when settled.

Other Assets also include 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 annually 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, preferred resetting yield marketable equity securities and ordinary shares.

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% pa 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, payable semi-annually in June and December each year.

The provision for dividend relating to converting preference shares was calculated on a balance of $360 million at a fixed rate of interest, payable semi-annually in May and November each year. On 29 March 2001, these shares converted into 28.2 million ordinary shares.

The provision for dividend relating to ordinary shares represents the estimated amount payable in respect of the final dividend 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 current wage and salary rates 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 contributes to various employee superannuation funds. Contributions are charged as an expense in the Statements of Financial Performance as incurred. Further information is set out in Note 43.

(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 restructing costs of an existing entity is recognised at the date of commencement of the restructuring program.

(dd) Bonds and Notes
Bonds and Notes comprise medium term notes and floating rate note borrowings. Interest is recognised in the Statements of Financial Performance as incurred.

(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 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 bankers 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) Unissued Share Capital
In June 1998, the Bank raised $140 million of capital by way of a Primary STRYPES offering. The shares had no entitlement to dividends or other forms of payment until they were issued on 14 August 2001. This capital was recognised at the value received on allotment. On 14 August 2001, the Primary STRYPES converted into 18.4 million ordinary shares.

(iii) Non-Redeemable, Non-Cumulative Converting Preference Shares
The converting preference share capital is recognised at the value of the amount paid up. On 29 March 2001, these shares converted into 28.2 million ordinary shares.

(iv) Preferred Resetting Yield Marketable Equity Securities
On 21 February 2001, 3 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% pa for the next five years, after which the Bank has the option to reset the rate.

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

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

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.

(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), which is subject to the provisions of the Life Insurance Act 1995 (including Commissioner's Rule No 21) and Actuarial Standard 1.01 Valuation of Policy Liabilities (the Rules).

The shareholders' interest in SGL, consisting of the shareholders' fund and the shareholders' interest in the statutory funds, is included in this Financial Report. The shareholders' interest in the statutory funds is carried at cost.

The shareholders' interest in the profits from the statutory funds are brought to account in the Statements of Financial Performance of the consolidated entity. The Rules require the calculation of profits derived by life insurance companies to be determined in accordance with the Margin on Services methodology for the valuation of policy liabilities under Actuarial Standard 1.01 Valuation of Policy Liabilities of the Life Insurance Actuarial Standards Board.

ASIC has issued a Class Order that allows SGL's results to be consolidated without adjustment pursuant to the Rules for accounting policies which are dissimilar to those of the consolidated entity and which would otherwise require adjustment. The Rules modify the application of applicable accounting standards for life insurance companies.

The profits of the statutory funds brought to account in the Statements of Financial Performance of the consolidated entity are not fully available for distribution until all the requirements of the Life Insurance Act 1995 are met. As a result, included within the retained profits of the consolidated entity are the undistributed profits of SGL which are distributable to the shareholders' account, subject to meeting the solvency and capital adequacy requirements of the Life Insurance Act 1995 and upon the advice of the Appointed Actuary of SGL.

(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 2001 was $15,197 million (2000: $13,628 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 costs are borne.

(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.

The consolidated entity has entered into interest rate swaps with the special purpose trusts on an arm's length basis and in accordance with APRA's prudential guidelines.

(oo) Earnings Per Ordinary Share

(i) Basic earnings per ordinary share

Basic earnings per ordinary share is determined by dividing net profit attributable 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) Diluted earnings per share

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.

Change in accounting policy

The consolidated entity has elected to apply the revised Accounting Standard AASB 1027 *Earnings per Share* prior to its operative date in accordance with Section 334(5) of the Corporations Act 2001.

Earnings per ordinary share information for the year ended 30 September 2000 has been recalculated in accordance with the revised standard to ensure comparability with the current financial year. The impact of the restatement was to alter the diluted earnings per share information only (refer Note 9).

		Consolidated		Bank	
		2001	2000	**2001**	2000
	NOTE	**$M**	$M	**$M**	$M
NOTE 2 INTEREST					
Interest income					
Other financial institutions		**4**	5	**–**	4
Trading and investment securities		**284**	321	**276**	321
Loans and other receivables		**3,019**	2,863	**2,967**	2,788
Controlled entities		**–**	–	**6**	5
Other		**4**	5	**2**	4
Total interest income		**3,311**	3,194	**3,251**	3,122
Interest expense					
Deposits and other borrowings		**1,584**	1,565	**1,582**	1,548
Controlled entities		**–**	–	**121**	86
Bonds and notes		**435**	396	**435**	396
Loan capital		**44**	54	**44**	54
Other financial institutions		**13**	7	**12**	3
Total interest expense		**2,076**	2,022	**2,194**	2,087
NOTE 3 OTHER INCOME					
Dividends					
– Controlled entities		**–**	–	**117**	272
– Other persons		**2**	2	**2**	1
Factoring and invoice discounting income		**14**	5	**–**	–
Financial markets income		**31**	21	**29**	21
Profit on sale of investment securities		**6**	–	**6**	–
Management fees					
– Controlled entities		**–**	–	**43**	66
– Other persons		**–**	1	**–**	1
Managed funds		**152**	134	**–**	–
Profit on sale of shares	3(a)	**2**	1	**–**	–
Profit on sale of land and buildings	3(b)	**5**	1	**5**	1
Product fees and commissions					
– Lending fees		**77**	79	**76**	75
– Deposit accounts and other		**310**	225	**276**	205
Rental income		**13**	16	**8**	11
Securitisation service fees		**44**	40	**18**	3
Structured investments		**–**	4	**–**	1
Write-back of excess provision		**8**	–	**8**	–
Profit on sale of businesses		**–**	85	**–**	6
Unrealised gain on revaluation of APF units		**–**	23	**–**	–
Other		**26**	23	**19**	11
Total other income		**690**	660	**607**	674
NOTE 3(a) Profit on sale of shares					
Gross revenue on sale of shares		**19**	2	**–**	–
Carrying value of shares sold		**17**	1	**–**	–
Profit on sale of shares		**2**	1	**–**	–
NOTE 3(b) Profit on sale of land and buildings					
Gross revenue on sale of land and buildings		**24**	9	**24**	9
Written down value of land and buildings sold		**19**	8	**19**	8
Profit on sale of land and buildings		**5**	1	**5**	1

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 4 BAD AND DOUBTFUL DEBTS				
Bad and doubtful debts (Refer Note 18)				
– Specific provision for doubtful debts	**84**	50	**81**	47
– General provision for doubtful debts	**1**	9	**1**	9
– Recoveries	**(8)**	(9)	**(7)**	(9)
Total bad and doubtful debts expense	**77**	50	**75**	47
NOTE 5 OPERATING EXPENSES				
Staff				
Salaries and wages	**397**	400	**355**	369
Contractors' fees	**17**	24	**15**	22
Superannuation contributions	**31**	30	**29**	28
Payroll tax	**26**	26	**24**	24
Fringe benefits tax	**8**	7	**8**	7
Other	**28**	31	**25**	26
Total staff expenses	**507**	518	**456**	476
Computer and equipment				
Depreciation	**34**	36	**32**	33
Amortisation – deferred expenditure	**46**	38	**43**	35
Rentals on operating leases	**17**	19	**17**	19
Year 2000 compliance costs	**–**	9	**–**	8
Other	**67**	57	**64**	55
Total computer and equipment expenses	**164**	159	**156**	150
Occupancy				
Depreciation	**31**	30	**24**	23
Rent				
– controlled entities	**–**	–	**11**	10
– other persons	**48**	46	**45**	42
Other	**37**	35	**33**	31
Total occupancy expenses	**116**	111	**113**	106
Other				
Fees and commissions	**26**	21	**22**	28
Advertising and public relations	**49**	31	**46**	30
Telephone	**17**	18	**16**	18
Printing and stationery	**26**	28	**23**	24
Postage	**14**	14	**14**	13
GST implementation costs	**–**	17	**–**	15
Foreign exchange loss – controlled entity	**–**	–	**19**	32
Write-down of other external investments	**30**	–	**27**	–
Write-down of investments in SMS Management and Technology Limited	**6**	–	**–**	–
Write-down of investment in WealthPoint Limited	**22**	–	**–**	–
Goodwill write-off	**2**	13	**2**	13
Redesign restructure costs	**–**	115	**–**	115
Write-off of investment in R&D syndicates	**–**	7	**–**	7
Other*	**106**	86	**94**	92
Total other expenses	**298**	350	**263**	387
Total operating expenses	**1,085**	1,138	**988**	1,119
Amortisation of goodwill	**99**	101	**71**	72

*Includes donations of $5,200 to the Australian Labour party and $5,000 to the Liberal party of WA.

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 6 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	**661**	543	**530**	471
Prima facie income tax payable calculated at 34% of ordinary profit (2000: 36%).	**225**	196	**180**	170
Add: tax effect of permanent differences that increases tax payable				
Depreciation on buildings	**2**	2	**2**	2
Amortisation of goodwill	**34**	36	**24**	26
General provision for doubtful debts	**–**	3	**–**	3
Write-down of investment in WealthPoint Limited	**7**	–	**–**	–
Other non-deductible expenditure	**–**	–	**11**	2
Restatement of deferred tax balances	**5**	–	**9**	–
Goodwill write-off	**1**	5	**1**	5
Write-off of R&D syndicates	**–**	3	**–**	3
Less: tax effect of permanent differences that reduces tax payable				
Deductions allowable on buildings	**2**	2	**1**	1
Deduction allowable on depositary capital securities	**14**	13	**–**	–
Rebateable and franked dividends	**–**	2	**41**	102
Restatement of net deferred tax balances	**–**	4	**–**	3
Deduction allowable on shares issued under Employee Reward Share Plan	**2**	2	**2**	2
Other items	**1**	4	**3**	–
Profit on sale of business	**–**	29	**–**	–
Income tax expense	**255**	189	**180**	103

		Consolidated		Bank	
		2001	2000	**2001**	2000
		$M	$M	**$M**	$M
NOTE 7 INDIVIDUALLY SIGNIFICANT ITEMS					
Other income before individually significant items		**682**	552	**599**	668
Individually Significant Items					
Write-back of excess provision	(i)	**8**	–	**8**	–
Profit on sale of businesses	(v)	**–**	85	**–**	6
Unrealised gain on revaluation of Advance Property Fund units	(vi)	**–**	23	**–**	–
		8	108	**8**	6
Total other income		**690**	660	**607**	674
Operating expenses before individually significant items		**1,027**	1,003	**961**	984
Individually Significant Items					
Write-down of investment in WealthPoint Limited	(ii)	**22**	–	**–**	–
Write-down of investments in SMS Management and Technology Limited	(iii)	**6**	–	**–**	–
Write-down of other external investments	(iv)	**30**	–	**27**	–
Goodwill write-off	(vii)	**–**	13	**–**	13
Redesign restructure costs	(viii)	**–**	115	**–**	115
Write-off of investment in Research and Development syndicates	(ix)	**–**	7	**–**	7
		58	135	**27**	135
Total operating expenses		**1,085**	1,138	**988**	1,119
Income tax expense before individually significant items		**265**	219	**187**	141
Individually Significant Items					
Income tax expense on write-back of excess provision	(i)	**2**	–	**2**	–
Income tax benefit on write-down of SMS Management and Technology Limited	(iii)	**(2)**	–	**–**	–
Income tax benefit on write-down of external investments	(iv)	**(10)**	–	**(9)**	–
Capital gains tax on sale of businesses	(v)	**–**	2	**–**	2
Capital gains tax on revaluation of Advance Property Fund units	(vi)	**–**	8	**–**	–
Income tax benefit on redesign restructure costs	(viii)	**–**	(40)	**–**	(40)
		(10)	(30)	**(7)**	(38)
Total income tax expense		**255**	189	**180**	103
SUMMARY					
Expense from individually significant items		**(50)**	(27)	**(19)**	(129)
Tax benefit attributable to individually significant items		**(10)**	(30)	**(7)**	(38)
Net (expense)/income after tax from individually significant items		**(40)**	3	**(12)**	(91)

NOTE 7 INDIVIDUALLY SIGNIFICANT ITEMS (continued)

September 2001

(i) With the Group Redesign substantially completed, a review of the provision has revealed that an excess of $5 million existed at 30 September 2001. This excess has been written back, with an associated income tax expense of $2 million. During the year, the wind up of the research and development syndicates was substantially completed. As at 30 September 2001, the excess provision related to this project stood at $3 million and has been written back, with no tax effect.

(ii) On 2 August 2001 the consolidated entity made an offer to acquire the shares and options of WealthPoint it did not already own. WealthPoint shareholders approved the scheme of arrangement on 17 October 2001. The transaction was finalised on 5 November 2001. After allowing for the impact of completing this transaction, the weighted average cost of the consolidated entity's investment in WealthPoint is 98 cents per share. The directors have taken the position that 86 cents per share represents the appropriate carrying value of the investment. Therefore the investment in WealthPoint as at 30 September 2001 has been written-down by $22 million, with no income tax effect, to 86 cents per share. The carrying value of the investment in WealthPoint is approximately $138 million following the completion of the transaction. The decision to acquire the remaining capital in WealthPoint enables the alignment of WealthPoint's financial goals to the strategic direction of the consolidated entity.

(iii) The consolidated entity acquired a strategic share of SMS Management and Technology Limited (formerly Sausage Software) as part of its overall eCommerce plan. Due to changes in market conditions this particular investment is not expected to generate the revenues anticipated at the time the investment was made. The investment holds no further future strategic value to the consolidated entity. Accordingly, the directors have elected to write-down the investment at 30 September 2001 to its market value. The gross write-down is $6 million with an associated income tax benefit of $2 million.

(iv) The carrying values of individual investments comprising the consolidated entity's other external investments portfolio have been reviewed and written down by $30 million ($20 million after tax) from $52 million to a carrying value of $22 million as at 30 September 2001.

September 2000

(v) During the year ended 30 September 2000, the consolidated entity disposed of its interest in ASSIRT Pty Limited and ASSIRT Software Pty Limited. This disposal included St.George's interest in Quicktrade. SEALCORP received 100,744,667 fully paid Bourse Data Limited (now WealthPoint Limited) convertible preference shares. Capital gains tax (CGT) of $2 million was applicable on the sale of Quicktrade, however, no CGT was applicable to the sale of the businesses to Bourse Data Limited as the transaction was a scrip for scrip transaction and there was no intention to dispose of the convertible preference shares.

(vi) At 30 September 2000, Advance Property Fund (APF) was the subject of a takeover offer by Stockland Limited. St.George entered into an agreement with Stockland to dispose of its interest in APF. Accordingly, it reclassified the units as available for sale, transferred the units to trading securities and marked the investment to market, resulting in an unrealised gain of $23 million. Stockland offered a combination of cash, Stockland stapled securities and options as consideration for the APF units. CGT applicable on the cash, options and the share component of the stapled securities offered as consideration crystallised on the date of sale, however, CGT on the unit component of the stapled securities was deferred as this was a scrip for scrip transaction. The consolidated entity provided $8 million for the full CGT exposure in relation to the total profit as the Stockland units were sold within the next year.

(vii) St.George wrote off goodwill of $13 million relating to the 1997 acquisition of Advanced Asset Management Limited (which formed part of the Advance Bank Group) to reflect the loss of future income on the disposal of its APF management rights.

(viii) As a result of the Best Bank project, the consolidated entity was committed to implementing a significant number of redesign initiatives. The cost of the redesign project of $115 million ($75 million after income tax) includes severance payments, consulting fees, implementation costs and other associated costs. Only those costs that are incremental to the consolidated entity's normal operating costs and directly attributable to the Best Bank project have been included.

(ix) St.George resolved to terminate its investment in all of its R&D syndicates. Under an agreement with AusIndustry, St.George will not seek to claim any further tax deductions on deposit account interest expense from 15 September 2000. The total cost of these terminations was expected to be approximately $7 million.

NOTE 8 DIVIDENDS PROVIDED FOR OR PAID

Type	Cents Per Share	Consolidated $M	Bank $M	Date of Payment	Franking Rate	Percentage Franked
2001						
Interim – ordinary shares	**31.0**	**143**	**143**	**29-Jun-01**	**34%**	**100%**
Final – ordinary shares	**34.0**	**165**	**165**	**14-Dec-01**	**30%**	**100%**
Converting preference shares (2)	**67.5**	**5**	**5**	**28-Nov-00**	**34%**	**100%**
Converting preference shares	**44.8**	**11**	**11**	**29-Mar-01**	**34%**	**100%**
*Depositary capital securities (4)		**9**	**–**	**31-Dec-00**	**–**	**–**
Depositary capital securities		**21**	**–**	**02-Jul-01**	**–**	**–**
Depositary capital securities (5)		**11**	**–**	**31-Dec-01**	**–**	**–**
Preferred resetting yield marketable equity securities		**9**	**9**	**20-Aug-01**	**30%**	**100%**
Preferred resetting yield marketable equity securities (6)		**3**	**3**	**20-Feb-02**	**30%**	**100%**
		377	**336**			
2000						
Overprovision for final 1999 dividend		(2)	(2)			
Interim – ordinary shares	26.0	118	118	03-Jul-00	34%	100%
Final – ordinary shares	29.0	132	132	15-Dec-00	34%	100%
Converting preference shares (1)	67.5	5	5	28-Nov-99	36%	100%
Converting preference shares	67.5	16	16	28-May-00	36%	100%
Converting preference shares (2)	67.5	11	11	28-Nov-00	34%	100%
Depositary capital securities (3)		8	–	31-Dec-99	–	–
Depositary capital securities		18	–	30-Jun-00	–	–
Depositary capital securities		10	–	31-Dec-00	–	–
		316	280			

(1) A total dividend of $16 million was paid of which $5 million related to the 2000 financial year.
(2) A total dividend of $16 million was paid of which $5 million related to the 2001 financial year and $11 million related to the 2000 financial year.
(3) A total dividend of $17 million was paid of which $8 million related to the 2000 financial year.
(4) A total dividend of $19 million was paid of which $10 million related to the 2000 financial year and $9 million related to the 2001 financial year.
(5) A dividend of approximately $21 million will be payable on 31 December 2001 of which $11 million relates to the 2001 financial year.
(6) A dividend of $9 million will be paid on 20 February 2002 of which $3 million relates to the 2001 financial year.

*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.

It is anticipated that the balance of the consolidated franking account will be $40 million (2000: $nil) 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 proposed as 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.

	Consolidated	
	2001	2000
	Cents	Cents
NOTE 9 EARNINGS PER ORDINARY SHARE		
Basic earnings per share	**72.1**	61.8
Diluted earnings per share	**72.6**	61.5
Alternative earnings per share (1)		
Basic earnings per share	**101.9**	83.0
Diluted earnings per share	**101.6**	80.5

(1) The alternative basic and diluted earnings per 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 share performance of the underlying business.

	Number of Shares	Number of Shares
Weighted average number of shares		
Basic	**466,174,701**	462,992,218
Impact of potential dilutive issues:		
Non-redeemable non-cumulative converting preference shares	**–**	33,866,082
Options over ordinary shares	**566,033**	79,648
Preferred resetting yield marketable equity securities	**12,297,120**	–
Unissued unallotted capital	**–**	18,785,693
Diluted	**479,037,854**	515,723,641

	$M	$M
Reconciliations of earnings used in calculating earnings per share		
(a) Basic earnings per share		
Net profit	**406**	354
Less: Net profit attributable to outside equity interest	**1**	–
Preference dividends	**69**	68
Earnings used in calculating basic earnings per share	**336**	286
Add: Goodwill amortisation	**99**	101
Net after tax impact of individually significant items	**40**	(3)
Earnings used in calculating alternative basic earnings per share	**475**	384
(b) Diluted earnings per share		
Net profit	**406**	354
Less: Net profit attributable to outside equity interest	**1**	–
Preference dividends	**69**	68
Add: Earnings adjustments on potentially dilutive issues	**12**	31
Earnings used in calculating diluted earnings per share	**348**	317
Add: Goodwill amortisation	**99**	101
Net after tax impact of individually significant items	**40**	(3)
Earnings used in calculating alternative diluted earnings per share	**487**	415

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
NOTE 10 AUDITORS' REMUNERATION				
Amounts paid, or due and payable for audit or review services of statutory financial reports:				
By auditors of the Bank (KPMG)	**762**	638	**551**	500
Amounts paid, or due and payable for other services:				
By auditors of the Bank (KPMG):				
Audit related services*	**922**	1,761	**615**	269
Taxation	**663**	573	**613**	383
Other**	**2,423**	5,162	**2,072**	4,586
	4,008	7,496	**3,300**	5,238
Total auditors' remuneration	**4,770**	8,134	**3,851**	5,738

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

** Included in payments made to auditors of the consolidated entity for other services for the year ended 30 September are:

	2001	2000
	$'000	$'000
– GST implementation	**–**	2,524
– Review of branch operations	**–**	617
– Secondment and technical advice	**921**	534
– Rent and support services in respect of the 1999 acquisition of KPMG Financial Services (now St.George Wealth Management Pty Limited)	**145**	218
– Due diligence assistance	**748**	23

By virtue of an Australian Securities and Investments Commission Class Order dated 11 December 1998, the auditors of the Bank and its controlled entities, KPMG, were exempted from compliance with section 324(1) and 324(2) of the Corporations Act 2001.
The Class Order exemption applied in that partners and associates of KPMG not engaged on the audit of the Bank and its controlled entities could be indebted to the Bank, provided that:
(i) such indebtedness did not exceed $5,000; or
(ii) section 324(3) applied to the relevant indebtedness; or
(iii) the indebtedness arose upon ordinary commercial terms as to the rate of interest, the terms of repayment of principal and payment of interest, the security to be provided and otherwise, and it being related to a financial arrangement between the relevant member and the Bank and/or its controlled entities prior to the member becoming a member of KPMG where the arrangement was not entered into in connection with becoming a member of KPMG.

The Class Order was rescinded by ASIC in February 2000.

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
NOTE 11 REMUNERATION OF DIRECTORS				
Remuneration includes all benefits, such as directors' fees, salaries, ongoing superannuation contributions, bonuses and retirement benefits.				
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.	**2,972**	3,001	**2,603**	2,476
The number of directors of the Bank, including the late Managing Director, whose total income paid or payable by the Bank or by any related party, falls within the following bands:				
$80,001 – $90,000			**–**	6
$90,001 – $100,000			**6**	–
$120,001 – $130,000			**1**	1
$180,001 – $190,000			**–**	1
$220,001 – $230,000			**1**	–
$1,650,001 – $1,660,000			**–**	1
$1,700,001 – $1,710,000			**1**	–

Options granted to the late Managing Director are set out in Note 39.
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.

NOTE 12 REMUNERATION OF EXECUTIVE OFFICERS

Executives' remuneration includes cash, all prescribed benefits, superannuation and bonuses.

Executive officers include the late 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	
	2001	2000	**2001**	2000
$120,001 – $130,000	**–**	1	**–**	1
$140,001 – $150,000	**–**	1	**–**	–
$150,001 – $160,000	**1**	1 (d)	**1**	1 (d)
$160,001 – $170,000	**–**	1	**–**	1
$180,001 – $190,000	**2**	2	**2**	1
$190,001 – $200,000	**2**	4 (a)	**2**	4 (a)
$200,001 – $210,000	**2 (a)**	2	**1**	2
$210,001 – $220,000	**2**	3	**2**	2
$220,001 – $230,000	**2**	1	**2**	1
$230,001 – $240,000	**2**	–	**2**	–
$240,001 – $250,000	**4**	4 (c)	**3**	3 (b)
$250,001 – $260,000	**2**	3 (a)	**2**	2 (a)
$260,001 – $270,000	**2**	3	**2**	3
$270,001 – $280,000	**–**	2	**–**	2
$280,001 – $290,000	**1**	–	**1**	–
$290,001 – $300,000	**1**	1	**1**	1
$300,001 – $310,000	**–**	1	**–**	1
$310,001 – $320,000	**4**	2	**4**	2
$320,001 – $330,000	**1**	1 (d)	**1**	1 (d)
$330,001 – $340,000	**1**	1	**1**	1
$340,001 – $350,000	**4**	1	**3**	1
$350,001 – $360,000	**2**	–	**2**	–
$360,001 – $370,000	**–**	2	**–**	2
$370,001 – $380,000	**–**	1	**–**	1
$390,001 – $400,000	**2 (a)**	–	**2 (a)**	–
$400,001 – $410,000	**1**	1	**1**	1
$410,001 – $420,000	**–**	1	**–**	1
$420,001 – $430,000	**–**	1	**–**	–
$430,001 – $440,000	**1**	1	**1**	1
$450,001 – $460,000	**1**	–	**–**	–
$460,001 – $470,000	**–**	1 (d)	**–**	1 (d)
$470,001 – $480,000	**1**	–	**1**	–
$480,001 – $490,000	**–**	1	**–**	1
$490,001 – $500,000	**2 (a)**	–	**2 (a)**	–
$500,001 – $510,000	**1**	–	**1**	–
$510,001 – $520,000	**–**	1	**–**	1
$530,001 – $540,000	**–**	1 (d)	**–**	1 (d)
$590,001 – $600,000	**–**	2 (a)	**–**	2 (a)
$600,001 – $610,000	**3 (a)**	1 (d)	**2 (a)**	1 (d)
$660,001 – $670,000	**–**	1	**–**	1
$680,001 – $690,000	**–**	1 (d)	**–**	1 (d)
$700,001 – $710,000	**–**	1	**–**	1
$720,001 – $730,000	**1**	–	**1**	–
$730,001 – $740,000	**1**	–	**1**	–
$760,001 – $770,000	**1 (d)**	–	**1 (d)**	–
$780,001 – $790,000	**–**	1	**–**	1
$790,001 – $800,000	**1 (d)**	–	**1 (d)**	–
$810,001 – $820,000	**1**	1	**1**	1
$840,001 – $850,000	**1**	–	**1**	–
$960,001 – $970,000	**1**	1 (d)	**1**	1 (d)
$990,001 – $1,000,000	**–**	1	**–**	1
$1,650,001 – $1,660,000	**–**	1	**–**	1
$1,700,001 – $1,710,000	**1**	–	**1**	–
Total number of executives	**55**	57	**50**	51
Total remuneration received or due and receivable by executive officers of the Bank and controlled entities ($'000)	**22,516**	21,780	**20,669**	20,330

(a) Includes one former employee.
(b) Includes two former employees.
(c) Includes three former employees.
(d) Former employee.

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 13 CASH AND LIQUID ASSETS				
Notes, coins and cash at bankers	**228**	179	**228**	179
Money at call	**144**	224	**143**	243
Bills receivable and remittances in transit	**32**	63	**32**	63
Clearing house balance	**34**	33	**34**	33
	438	499	**437**	518
NOTE 14 DUE FROM OTHER FINANCIAL INSTITUTIONS				
Maturity analysis based on remaining term to maturity at 30 September				
At call	**451**	148		
Less than 3 months	**7**	–		
	458	148		
NOTE 15 TRADING SECURITIES				
Government and semi-government securities	**1,508**	1,258	**1,508**	1,258
Bills of exchange – bank accepted/endorsed	**1,053**	1,274	**1,048**	1,271
Negotiable certificates of deposit	**59**	222	**59**	222
Other marketable securities	**1,604**	1,176	**1,596**	1,021
	4,224	3,930	**4,211**	3,772
NOTE 16 INVESTMENT SECURITIES				
Government and semi-government securities	**13**	11	**–**	–
Deposits – banks	**97**	680	**–**	599
Mortgage backed securities	**10**	22	**10**	22
Other marketable securities	**343**	506	**343**	506
	463	1,219	**353**	1,127
Market Value				
Government and semi-government securities	**13**	11	**–**	–
Deposits – banks	**97**	680	**–**	599
Mortgage backed securities	**10**	22	**10**	22
Other marketable securities	**330**	512	**330**	512
	450	1,225	**340**	1,133
Maturity analysis based on remaining term to maturity at 30 September				
At Call	**–**	–		
Less than 3 months	**110**	102		
Between 3 months and 12 months	**13**	15		
Between 1 year and 5 years	**320**	1,102		
Greater than five years	**20**	–		
Total carrying value	**463**	1,219		

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 17 LOANS AND OTHER RECEIVABLES				
Housing loans (1)	**28,430**	27,977	**28,430**	27,977
Commercial loans	**7,109**	7,449	**6,505**	6,816
Personal loans (2)	**1,921**	1,698	**1,823**	1,601
Lease and commercial hire purchase (3)	**1,699**	1,637	**1,514**	1,314
Structured investments	**204**	445	**188**	213
Credit card receivables	**476**	388	**476**	388
Other	**55**	37	**55**	52
Gross loans and other receivables	**39,894**	39,631	**38,991**	38,361
Less: provisions for impairment (refer Note 18)				
– specific provision for doubtful debts	**62**	45	**59**	37
– general provision for doubtful debts	**133**	132	**126**	125
Net loans and other receivables	**39,699**	39,454	**38,806**	38,199
Maturity analysis based on remaining term to maturity at 30 September				
Less than 3 months	**13,207**	11,555		
Between 3 months and 12 months	**2,678**	2,423		
Between 1 year and 5 years	**8,295**	7,233		
After 5 years	**15,652**	18,375		
Loans and other receivables net of specific provisions for doubtful debts and income yet to mature	**39,832**	39,586		

(1) Excludes $4,912 million of securitised housing loans (30 September 2000: $2,501 million).
(2) Excludes $78 million of securitised automotive loans (30 September 2000: $170 million).
(3) Excludes $80 million of securitised automotive leases (30 September 2000: $140 million).

	Consolidated		Bank	
	2001	2000	**2001**	2000
NOTE 18 PROVISIONS FOR IMPAIRMENT				
General provisions	**133**	132	**126**	125
Specific provisions	**62**	45	**59**	37
	195	177	**185**	162
Movements				
General provisions				
Opening balance	**132**	123	**125**	116
Charge to Statements of Financial Performance	**1**	9	**1**	9
Closing balance	**133**	132	**126**	125
Specific provisions				
Opening balance	**45**	54	**37**	44
Charge to Statements of Financial Performance	**84**	50	**81**	47
Recoveries	**(8)**	(9)	**(7)**	(9)
Bad debt write-offs	**(59)**	(50)	**(52)**	(45)
Closing balance	**62**	45	**59**	37
Total provisions				
Opening balance	**177**	177	**162**	160
Charge to Statements of Financial Performance	**85**	59	**82**	56
Recoveries	**(8)**	(9)	**(7)**	(9)
Bad debt write-offs	**(59)**	(50)	**(52)**	(45)
Closing balance	**195**	177	**185**	162

	Consolidated							
	2001 $M				2000 $M			
	Loan Balances	**Specific Provision**	**Expected Recovery**	**Net Income Received**	Loan Balances	Specific Provision	Expected Recovery	Net Income Received
NOTE 19 ASSET QUALITY								
The following dissection provides details of the consolidated entity's impaired assets as at 30 September:								
(a) Non-accrual loans with provisions								
Non-performing loans	**47**	**29**	**18**	**–**	23	11	12	–
Part/fully performing loans	**3**	**1**	**2**	**–**	6	2	4	1
Total	**50**	**30**	**20**	**–**	29	13	16	1
(b) Non-accrual loans without provisions								
Non-performing loans	**10**	**–**	**10**	**–**	7	–	7	–
Part/fully performing loans	**16**	**–**	**16**	**–**	3	–	3	–
Total	**26**	**–**	**26**	**–**	10	–	10	–
Total non-accrual loans	**76**	**30**	**46**	**–**	39	13	26	1
(c) Restructured loans								
With provisions	**–**	**–**	**–**	**–**	–	–	–	–
(d) Other real estate owned								
Assets acquired through security enforcement	**6**	**–**	**6**	**1**	6	–	6	–
Total Impaired Assets	**82**	**30**	**52**	**1**	45	13	32	1

(e) Impaired assets by size of loan

	2001		2000	
	No. of loans	**Expected Recovery $M**	No. of loans	Expected Recovery $M
Less than $ 1 million	**72**	**13**	90	18
$ 1 million to $ 5 million	**7**	**11**	6	8
$ 5 million to $ 10 million	**2**	**13**	1	6
Greater than $10 million	**1**	**15**	–	–
	82	**52**	97	32

	Consolidated	
	2001	2000
	$M	$M

NOTE 19 ASSET QUALITY (continued)

(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.

	2001 $M	2000 $M
Gross interest income receivable on impaired assets		
Non-accrual loans	**5**	4
Restructured loans	**–**	–
Total gross interest income receivable on impaired assets	**5**	4
Interest income received		
Non-accrual loans	**–**	1
Restructured loans	**–**	–
Total interest income received	**–**	1
Net interest income foregone		
Non-accrual loans	**5**	3
Restructured loans	**–**	–
Total net interest income foregone	**5**	3

(g) Impaired assets as a percentage of loans and other receivables

	2001	2000
	%	%
Non-accrual loans – balances		
Non-performing loans	**0.14**	0.08
Part/fully performing loans	**0.05**	0.02
Non-accrual loans – expected recoveries		
Non-performing loans	**0.07**	0.05
Part/fully performing loans	**0.05**	0.02
Total impaired assets		
Gross	**0.21**	0.11
Net	**0.13**	0.08

(h) Past Due Items

This category 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.

	Consolidated	
	2001	2000
	$M	$M
Loan balances	**131**	150

NOTE 20 CONCENTRATION OF CREDIT RISK

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

	Risk Concentration as at 30 September 2001						
	Trading Securities	Investment Securities	Loans and Other Receivables	Bank Acceptances of Customers	Contingent Exposures *	Derivatives *	Total
	$M	$M	$M	$M	$M	$M	$M
Agriculture, forestry and fishing	–	–	584	–	1	1	586
Financial, investment and insurance	3,135	463	191	1,170	422	2,550	7,931
Government and public authorities	853	–	5	–	–	–	858
Lease finance	–	–	376	–	5	–	381
Personal	–	–	1,510	–	2	–	1,512
Manufacturing	–	–	–	–	–	27	27
Mining	–	–	–	–	–	45	45
Real estate – construction	–	–	811	–	10	–	821
Real estate – mortgage	–	–	28,514	–	808	1	29,323
Other	236	–	7,903	–	61	3	8,203
Total	4,224	463	39,894	1,170	1,309	2,627	49,687
Other risk concentrations							
Due from other financial institutions							458
Total gross credit risk							50,145

	Risk Concentration as at 30 September 2000						
	Trading Securities	Investment Securities	Loans and Other Receivables	Bank Acceptances of Customers	Contingent Exposures *	Derivatives *	Total
	$M	$M	$M	$M	$M	$M	$M
Agriculture, forestry and fishing	–	–	581	–	1	–	582
Financial, investment and insurance	2,979	1,219	177	607	465	1,813	7,260
Government and public authorities	869	–	6	–	–	80	955
Lease finance	–	–	512	–	13	–	525
Personal	–	–	1,691	–	2	1	1,694
Real estate – construction	–	–	842	–	10	–	852
Real estate – mortgage	–	–	28,177	–	597	–	28,774
Other	82	–	7,645	–	29	20	7,776
Total	3,930	1,219	39,631	607	1,117	1,914	48,418
Other risk concentrations							
Due from other financial institutions							148
Total gross credit risk							48,566

*Based on credit equivalent balance, refer Notes 42 and 47

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 21 INVESTMENTS IN ASSOCIATED COMPANIES				
Equity accounted investments	**15**	–	**–**	–
Investments at cost	**–**	149	**10**	7
Investments at recoverable value	**108**	–	**–**	–
Total investments in associates	**123**	149	**10**	7

	Consolidated		Principal	Ownership	
	2001	2000	**Activities**	**Interest**	**Balance**
	$M	$M		**at 30.9.2001**	**Date**
Details of investments in associates					
Cash Card Australia Limited	**6**	5	Financial Technology	49.0%	30 June
St.George Development Capital No.2 Pty Limited	**6**	3	Pooled Development Fund	31.2%	30 June
WealthPoint Limited	**102**	126	eCommerce	8.8%	30 June
Others	**9**	15			Various
	123	149			

	Consolidated 2001 $M	Consolidated 2000 $M	Bank 2001 $M	Bank 2000 $M
NOTE 22 OTHER INVESTMENTS				
(i) Property, plant and equipment held for sale				
Land and buildings (at independent valuation – 2000)	**–**	31	**–**	–
Land and buildings (at independent valuation – 2001)	**31**	–	**–**	–
	31	31	**–**	–
Plant and equipment (at cost)	**2**	2	**–**	–
Less accumulated depreciation	**2**	2	**–**	–
	–	–	**–**	–
(ii) Shares and other securities				
Carrying Value				
Shares quoted on a stock exchange (at cost)	**–**	8	**–**	–
Other unquoted investments (at cost)	**60**	55	**16**	16
	60	63	**16**	16
(iii) Other investments	**2**	3	**–**	–
Total other investments	**93**	97	**16**	16
Market Value				
Shares quoted on a stock exchange	**–**	8	**–**	1
	–	8	**–**	1

The independent valuation of selected land and buildings owned by the consolidated entity was carried out at 30 September 2001 by William Doherty (AAPI, Certified Practising Valuer, Bachelor of Business) of Colliers Jardine Consultancy & Valuation, Sydney. The valuation was performed on the basis of market value as at balance date.

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 23 PROPERTY, PLANT AND EQUIPMENT				
Land (at independent valuation – 2000)	**81**	148	**68**	130
Land (at independent valuation – 2001)	**51**	–	**44**	–
	132	148	**112**	130
Buildings (at independent valuation – 2000)	**151**	219	**91**	155
Buildings (at independent valuation – 2001)	**76**	–	**71**	–
Buildings (at cost)	**73**	79	**25**	32
	300	298	**187**	187
Less accumulated depreciation	**45**	37	**23**	18
	255	261	**164**	169
Plant and equipment (at cost)	**526**	485	**462**	425
Less accumulated depreciation	**382**	333	**340**	296
	144	152	**122**	129
Leasehold improvements (at cost)	**12**	11	**12**	11
Less accumulated amortisation	**9**	8	**9**	8
	3	3	**3**	3
	534	564	**401**	431

Valuations

The independent valuation of selected land and buildings owned by the consolidated entity was carried out at 30 September 2001 by William Doherty (AAPI, Certified Practising Valuer, Bachelor of Business) of Colliers Jardine Consultancy & Valuation, Sydney.
The valuation was performed on the basis of market value as at balance date.
The resultant net increment of $3 million (land – decrement $7 million; buildings – increment $10 million) arising from the revaluation has been transferred to the asset revaluation and realisation reserve (refer Note 35).

Reconciliations

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

	Consolidated 2001 $M	Consolidated 2000 $M	Bank 2001 $M	Bank 2000 $M
Freehold Land				
Carrying amount at beginning of the financial year	**148**	133	**130**	120
Revaluation during the year	**(7)**	19	**(8)**	13
Disposal	**(9)**	(4)	**(10)**	(3)
Carrying amount at end of the financial year	**132**	148	**112**	130
Buildings				
Carrying amount at beginning of the financial year	**261**	272	**169**	175
Additions	**3**	–	**–**	–
Revaluation during the year	**10**	4	**11**	4
Disposal	**(10)**	(5)	**(10)**	(4)
Depreciation	**(9)**	(10)	**(6)**	(6)
Carrying amount at end of the financial year	**255**	261	**164**	169

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 23 PROPERTY, PLANT AND EQUIPMENT (continued)				
Plant and Equipment				
Carrying amount at beginning of the financial year	**152**	159	**129**	138
Additions	**48**	53	**43**	45
Disposal	**(1)**	(5)	**(1)**	(5)
Depreciation	**(55)**	(55)	**(49)**	(49)
Carrying amount at end of the financial year	**144**	152	**122**	129
Leasehold Improvements				
Carrying amount at beginning of the financial year	**3**	2	**3**	3
Additions	**1**	2	**1**	1
Amortisation	**(1)**	(1)	**(1)**	(1)
Carrying value at end of the financial year	**3**	3	**3**	3
NOTE 24 GOODWILL				
Goodwill	**1,944**	1,957	**1,364**	1,405
Less – accumulated amortisation	**533**	459	**383**	338
– write-off	**2**	13	**2**	13
	1,409	1,485	**979**	1,054
NOTE 25 OTHER ASSETS				
Deferred expenditure	**356**	245	**321**	220
Less accumulated amortisation	**126**	80	**110**	67
	230	165	**211**	153
Sundry debtors and prepayments	**561**	268	**484**	210
Amount receivable under currency hedge agreements	**1,331**	926	**1,331**	926
Future income tax benefit (refer below)	**71**	73	**64**	68
Excess of market value over net assets of a controlled entity	**–**	26	**–**	–
	1,963	1,293	**1,879**	1,204
	2,193	1,458	**2,090**	1,357
Balance of future income tax benefit attributable to:				
– Tax losses	**–**	9	**–**	–
– Timing differences	**71**	64	**64**	68
	71	73	**64**	68

The future income tax benefit relating to timing differences is brought to account as realisation of the benefit is regarded as being virtually certain.

The amount of the benefit is based on the assumptions that:

(a) the relevant entity is expected to derive future assessable income of a nature and of sufficient amount to enable the benefit to be realised, or the benefit can be utilised by another entity in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(b) the relevant entity and/or the consolidated entity will continue to comply with the conditions for deductibility imposed by the law; and

(c) income tax legislation should not change in a manner which would adversely affect the ability of the relevant entity and/or consolidated entity to realise the benefit.

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 26 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	**7,920**	9,259	**7,920**	9,259
Term and other deposits	**27,499**	25,504	**27,498**	25,384
Secured borrowings	**55**	50	**55**	50
Unsecured borrowings	**65**	234	**36**	44
	35,539	35,047	**35,509**	34,737
Maturity analysis based on remaining term to maturity at 30 September				
At call	**11,472**	11,774		
Less than 3 months	**17,076**	15,426		
Between 3 months and 12 months	**4,891**	4,745		
Between 1 year and 5 years	**1,991**	2,886		
After 5 years	**109**	216		
	35,539	35,047		
NOTE 27 DUE TO OTHER FINANCIAL INSTITUTIONS				
Maturity analysis based on remaining term to maturity at 30 September				
At call	**700**	822		
Less than 3 months	**68**	152		
Between 3 months and 12 months	**22**	64		
	790	1,038		
NOTE 28 PROVISION FOR DIVIDENDS				
Final ordinary dividend	**165**	132	**165**	132
Converting preference share dividend	**–**	11	**–**	11
Depositary capital securities dividend	**11**	10	**–**	–
Preferred resetting yield marketable equity securities	**3**	–	**3**	–
Total provision for dividends	**179**	153	**168**	143
NOTE 29 INCOME TAX LIABILITY				
Provision for income tax	**114**	112	**85**	61
Provision for deferred income tax	**151**	201	**116**	132
Total income tax liability	**265**	313	**201**	193
NOTE 30 OTHER PROVISIONS				
Employee entitlements	**76**	76	**71**	73
Directors' retirement	**2**	2	**2**	2
Redesign restructure	**10**	58	**10**	58
Other	**3**	2	**–**	–
	91	138	**83**	133
Number of employees at 30 September	**7,061**	7,619	**6,324**	6,872

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 31 BONDS AND NOTES				
AUD eurocommercial paper	**462**	907	**462**	907
GBP eurocommercial paper	**60**	–	**60**	–
JPY eurocommercial paper	**13**	–	**13**	–
CAD eurocommercial paper	**–**	30	**–**	30
EUR eurocommercial paper	**–**	81	**–**	81
HKD eurocommercial paper	**30**	61	**30**	61
NZD eurocommercial paper	**8**	105	**8**	105
USD eurocommercial paper	**1,218**	685	**1,218**	685
AUD 74m floating rate notes due 2001	**–**	74	**–**	74
AUD 70m floating rate notes due 2005	**71**	–	**71**	–
DEM 300m floating rate notes due 2001	**–**	250	**–**	250
DEM 10m floating rate notes due 2002	**10**	8	**10**	8
DEM 25m floating rate notes due 2004	**24**	21	**24**	21
DEM 50m floating rate notes due 2004	**48**	42	**48**	42
EUR 200m floating rate notes due 2003	**374**	327	**374**	327
GBP 20m floating rate notes due 2002	**60**	54	**60**	54
GBP 250m floating rate notes due 2002	**752**	680	**752**	680
GBP 6m floating rate notes due 2003	**18**	16	**18**	16
HKD 108m floating rate notes due 2000	**–**	27	**–**	27
HKD 330m floating rate notes due 2001	**34**	79	**34**	79
HKD 390m floating rate notes due 2002	**90**	93	**90**	93
HKD 250m floating rate notes due 2003	**162**	61	**162**	61
HKD 150m floating rate notes due 2004	**39**	–	**39**	–
JPY 6070 m floating rate notes due 2001	**–**	104	**–**	104
USD 300m floating rate notes due 2000	**–**	559	**–**	559
USD 205m floating rate notes due 2001	**–**	382	**–**	382
USD 100m floating rate notes due 2002	**203**	184	**203**	184
USD 25m floating rate notes due 2002	**51**	46	**51**	46
USD 500m floating rate notes due 2002	**1,015**	921	**1,015**	921
USD 150m floating rate notes due 2003	**305**	276	**305**	276
USD 400m floating rate notes due 2003	**817**	745	**817**	745
USD 300m floating rate notes due 2003	**612**	–	**612**	–
USD 300m floating rate notes due 2004	**611**	–	**611**	–
USD 300m floating rate notes due 2004	**608**	551	**608**	551
USD 40m floating rate notes due 2009	**81**	–	**81**	–
	7,776	7,369	**7,776**	7,369
Maturity analysis based on remaining term to maturity at 30 September				
Less than 3 months	**727**	1,721		
Between 3 months and 12 months	**3,205**	1,622		
Between 1 year and 5 years	**3,763**	4,026		
After 5 years	**81**	–		
	7,776	7,369		

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 32 LOAN CAPITAL				
USD 150m floating rate notes due 2001	**–**	277	**–**	277
AUD 39m fixed rate notes due 2003	**39**	40	**39**	40
USD 200m fixed rate notes due 2005	**419**	380	**419**	380
USD 150m fixed rate notes due 2007	**311**	282	**311**	282
	769	979	**769**	979
Maturity analysis based on remaining term to maturity at 30 September				
Between 3 months and 12 months	**–**	277		
Between 1 year and 5 years	**458**	420		
After 5 years	**311**	282		
	769	979		
NOTE 33 BILLS PAYABLE AND OTHER LIABILITIES				
Bills payable	**168**	177	**168**	177
Sundry creditors and accruals	**409**	128	**194**	97
Unearned income – mortgage insurance premiums	**22**	20	**–**	–
	599	325	**362**	274

		Bank			
	Notes	**2001** **$M**	2000 $M	**2001** **No. of shares**	2000 No. of shares
NOTE 34 SHARE CAPITAL					
Capital					
483,828,232 fully paid ordinary shares (2000: 455,439,731)	(a)	**2,821**	2,659		
Fully paid non-redeemable, non-cumulative converting preference shares (2000: 24,007,327)	(a)	**–**	360		
3,000,000 fully paid preferred resetting yield marketable equity securities	(d)	**291**	–		
Unissued allotted capital (2000: 18,440,000)	(a)	**–**	140		
General reserve		**15**	15		
		3,127	3,174		
(a) Movement in ordinary share capital					
Balance at beginning of the financial year		**2,659**	2,734	**455,439,731**	461,849,093
Shares bought back	(c)	**(376)**	(81)	**(22,790,119)**	(8,000,000)
Conversion of non-redeemable, non-cumulative converting preference shares	(e)	**360**	–	**28,168,842**	–
Conversion of unissued allotted capital	(f)	**140**	–	**18,440,000**	–
Ordinary shares issued	(b)	**39**	6	**4,569,778**	1,590,638
Share issue costs		**(1)**	–	**–**	–
Balance at end of the financial year		**2,821**	2,659	**483,828,232**	455,439,731

Issued and uncalled capital
10,968 Borrowers' shares unpaid (2000: 15,063)
364,930 Depositors' shares unpaid (2000: 450,772)

	2001			2000		
	$M	No. of shares	Average price $	$M	No. of shares	Average price $
NOTE 34 SHARE CAPITAL (continued)						
(b) Ordinary shares issued comprise						
Dividend Reinvestment Plan	**12**	**732,044**	**15.52**	–	–	–
Executive Option Plan (refer Note 39)	**27**	**3,110,000**	**8.58**	6	835,000	7.19
Employee Reward Share Plan (refer Note 39)	**–**	**479,534**	**–**	–	602,441	–
Employee Performance Share Plan (refer Note 39)	**–**	**248,200**	**–**	–	153,197	–
	39	**4,569,778**		6	1,590,638	

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 installments 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

(c) Share Buy-Back

In March 2001, the Bank successfully completed an off-market buy-back of 22.8 million shares (5% of shares on issue at the time) at a price of $16.50 per share, thereby reducing ordinary equity by $376 million. The buy-back was implemented through a 1 for 20 issue of Sell Back Rights. The buy-back was funded predominantly through the issue of PRYMES.

(d) Issue of PRYMES

On 21 February 2001, the Bank successfully issued 3 million PRYMES at $100 each. The issue netted $291 million of Tier 1 capital after associated costs of $9 million.

(e) Conversion of CPS

On 29 March 2001, the Bank converted $360 million of convertible preference shares into 28.2 million ordinary shares.

(f) Conversion of STRYPES

On 14 August 2001, the Bank converted $140 million of unissued allotted capital into 18.4 million ordinary shares.

Dividend Reinvestment Plan (DRP)

The St.George DRP was operational for the 2001 interim ordinary dividend. Shareholders who elected to participate (either in part or in full) were limited to minimum participation of 100 shares and maximum participation of 5,000 shares. No discount was offered.

The St.George DRP will operate for the final ordinary dividend. There will be a discount of 2.5% and participation will be from a minimum of 100 ordinary shares with no cap. For applications under the DRP 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 23 November 2001.

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 35 RESERVES				
Composition				
Asset revaluation and realisation reserve	**48**	45	**74**	71
Claims equalisation reserve	**10**	7	**–**	–
Depositors' and borrowers' redemption reserve	**1**	1	**1**	1
	59	53	**75**	72
Movements in reserves				
Asset revaluation and realisation reserve				
Balance at beginning of the financial year	**45**	22	**71**	54
Add net increment arising from the revaluation of land and buildings	**3**	23	**3**	17
Balance at end of the financial year	**48**	45	**74**	71
Claims equalisation reserve				
Balance at beginning of the financial year	**7**	6	**–**	–
Add transfer from retained profits	**3**	1	**–**	–
Balance at end of the financial year	**10**	7	**–**	–

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 Depositors' and Borrowers' Shares

The purpose of this reserve is to recognise the redemption of all Depositor and Borrower shares.

NOTE 36 RETAINED PROFITS

	Consolidated 2001 $M	Consolidated 2000 $M	Bank 2001 $M	Bank 2000 $M
Net profit after income tax attributable to members of the Bank	**405**	354	**350**	368
Retained profits at the beginning of the financial year	**77**	40	**104**	16
Total available for appropriation	**482**	394	**454**	384
Dividends	**377**	316	**336**	280
Transfer to reserve	**3**	1	**–**	–
Retained profits at the end of the financial year	**102**	77	**118**	104

NOTE 37 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

	Consolidated 2001 $M	Consolidated 2000 $M
Interest in:		
Depositary capital securities	**334**	334
Share capital	**2**	2
Retained profits	**2**	1
	338	337

NOTE 38 AVERAGE BALANCE SHEET AND INTEREST INCOME/EXPENSE

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.

	2001			2000		
	Average Balance $M	**Interest $M**	**Average Rate %**	Average Balance $M	Interest $M	Average Rate %
Interest earning assets						
Cash and liquid assets	**125**	**4**	**3.2**	199	5	2.5
Due from other financial institutions	**155**	**4**	**2.6**	153	5	3.3
Investment/trading securities	**4,694**	**284**	**6.1**	5,077	321	6.3
Loans and other receivables	**39,815**	**3,019**	**7.6**	38,022	2,863	7.5
Total Interest Earning Assets	**44,789**	**3,311**	**7.4**	43,451	3,194	7.4
Non interest earning assets						
Bills receivable	**47**			222		
Property, plant and equipment	**554**			563		
Other assets	**4,498**			3,583		
Provision for doubtful debts	**(184)**			(177)		
Total Non Interest Earning Assets	**4,915**			4,191		
Total Assets	**49,704**			47,642		
Interest bearing liabilities						
Retail deposits	**24,038**	**919**	**3.8**	22,418	865	3.9
Other deposits	**8,465**	**491**	**5.8**	9,377	550	5.9
Due to other financial institutions	**482**	**13**	**2.7**	350	7	2.0
Short term borrowings						
– Domestic	**2,828**	**162**	**5.7**	2,627	150	5.7
– Offshore	**3,562**	**212**	**6.0**	2,746	158	5.8
Long term borrowings						
– Offshore	**4,872**	**279**	**5.7**	4,875	292	6.0
Total Interest Bearing Liabilities	**44,247**	**2,076**	**4.7**	42,393	2,022	4.8
Non interest bearing liabilities						
Bills payable	**163**			196		
Other liabilities	**1,622**			1,446		
Total Non Interest Bearing Liabilities	**1,785**			1,642		
Total Liabilities	**46,032**			44,035		
Shareholders' Equity	**3,672**			3,607		
Total Liabilities and Shareholders' Equity	**49,704**			47,642		
Interest Spread (1)			**2.7**			2.6
Interest Margin (2)			**2.8**			2.7

(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 38 AVERAGE BALANCE SHEET AND INTEREST INCOME/EXPENSE (continued)

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 2001 and 30 September 2000. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

	2001 over 2000			2000 over 1999		
	Change Due To			Change Due To		
	Volume $M	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Interest earning assets						
Cash and liquid assets	**(2)**	**1**	**(1)**	1	–	1
Due from other financial institutions	**–**	**(1)**	**(1)**	–	–	–
Investment/trading securities	**(24)**	**(13)**	**(37)**	89	34	123
Loans and other receivables	**136**	**20**	**156**	91	146	237
Change in Interest Income	**110**	**7**	**117**	181	180	361
Interest bearing liabilities						
Retail deposits	**63**	**(9)**	**54**	10	73	83
Other deposits	**(53)**	**(6)**	**(59)**	62	52	114
Due to other financial institutions	**3**	**3**	**6**	1	1	2
Short term borrowings						
– Domestic	**11**	**1**	**12**	20	15	35
– Offshore	**47**	**7**	**54**	76	6	82
Long term borrowings						
– Offshore	**–**	**(13)**	**(13)**	(27)	39	12
Change in Interest Expense	**71**	**(17)**	**54**	142	186	328
Change in Net Interest Income	**39**	**24**	**63**	39	(6)	33

NOTE 39 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. Details of these plans are as follows:

(a) Employee Reward Share Plan (Reward Plan)

On 12 January 2001, 479,534 ordinary shares were allotted as bonus shares to 6,754 eligible employees for nil consideration under the Reward Plan. The bonus shares had a market value of $13.90 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 and overriding Board discretion.

(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 and stamp duty are 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
1 December 2000	78,484	13.11	211
20 December 2000	17,830	13.44	10
12 January 2001	287,573	13.91	356
29 May 2001	59,869	15.22	191
8 June 2001	25,614	15.57	12

The above shares were purchased on market with staff sacrificing remuneration equivalent to the purchase price less a discount equivalent to that offered to shareholders under the Bank's Dividend Reinvestment Plan when operational. The 1 December 2000 and 29 May 2001 allocation included 3,263 and 2,809 ordinary shares allocated to the Managing Director, Mr E A O'Neal (since deceased), which were allocated on the same terms and conditions as other participating employees.

NOTE 39 SHARE AND OPTION PLANS (continued)

(c) Employee Performance Share Plan (Performance Plan)

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

Date Awards Granted	Vesting Date	Awards Outstanding at 1 Oct 2000	Number of Awards Granted	Number of Awards Forfeited	Number of Shares Allotted	Market Value $	Awards Outstanding at 30 Sept 2001	Number of Senior Executives in Plan
31-Aug-98	23-Feb-01	201,000			192,000	2,805,100	9,000	
30-Nov-98	30-Mar-01	15,000		15,000			– }	
30-Nov-98	30-Mar-02	15,000		15,000			– }	1
30-Nov-98	30-Sep-02	20,000		20,000			– }	
30-Nov-98	30-Sep-02	–	50,000				50,000 }	
22-Feb-99	23-Feb-01	16,500			12,500	183,650	4,000	1
24-May-99	27-Apr-01	7,500			7,500	113,400	– }	
2-Jun-99	8-Dec-01	3,000					3,000 }	
2-Jun-99	8-Dec-02	3,000					3,000 }	1
2-Jun-99	8-Jun-03	3,000					3,000 }	
28-Jun-99	23-Feb-01	5,000			5,000	75,800	–	
20-Jul-99	19-Jul-01	16,667					16,667 }	1
20-Jul-99	19-Jul-02	16,666					16,666 }	
29-Nov-99	30-Nov-00	10,000			10,000	142,500	–	
20-Dec-99	20-Dec-00	3,000			3,000	41,970	– }	
20-Dec-99	20-Dec-01	3,000					3,000 }	1
20-Dec-99	20-Dec-02	3,000					3,000 }	
4-Jan-00	4-Jan-01	1,000			1,000	13,990	– }	
4-Jan-00	4-Jan-02	1,000		1,000			– }	
28-Feb-00	31-Aug-00	2,500					2,500 }	1
28-Feb-00	31-Aug-02	2,500					2,500 }	
17-Mar-00	17-Mar-01	7,200			7,200	112,896	–	
1-Nov-00	15-Nov-02		752,933	85,239			667,694 }	105
1-Nov-00	15-Nov-03		376,467	47,467			329,000 }	
29-Nov-00	30-Nov-04		10,000		10,000	136,000	–	
29-Jan-01	30-Nov-04		4,000				4,000 }	1
29-Jan-01	30-Nov-04		2,000				2,000 }	
5-Feb-01	15-Nov-02		22,711				22,711 }	1
5-Feb-01	15-Nov-03		12,700				12,700 }	
5-Mar-01	15-Nov-02		8,250	5,250			3,000 }	2
5-Mar-01	15-Nov-03		6,000	4,500			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 }	1
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 }	
TOTAL		355,533	1,262,494	193,456	248,200		1,176,371	119

Balance of awards at 30 September 2001 have a market value of $17.8 million at that date.

The allocation of shares under the Performance Plan is subject to the achievement of specific performance hurdles set by the Board.

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.

NOTE 39 SHARE AND OPTION PLANS (continued)

(d) Executive Option Plan (Option Plan)

Executive officers and the Managing Director 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 Option Plan.

				Movement for the year				
Grant Date of Option	Exercise Period (1)	Exercise Price (2)	Options Outstanding at 1 Oct 2000	Options Granted During the Year	Number of Options Forfeited	Number of Options Exercised	Options Outstanding at 30 Sept 2001	Number of Senior Executives in Plan (3)
23-Feb-98	23-Feb-01 to 23-Feb-03	$8.58	2,910,000		80,000	2,750,000	80,000	1
23-Feb-98	3-Jul-00 to 3-Jul-01	$8.58	80,000			80,000	–	
23-Feb-98	3-Aug-00 to 3-Aug-01	$8.58	180,000			180,000	–	
23-Feb-98	9-Oct-00 to 9-Oct-01	$8.58	100,000			100,000	–	
30-Nov-98	30-Mar-01 to 30-Nov-03	$10.30	75,000				75,000 }	
30-Nov-98	30-Mar-02 to 30-Nov-03	$10.30	75,000		75,000		– }	
30-Nov-98	30-Sep-02 to 30-Nov-03	$10.30	75,000		75,000		– }	1
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	1
18-Dec-98	18-Nov-00 to18-Dec-03	$9.41	500,000				500,000 }	
18-Dec-98	18-Nov-01 to 18-Dec-03	$9.41	500,000				500,000 }	1
18-Dec-98	18-Nov-02 to 18-Dec-03	$9.41	500,000				500,000 }	
2-Jun-99	8-Dec-01 to 2-Jun-04	$10.73	30,000				30,000 }	
2-Jun-99	8-Dec-02 to 2-Jun-04	$10.73	30,000				30,000 }	1
2-Jun-99	8-Jun-03 to 2-Jun-04	$10.73	30,000				30,000 }	
20-Jul-99	19-Jul-02 to 20-Jul-04	$10.95	200,000				200,000	1
9-Aug-99	9-Aug-02 to 9-Aug-04	$10.34	50,000				50,000	1
3-Nov-99	3-Nov-02 to 3-Nov-04	$10.34	45,000		45,000		–	
20-Dec-99	20-Dec-02 to 20-Dec-04	$10.86	80,000				80,000	1
17-Mar-00	17-Mar-03 to 17-Mar-05	$11.39	30,000				30,000	1
1-Nov-00	15-Nov-02 to 1-Nov-05	$11.14	–	133,333			133,333 }	1
1-Nov-00	15-Nov-03 to 1-Nov-05	$11.14	–	66,667			66,667 }	
15-Dec-00	15-Dec-03 to 15-Dec-05	$13.38	–	200,000			200,000 }	
15-Dec-00	15-Dec-03 to 15-Dec-05	$13.38	–	200,000			200,000 }	1
15-Dec-00	15-Dec-03 to 15-Dec-05	$13.38	–	200,000			200,000 }	
TOTAL			5,610,000	950,000	275,000	3,110,000	3,175,000	11

(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, including the late Managing Director, are required to hold a minimum of 5,000 ordinary shares in the Bank in order to participate in the Option Plan.

NOTE 39 SHARE AND OPTION PLANS (continued)

(d) Executive Option Plan (Option Plan) (continued)

Shareholders approved at the Bank's Annual General Meeting on 18 December 1998 to grant 1,500,000 options over the unissued ordinary shares in the Bank to the late Managing Director, Mr E A O'Neal. The exercise price of the options is $9.41 plus a premium. The options were granted in three equal parcels and are exercisable as follows:

Options Granted	Exercise Period	Performance Hurdle
500,000	At any time in the period between 18 November 2000 and the date being 5 years after the grant date of the options.	At any time during the Exercise Period but before exercise, the weighted average price of the Bank's ordinary shares during any ten consecutive trading days during the Exercise Period must exceed the Exercise Price by more than 20%.
500,000	At any time in the period between 18 November 2001 and the date being 5 years after the grant date of the options.	At any time during the Exercise Period but before exercise, the weighted average price of the Bank's ordinary shares during any ten consecutive trading days during the Exercise Period must exceed the Exercise Price by more than 25%.
500,000	At any time in the period between 18 November2002 and the date being 5 years after the grantdate of the options.	At any time during the Exercise Period but before exercise, the weighted average price of the Bank's ordinary shares during any ten consecutive trading days during the Exercise Period must exceed the Exercise Price by more than 30%.

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

A Non-Executive Directors' Share Purchase Plan was approved by shareholders at the Bank's Annual General Meeting held on 17 December 1999. All non-executive directors are eligible to participate in the 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 and a discount equivalent to that available under the Bank's Dividend Reinvestment Plan when operational. Brokerage and stamp duty are payable by the Bank.

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

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

	Consolidated		Bank	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
NOTE 40 COMMITMENTS				
Capital expenditure commitments as at 30 September not provided for in the financial statements amounted to:				
Not longer than 1 year	**13**	12	**12**	11
Operating lease commitments contracted for as at 30 September:				
Not longer than 1 year	**67**	57	**59**	57
Longer than 1 year and not longer than 2 years	**47**	48	**40**	48
Longer than 2 years and not longer than 5 years	**42**	71	**37**	71
Longer than 5 years	**5**	15	**4**	15
	161	191	**140**	191
NOTE 41 UNCOMMITTED CREDIT FACILITIES				
Offshore and Australian dollar note borrowing facilities				
Uncommitted credit facilities	**14,207**	12,877	**14,207**	12,877
Amount utilised	**6,377**	5,857	**6,377**	5,857
Unused uncommitted credit facilities	**7,830**	7,020	**7,830**	7,020

NOTE 42 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	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M
(a) Contingent Liabilities								
Bills endorsements	**169**	172	**169**	172	**169**	172	**169**	172
Guarantees	**138**	132	**138**	132	**138**	132	**138**	132
Documentary letters of credit	**105**	58	**86**	42	**105**	58	**86**	42
Performance related items	**35**	68	**18**	34	**35**	68	**18**	34
Total Contingent Liabilities	**447**	430	**411**	380	**447**	430	**411**	380
(b) Credit Related Commitments								
Undrawn facilities	**9,379**	7,890	**898**	737	**9,318**	7,772	**898**	737

In accordance with the rules relating to clearing arrangements contained in the Regulations of the Australian Paper Clearing System and in the Regulations of the Bulk Electronic Clearing System under the Australian Payments Clearing Association Limited, the Bank is subject to a commitment to provide liquidity support to the clearing system in the event of another clearing 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 2001. 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 2001 were:

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.

NOTE 42 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (continued)

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

	Closed Group	
	2001	2000
	$M	$M
STATEMENT OF FINANCIAL PERFORMANCE (CLOSED GROUP)		
Profit from ordinary activities	**566**	548
Income tax expense	**212**	126
Net profit	**354**	422
Retained profits/(accumulated losses) at the beginning of the financial year	**93**	(49)
Total available for appropriation	**447**	373
Dividends	**336**	280
Retained profits at the end of the financial year.	**111**	93
STATEMENT OF FINANCIAL POSITION (CLOSED GROUP)		
ASSETS		
Cash and liquid assets	**437**	518
Due from other financial institutions	**434**	120
Trading securities	**4,211**	3,772
Investment securities	**353**	1,127
Loans and other receivables	**38,887**	38,414
Bank acceptances of customers	**1,170**	607
Amounts receivable from controlled entities	**1,969**	1,864
Other investments	**1,191**	1,046
Other assets	**3,470**	3,109
TOTAL ASSETS	**52,122**	50,577
LIABILITIES		
Deposits and other borrowings	**35,509**	34,737
Due to other financial institutions	**790**	1,038
Bank acceptances	**1,170**	607
Amounts payable to controlled entities	**1,968**	1,742
Provisions	**465**	493
Other liabilities	**8,907**	8,620
TOTAL LIABILITIES	**48,809**	47,237
NET ASSETS	**3,313**	3,340
SHAREHOLDERS' EQUITY		
Share capital	**3,127**	3,174
Reserves	**75**	73
Retained profits	**111**	93
TOTAL SHAREHOLDERS' EQUITY	**3,313**	3,340

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 Group Executive Investment Services, Mr R Cawsey and the Group Executive Personal Banking, Mr W Ott. Under the terms of each contract, the Bank may be required to make a payment to these executives in the event of their employment being terminated.

NOTE 43 EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

1. Employee Entitlements
Aggregate employee entitlements, including on-costs, have been disclosed in Note 30 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	1 July 2000	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

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
(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 are provided on a defined benefit basis. Otherwise, benefits are provided on a defined contribution basis.

During the year, funds held in St.George Executive Superannuation Fund and M&F Retirement Funds were transferred to St.George Staff Retirement Funds.
The fund assets at net market value, accrued benefits and vested benefits of the defined benefit funds are as follows:

	Fund Assets at Net Market Value		Accrued Benefits		Vested Benefits	
	30 June 2001	30 June 2000	**30 June 2001**	30 June 2000	**30 June 2001**	30 June 2000
Name of Fund	**$M**	$M	**$M**	$M	**$M**	$M
St.George Staff Retirement Fund (i)	**266**	222	**256**	216	**251**	216
St.George Executive Superannuation Fund (ii)	**–**	4	**–**	3	**–**	3
	266	226	**256**	219	**251**	219

	Fund Assets at Net Market Value		Accrued Benefits		Vested Benefits	
	31 May 2001	31 May 2000	**31 May 2001**	31 May 2000	**31 May 2001**	31 May 2000
	$M	$M	**$M**	$M	**$M**	$M
M&F Retirement Fund (iii)	**–**	41	**–**	43	**–**	34

Employer contributions paid to the above funds were $29 million (2000: $27 million).

The above amounts were determined as at 30 June 2001 or, in the case of employer contributions, they relate to the year ended 30 September 2001.

(i) Accrued benefits in respect of the St.George Staff Retirement Fund have been determined based on amounts calculated by the actuary at the date of the most recent actuarial reviews, being 1 July 2000 (St.George Staff Retirement Fund: 31 December 2000; M&F Retirement Fund and St.George Executive Superannuation Fund 30 June 2001).

During the year the St.George Executive Super Fund and the M&F Retirement Fund ceased to exist.

(ii) The St.George Executive Superannuation Fund was established on 1 September 1995. The accrued benefits of this fund have been based on amounts calculated by the actuary at the date of the most recent actuarial review, being 1 July 1998 and an estimate from the actuary of the benefits that have been accrued in the period 2 July 1998 to 30 June 2001.

The total funds assets of St.George Staff Executive Superannuation Fund of $4 million was transferred to St.George Staff Retirement Fund on 29 June 2001.

(iii) Accrued benefits in respect of the M&F Retirement Fund have been determined based on amounts calculated by the actuary at the date of the most recent actuarial review, being 1 June 2000 and an estimate from the actuary of benefits which have accrued in the period 1 June 2000 to 31 December 2000. On 31 December 2000 the total funds assets of $38m in M&F Retirement Fund was transferred to the St.George Staff Retirement Fund.

Accrued benefits are benefits which the fund is presently obliged to pay at some future date, as a result of membership of the fund.

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

	NOTE	Percentage of Shares Held 2001 %	2000 %
NOTE 44 CONTROLLED ENTITIES			
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 Executive Superannuation Fund Pty Limited		**100**	100
St.George Finance Holdings Limited		**100**	100
St.George Finance Limited		**100**	100
St.George Funding Company LLC	(a)	**100**	100
St.George Group Holdings Pty Limited		**100**	100
St.George Home Finance Pty Limited		**100**	100
St.George Insurance Pte Limited	(a)	**100**	100
St.George Investment Services Limited		**100**	100
St.George Life Limited		**100**	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 Partnership Finance Limited		**100**	100
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		**–**	100
St.George Superannuation Holdings Pty Limited		**100**	100
St.George Wealth Management Pty Limited		**100**	100
St.George Wholesale Finance Pty Limited		**100**	100
Advance Asset Management Limited		**100**	100
Advance Commercial Finance Limited		**100**	100
Advance Insurance Agencies Pty Limited		**100**	100
Advance Leasing Limited		**100**	100
Ascalon Capital Managers Limited		**100**	100
Ascalon Operations and Services Pty Limited	(c)	**100**	–
ASGARD Capital Management Limited		**100**	100
Buchelin Pty Limited		**100**	100
Canberra Advance Property Limited		**100**	100
Crusade CP Management Pty Limited		**100**	100
Crusade Management Limited		**100**	100
Danaby Pty Limited		**100**	100
Dysty Pty Limited		**100**	100
Hanstock Intelligence Pty Limited		**100**	100
HITTON Pty Limited		**100**	100
International Factors Australia Pty Limited		**100**	100
International Factors Pty Limited		**100**	100
Kerbridge Energy Pty Limited		**100**	100
Kerbridge Loyalty Software Pty Limited		**100**	100
Lawnbag Pty Limited		**100**	100
Managerial and Financial Services (Hong Kong) Limited	(a) (b)	**100**	100
Nationwide Management Pty Limited		**100**	100
NSW Future Plan Pty Limited		**100**	100
PACT Accountants Investment Group Pty Limited		**100**	100

	NOTE	Percentage of Shares Held 2001 %	2000 %
NOTE 44 CONTROLLED ENTITIES (continued)			
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		**100**	100
SECURITOR Financial Group Limited		**100**	100
Talaad Pty Limited		**100**	100
Thomaston Rail Pty Ltd		**100**	100
Value Nominees Pty Ltd	(d)	**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. Managerial and Financial Services (Hong Kong) Limited is incorporated in Hong Kong. Scottish Pacific Business Finance Limited is incorporated in and carries out business in New Zealand. All other controlled entities are incorporated in Australia.

(b) In liquidation.

(c) Incorporated 5 December 2000.

(d) Formerly AAM Nominees Pty Limited

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

Adba Pty Limited	Sold	15 December 2000
Advance Life Insurance Limited	Deregistered	15 June 2001
Goldset Pty Limited	Sold	28 February 2001
Hanstock Fasteners Pty Limited	Sold	28 March 2001
Hanstock Home Systems Pty Limited	Sold	31 January 2001
Kerbridge Diagnostics Pty Limited	Sold	15 December 2000
Kerbridge Imaging Pty Limited	Sold	29 June 2001
Kerbridge Local Systems Pty Limited	Sold	22 November 2000
Kerbridge Waste Management Pty Limited	Sold	15 December 2000

NOTE 45 SEGMENTAL REPORTING

Industry Segments

2001	**Banking and Finance $M**	**Insurance $M**	**Managed Funds $M**	**Consolidated $M**
Revenue from ordinary activities	**3,802**	**47**	**152**	**4,001**
Net profit	**343**	**24**	**39**	**406**
Total assets	**50,497**	**170**	**137**	**50,804**
2000				
Revenue from ordinary activities	3,681	39	134	3,854
Net Profit	305	16	33	354
Total assets	49,133	153	324	49,610

The consolidated entity operates predominantly in Australia.

NOTE 46 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 2001							
	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	438	–	–	–	–	–	438	2.25
Due from other financial institutions	445	–	–	–	–	13	458	1.47
Trading securities	2,992	857	160	170	45	–	4,224	4.87
Investment securities	132	12	–	319	–	–	463	4.12
Loans and other receivables	26,050	698	4,393	8,705	47	(194)	39,699	7.34
Bank acceptances of customers	–	–	–	–	–	1,170	1,170	
Other assets	–	–	–	–	–	4,352	4,352	
Total Assets	30,057	1,567	4,553	9,194	92	5,341	50,804	6.23
LIABILITIES								
Deposits and other borrowings	23,342	5,987	4,201	1,952	57	–	35,539	3.93
Due to other financial institutions	768	–	1	21	–	–	790	4.53
Bank acceptances	–	–	–	–	–	1,170	1,170	
Bonds and notes	1,696	4,679	1,176	225	–	–	7,776	3.80
Loan capital	–	–	–	458	311	–	769	3.76
Other liabilities	–	–	–	–	–	1,134	1,134	
Total Liabilities	25,806	10,666	5,378	2,656	368	2,304	47,178	3.74
Shareholders' equity and outside equity interests in controlled entities						3,626	3,626	
Off-balance sheet items affecting interest rate sensitivity	(8,060)	5,026	1,539	1,068	427	–	–	
Net mismatch		(3,809)	(4,073)	714	7,606	151	(589)	
Cumulative mismatch		(3,809)	(7,882)	(7,168)	438	589	–	

As at 30 September 2000	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 %
NOTE 46 INTEREST RATE RISK (continued)								
ASSETS								
Cash and liquid assets	499	–	–	–	–	–	499	2.81
Due from other financial institutions	148	–	–	–	–	–	148	4.95
Trading securities	3,047	418	320	145	–	–	3,930	6.09
Investment securities	179	420	–	620	–	–	1,219	6.71
Loans and other receivables	27,797	775	2,996	7,922	115	(151)	39,454	8.12
Bank acceptances of customers	–	–	–	–	–	607	607	
Other assets	–	–	–	–	–	3,753	3,753	
Total Assets	31,670	1,613	3,316	8,687	115	4,209	49,610	7.15
LIABILITIES								
Deposits and other borrowings	21,329	6,549	4,371	2,583	215	–	35,047	5.02
Due to other financial institutions	829	144	62	3	–	–	1,038	6.22
Bank acceptances	–	–	–	–	–	607	607	
Bonds and notes	2,700	3,316	1,141	212	–	–	7,369	5.70
Loan capital	–	277	–	40	662	–	979	5.33
Other liabilities	–	–	–	–	–	929	929	
Total Liabilities	24,858	10,286	5,574	2,838	877	1,536	45,969	4.99
Shareholders' equity and outside equity interests in controlled entities						3,641	3,641	
Off-balance sheet items affecting interest rate sensitivity	(14,826)	11,135	916	1,942	833	–	–	
Net mismatch	(8,014)	2,462	(1,342)	7,791	71	(968)		
Cumulative mismatch	(8,014)	(5,552)	(6,894)	897	968	–		

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.

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 C3 (PSC3), 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 1 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 47 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 Statements 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.

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.

NOTE 47 DERIVATIVES (continued)

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

	Consolidated				Bank			
	Notional Amount		Credit Equivalent		Notional Amount		Credit Equivalent	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$M	$M	**$M**	$M	**$M**	$M	**$M**	$M
(a) Interest Rate Commitments								
Futures	**10,739**	7,871	**–**	–	**10,739**	7,871	**–**	–
Forward rate agreements	**12,430**	19,367	**9**	3	**12,430**	19,367	**9**	3
Swaps	**49,256**	50,241	**440**	289	**49,256**	50,241	**440**	289
Options	**61**	121	**–**	–	**61**	121	**–**	–
Total Interest Rate Commitments	**72,486**	77,600	**449**	292	**72,486**	77,600	**449**	292
(b) Foreign Exchange Commitments								
Spot, Forwards	**17,390**	16,319	**508**	530	**17,390**	16,319	**508**	530
Swaps	**5,528**	5,625	**1,647**	1,090	**5,528**	5,625	**1,647**	1,090
Options	**1,563**	139	**23**	2	**1,563**	139	**23**	2
Total Foreign Exchange Commitments	**24,481**	22,083	**2,178**	1,622	**24,481**	22,083	**2,178**	1,622

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 Statements of Financial Position, but represent the basis for calculating net amounts from underlying reference rates. The consolidated entity's exposure to counter party 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 counter party risks are constantly monitored, thereby limiting credit risk concentration to any individual counter party through risk limits approved by the Board.

NOTE 48 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 (other than directors); 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 lodging with ASIC, a statutory declaration made by two (2) directors, confirming compliance with the provisions of the Class Order. The Bank will be lodging such a declaration with ASIC in its Annual Return in respect of the year ended 30 September 2001.

NOTE 48 RELATED PARTY INFORMATION (continued)

Directors:

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

F J Conroy
J J Mallick
E A O'Neal
L F Bleasel
J S Curtis
G Ettinger
P D R Isherwood
G J Reaney
J M Thame

Loans to directors:

The aggregate amount of loans outstanding as at 30 September 2001 was $Nil (2000: $Nil).

Shares and share options of directors:

The aggregate number of shares acquired by directors and their director related entities, resulting from transactions with the Bank during the financial year ended 30 September 2001, was 28,174 (2000: 21,156) ordinary shares. The aggregate number of shares in the Bank held by the directors and their director related entities as at 30 September 2001 were 319,907 (2000: 291,733) ordinary shares, nil (2000: 4,129) converting preference shares and 649 (2000: Nil) preferred resetting yield marketable equity securities. On 1 December 2000 and 29 May 2001, ordinary shares of 3,263 and 2,809 were allocated to the Managing Director, Mr E A O'Neal (since deceased) in accordance with the terms and conditions of the Employee Share Purchase Plan. The shares were acquired on market by the Plan.

No shares were disposed of by directors and their director related entities resulting from transactions with the Bank.

Details of share options granted to the Managing Director are detailed in Note 39. No share options have been granted to non-executive directors.

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)

- Pursuant to a corporate agency agreement dated 29 June 1988 and a life agency agreement dated 31 May 1992, the Bank received commission income from Royal and Sun Alliance Insurance Limited, of which Mr J J Mallick is a director. During the financial year, the Bank received commission income of $2,795,589 (2000: $4,949,311) from Royal and Sun Alliance Insurance Limited which was calculated at standard business rates. Insurance premium payments by the Bank to Royal and Sun Alliance Insurance Limited in the ordinary course of business was $418,845 (2000: $431,249).
- During the financial year, the Bank made donations of $25,000 (2000: $250,000) to the St.George Foundation Trust (the Foundation). Messrs F J Conroy, J J Mallick and E A O'Neal were Governors of the Foundation during the year, which was founded by the Bank for public charitable purposes.
- Mr L F Bleasel was the Managing Director of The Australian Gas Light Company up to 28 February 2001. Mr G J Reaney is a director of The Australian Gas Light Company. Payments by the consolidated entity for the provision of goods and services in the ordinary course of business during the year to this company was $780,624 (2000: $1,137,887).
- Mr J S Curtis is the Chairman of Allianz Australia Limited and the Chairman of First Data Resources Australia Limited's Advisory Committee. Insurance premium payments by the Bank to Allianz Australia Limited, in the ordinary course of business, was $597,652 (2000: $538,378). Payments made to First Data Resources Australia Limited in the ordinary course of business were $5,005 (2000: $Nil).
- During the financial year, Mr L F Bleasel became a director of QBE Insurance Group Limited. Insurance premium payments by the Bank to QBE in the ordinary course of business was $163,639 during the financial year.

NOTE 48 RELATED PARTY INFORMATION (continued)

(c) 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 2 and 3 to the Financial Statements.

NOTE 49 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	
	2001	2000	**2001**	2000
	$M	$M	**$M**	$M
Financial Assets				
Cash and liquid assets	**438**	499	**438**	499
Due from other financial institutions	**458**	148	**458**	148
Trading securities	**4,224**	3,930	**4,224**	3,930
Investment securities	**463**	1,219	**451**	1,225
Loans and other receivables	**39,699**	39,454	**39,859**	39,624
Bank acceptances of customers	**1,170**	607	**1,170**	607
Financial Liabilities				
Deposits and other borrowings	**35,539**	35,047	**35,602**	35,098
Due to other financial institutions	**790**	1,038	**790**	1,038
Bank acceptances	**1,170**	607	**1,170**	607
Bonds and notes	**7,776**	7,369	**7,783**	7,358
Loan capital	**769**	979	**820**	964
Other financial liabilities	**577**	305	**455**	367

NOTE 49 NET FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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 values 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 50 EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of WealthPoint Limited

On 5 November 2001, St.George Group Holdings Pty Limited acquired the shares and had cancelled the options of WealthPoint Limited it did not already own. The total carrying value of the investment in WealthPoint Limited following the completion of the transaction was $138 million, giving rise to goodwill of approximately $130 million.

The financial results of WealthPoint Limited are to be consolidated from 5 November 2001.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 SEPTEMBER 2001

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

1. (a) the financial statements and notes, set out on pages 2 to 52 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 2001 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 fall due.

2. There are reasonable grounds to believe the Bank and the subsidiaries identified in Note 42 (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
Executive Chairman

J J Mallick
Deputy Chairman

Dated at Kogarah, New South Wales
7 November 2001

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ST.GEORGE BANK LIMITED

FOR THE YEAR ENDED 30 SEPTEMBER 2001

SCOPE

We have audited the financial report of St.George Bank Limited, for the year ended 30 September 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying Notes (1 to 50), and the directors' declaration set out on pages 2 to 53. 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 reports. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the Bank.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial reports are 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 reports are 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 2001 and of their performance for the year ended on that date; and

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

b) other mandatory professional reporting requirements.

KPMG

KPMG

J F Teer

Partner

45 Clarence Street, Sydney, New South Wales, 2000

7 November 2001

CAPITAL ADEQUACY

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

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

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

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

	Consolidated	
	2001	2000
	$M	$M
Qualifying Capital		
Tier 1		
Share capital	**3,127**	3,174
Reserves	**665**	497
Retained profits	**102**	77
Less : Goodwill and other APRA adjustments	**(1,515)**	(1,574)
Total Tier 1 capital	**2,379**	2,174
Tier 2		
Asset revaluations	**34**	24
Subordinated debt	**734**	951
General provision for doubtful debts (not tax effected)	**133**	132
Total Tier 2 capital	**901**	1,107
Less: Deductions	**(40)**	(40)
Total qualifying capital	**3,240**	3,241

	Face Value	Risk Weight	Risk Weighted Balance	
	2001		**2001**	2000
	$M	%	**$M**	$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	**6,923**	–	**–**	–
Claims on local governments, public sector entities, Authorised Deposit Taking Institutions	**545**	20	**109**	229
Loans secured by residential property	**30,670**	50	**15,335**	15,114
All other assets	**11,980**	100	**11,980**	11,365
Total on Balance Sheet Assets* – credit risk	**50,118**		**27,424**	26,708

CAPITAL ADEQUACY (continued)	Face Value 2001 $M	Credit Equivalent Amount 2001 $M	Risk Weighted Balance 2001 $M	Risk Weighted Balance 2000 $M
(ii) Off Balance Sheet Exposures				
Direct credit substitutes	**227**	**227**	**204**	151
Trade and performance related items	**59**	**22**	**22**	37
Commitments	**9,374**	**898**	**487**	344
Foreign exchange, interest rate and other market related transactions	**95,332**	**2,627**	**826**	577
Total off Balance Sheet exposures – credit risk	**104,992**	**3,774**	**1,539**	1,109
Risk weighted assets – credit risk			**28,963**	27,817
Risk weighted assets – market risk			**263**	285
Total risk weighted assets			**29,226**	28,102
Capital Adequacy Ratio			**%**	%
Tier 1			**8.1**	7.7
Tier 2			**3.1**	3.9
Less: deductions			**(0.1)**	(0.1)
Total Capital Ratio			**11.1**	11.5

*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.