

Full Financial Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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Statements of Financial Performance

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

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

Statements of Financial Position

AS AT 30 SEPTEMBER 2003

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

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

Statements of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

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

Statements of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Statements of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTES TO STATEMENTS OF CASH FLOWS**(c) Acquisition of controlled entities**

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

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

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

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

(d) Disposal of controlled entities

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

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

Details of the disposals undertaken are as follows:

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The following terminology is also used:

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

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

(a) Bases of Accounting

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

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

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

(b) Historical Cost

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

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

(c) Consolidation

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

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

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

All inter-entity balances and transactions have been eliminated.

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

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

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

(e) Foreign Currency

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

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

(f) Translation of Controlled Foreign Entities

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

(g) Roundings

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

(h) Cash and Liquid Assets

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

(i) Due from Other Financial Institutions

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

(j) Trading Securities

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(k) Investment Securities

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

(l) Repurchase Agreements

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

(m) Loans and Other Receivables

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

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

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

(i) Leasing Receivables

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

(ii) Structured Investments

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

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

(n) Impaired Assets

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

(i) Non-Accrual Loans

Loans are classified as non-accrual where:

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

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

(ii) Restructured Loans

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

(iii) Assets Acquired Through Security Enforcement

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(p) Bank Acceptances of Customers

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

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

(q) Investments in Associated Companies

Investments in associates have been accounted for using the equity method where material.

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

(r) Other Investments

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

Buildings classified as Other Investments are not depreciated.

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

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

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

(s) Property, Plant and Equipment

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

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

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

(t) Depreciation

Plant and equipment of the consolidated entity, including buildings, are depreciated on a straight-line basis over their estimated useful lives.

Leasehold improvements are depreciated on a straight-line basis over the remaining lease term or their estimated useful lives, whichever is the shorter.

The estimated useful lives are as follows:

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

(u) Goodwill

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(v) Other Assets

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

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

(w) Deposits and Other Borrowings

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

(x) Due to Other Financial Institutions

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

(y) Provision for Dividends

This item comprises provision for dividends in respect of depositary capital securities and preferred resetting yield marketable equity securities.

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

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

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

(z) Income Tax Liability

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

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

(aa) Provision for Employee Entitlements

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

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

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

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

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

(bb) Provision for Directors' Retirement

Provision for directors' retirement payments has been made in accordance with the Bank's Constitution.

(cc) Provision for Restructuring Costs

- (i) On Acquisition

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

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

(dd) Bonds and Notes

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(ee) Loan Capital

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

(ff) Bills Payable and Other Liabilities

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

(gg) Shareholders' Equity

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

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

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

(iii) Reserves

- (1) Asset Revaluation and Realisation Reserve - increments and decrements (where they reverse a previous increment) arising upon the revaluation of land, buildings and other investments are recognised in the Asset Revaluation and Realisation Reserve.
- (2) Claims Equalisation Reserve - the purpose of this reserve is to provide a prudential buffer against fluctuations in mortgage insurance claims. In the event that there was an abnormal claims experience, a portion of this reserve could be transferred back to retained profits.
- (3) Reserve for Redemption of Borrowers' and Depositors' Shares - the purpose of this reserve is to recognise the redemption of all Borrowers' and Depositors' shares.

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

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

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

(hh) Derivative Financial Instruments

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

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

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

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

(ii) Life Insurance Business

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

- (i) All assets, liabilities, revenues, expenses and equity are included in the financial report irrespective of whether they are designated as relating to policyholders or to shareholders.
- (ii) All assets are measured at net market values.
- (iii) All liabilities are measured at net present values. Policy liabilities are calculated in accordance with the principles of Margin on Services (MoS) profit reporting as set out in Actuarial Standard AS 1.03 "Valuation of Policy Liabilities" issued by the Life Insurance Actuarial Standards Board. Other Liabilities are measured at net present value at reporting date.
- (iv) Premiums and claims are separated on a product basis into their revenue, expense and change in liabilities components unless the separation is not practicable or the components cannot be reliably measured.
- (v) Return on all investments controlled by SGL are recognised as revenues.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(jj) Fiduciary Activities

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

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

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

(kk) Fee Income

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

(ll) Unearned Revenue

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

Receivables referred to above are shown in the Statements of Financial Position net of unearned revenue.

(ii) Unearned income of the insurance operation has been calculated by spreading the net premium revenue over the expected period of the risk.

The unexpired risk reserve of the insurance operation is disclosed as Unearned Income – Mortgage Insurance Premiums in this Financial Report.

(mm) Operating Leases

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

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

(nn) Loan Securitisation

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

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

- (i) Service, manager and custodian fees are received and recognised over the period in which the relevant fee is earned.
- (ii) Redraw facility fee – the consolidated entity provides the securitisation programs with redraw facilities in accordance with APRA's prudential guidelines.
- (iii) Residual income – the consolidated entity is entitled to receive residual income from the securitisation programs. This income comprises interest receivable on the securitised loans (net of any swap receipts/payments) less interest payable to holders of Mortgage Backed Bonds and other fees and expenses payable. The residual income is recognised when receivable.
- (iv) Swap fees - Basis and interest rate swaps are provided at arms length to the program by the consolidated entity in accordance with APRA prudential guidelines. Basis and interest rate swaps are accounted for on an accruals basis.

(oo) Earnings Per Share

- (i) Basic earnings per ordinary share is determined by dividing net profit after income tax attributed to members of the Bank, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year.
- (ii) Basic earnings per preferred resetting yield marketable equity security is determined by dividing the dividend entitlement on these securities during the financial year by the weighted average number of securities outstanding during the financial year.
- (iii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per ordinary share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to the dilutive potential ordinary shares.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 2 CHANGES IN ACCOUNTING POLICIES

(a) Foreign Currency Translation

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

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

(b) Employee Benefits

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

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

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

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

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

The effect of this change in accounting policy on opening retained profits is disclosed in Note 38.

(c) Provisions and Contingencies

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

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

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

- \$209 million increase in opening retained profits
- \$209 million decrease in provision for dividends

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

The effect of this change in accounting policy on opening retained profits is disclosed in Note 38.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Tax Consolidation

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

Discussion – September 2003

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

Discussion – September 2002

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 10 DIVIDENDS PROVIDED FOR OR PAID

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

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

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

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

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

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

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

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

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

Subsequent events

Since the end of the financial year, the directors declared the following dividend:

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

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

Dividend franking account

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED	
	2003	2002
NOTE 11 EARNINGS PER SHARE		
Earnings Per Share		
Basic – ordinary (cents)	120.7	74.8
Diluted – ordinary (cents)	120.8	76.0
Basic – Preferred Resetting Yield Marketable Equity Security (PRYMES) (\$)	6.36	6.36
Alternative earnings per share (1)		
Basic – ordinary (cents)	142.2	124.7
Diluted – ordinary (cents)	141.7	124.1
(1) The alternative basic and diluted earnings per ordinary share amounts have been calculated to exclude the impact of goodwill amortisation and individually significant items to provide a meaningful analysis of the earnings per ordinary share performance of the underlying business.		
Weighted average number of shares		
Basic – ordinary	502,313,510	493,146,546
Impact of potential dilutive issue:		
Options over ordinary shares	238,540	291,840
PRYMES	15,016,706	17,383,746
Diluted – ordinary	517,568,756	510,822,132
Basic – PRYMES	3,000,000	3,000,000
	2003	2002
Reconciliations of earnings used in calculating earnings per share	\$M	\$M
(a) Basic earnings per ordinary share		
Profit from ordinary activities after income tax	653	428
Less Net (loss)/profit attributable to outside equity interests	(5)	1
Preference dividends	52	58
Earnings used in calculating basic earnings per share	606	369
Add Goodwill amortisation	108	110
Net after tax impact of individually significant items	-	136
Earnings used in calculating alternative basic earnings per share	714	615
(b) Diluted earnings per ordinary share		
Profit from ordinary activities after income tax	653	428
Less Net (loss)/profit attributable to outside equity interests	(5)	1
Preference dividends	52	58
Add Earnings adjustments on potentially dilutive issues	19	19
Earnings used in calculating diluted earnings per share	625	388
Add Goodwill amortisation	108	110
Net after tax impact of individually significant items	-	136
Earnings used in calculating alternative diluted earnings per share	733	634
(c) Basic earnings attributable to PRYMES		
	19	19

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

NOTE 12 AUDITORS' REMUNERATION

Amounts paid, or due and payable for audit or review services of statutory financial reports:

By auditors of the Bank (KPMG)	1,156	863	797	638
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Amounts paid, or due and payable for other services

By auditors of the Bank (KPMG):

Audit related services (a)	1,109	952	630	552
Taxation (b)	1,255	696	1,201	591
Other (c)	807	1,236	776	1,167
	3,171	2,884	2,607	2,310
Total auditors' remuneration	4,327	3,747	3,404	2,948

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

CONSOLIDATED		BANK	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

NOTE 13 REMUNERATION OF DIRECTORS

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

The total income paid or payable, or otherwise made available, to all directors of the Bank and controlled entities, from the Bank or any related party.

4,645	3,636	3,929	3,141
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The number of directors of the Bank, including the Managing Director, whose total income paid or payable by the Bank or by any related party, falls within the following bands:

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 14 REMUNERATION OF EXECUTIVE OFFICERS

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

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

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

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

(a) Includes one former employee.

(b) Former employee.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M
NOTE 15 CASH AND LIQUID ASSETS				
Notes, coins and cash at bankers	220	203	219	203
Money at call	20	21	20	20
Bills receivable and remittances in transit	21	3	21	3
Clearing house balance	14	30	14	30
Securities purchased under agreements to resell	494	157	494	157
	769	414	768	413
NOTE 16 DUE FROM OTHER FINANCIAL INSTITUTIONS				
Maturity analysis based on remaining term to maturity at 30 September				
At call	328	194		
Less than 3 months	7	-		
Between 3 months and 12 months	-	45		
	335	239		
NOTE 17 TRADING SECURITIES				
Government and semi-government securities	1,243	1,375	1,243	1,375
Bills of exchange - bank accepted/endorsed	1,419	1,644	1,410	1,635
Negotiable certificates of deposit	1,187	512	1,187	512
Other marketable securities	1,427	2,247	1,287	2,138
	5,276	5,778	5,127	5,660
NOTE 18 INVESTMENT SECURITIES				
Investments at cost				
Government and semi-government securities	12	13	-	-
Deposits - banks	16	24	-	-
Mortgage backed securities	-	6	-	6
Other marketable securities	115	348	115	348
	143	391	115	354
Market Value				
Government and semi-government securities	12	13	-	-
Deposits - banks	16	24	-	-
Mortgage backed securities	-	6	-	6
Other marketable securities	113	304	113	304
	141	347	113	310
Maturity analysis based on remaining term to maturity at 30 September				
At call	-	9		
Less than 3 months	67	50		
Between 3 months and 12 months	-	-		
Between 1 year and 5 years	76	332		
Greater than five years	-	-		
Total carrying value	143	391		

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M
NOTE 19 LOANS AND OTHER RECEIVABLES				
Housing loans (1)	34,998	30,535	34,998	30,535
Commercial loans	8,247	7,256	7,348	6,531
Personal loans (2)	2,762	2,456	2,573	2,362
Lease and commercial hire purchase (3)	1,996	1,769	1,687	1,653
Structured investments	189	176	183	170
Credit card receivables	865	661	865	661
Other	88	137	24	137
Gross loans and other receivables	49,145	42,990	47,678	42,049
Less: provisions for impairment (refer Note 20)				
– specific provision for doubtful debts	65	71	61	68
– general provision for doubtful debts	176	152	173	149
Net loans and other receivables	48,904	42,767	47,444	41,832
Maturity analysis based on remaining term to maturity at 30 September				
Less than 3 months	21,202	13,566		
Between 3 months and 12 months	4,304	2,735		
Between 1 year and 5 years	8,029	9,462		
After 5 years	15,545	17,156		
Loans and other receivables net of specific provisions for doubtful debts and income yet to mature	49,080	42,919		

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 21 ASSET QUALITY

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

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

e) Impaired assets by size of loan

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

CONSOLIDATED

2003 2002**\$M** \$M**NOTE 21 ASSET QUALITY****f) Interest income foregone on impaired assets**

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

Gross interest income receivable on impaired assets

Non-accrual loans	5	6
Restructured loans	-	-
Total gross interest income receivable on impaired assets	5	6
Interest income received		
Non-accrual loans	1	1
Restructured loans	-	-
Total interest income received	1	1
Net interest income foregone		
Non-accrual loans	4	5
Restructured loans	-	-
Total net interest income foregone	4	5

g) Past due items

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

Loan balances	159	139
	2003	2002
	%	%

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 22 CONCENTRATION OF CREDIT RISK

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

RISK CONCENTRATION AS AT 30 SEPTEMBER 2003

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

RISK CONCENTRATION AS AT 30 SEPTEMBER 2002

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003 \$M	2002 \$M	2003 \$M	2002 \$M
NOTE 23 INVESTMENT IN ASSOCIATED COMPANIES				
Equity accounted investments	7	10	-	-
Investments at cost	-	-	2	4
Total investments in associates	7	10	2	4

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

NOTE 24 OTHER INVESTMENTS

(i) Property, plant and equipment held for sale

Land and buildings (at independent valuation – 2002)	-	31	-	-
Land and buildings (at directors' valuation – 2003)	31	-	-	-
	31	31	-	-

(ii) Shares and other securities

Unquoted investments (at recoverable value)	69	75	20	18
Other investments	2	2	-	-
	71	77	20	18
Total other investments	102	108	20	18

NOTE 25 PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 25 PROPERTY, PLANT AND EQUIPMENT**Valuation**

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

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

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

Reconciliations

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M
NOTE 26 GOODWILL				
Goodwill	2,011	2,092	1,344	1,344
Less – accumulated amortisation	743	643	518	449
– write-off	-	72	-	-
	1,268	1,377	826	895

NOTE 27 OTHER ASSETS

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

NOTE 28 DEPOSITS AND OTHER BORROWINGS

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

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

Maturity analysis based on remaining term to maturity at 30 September

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

NOTE 29 DUE TO OTHER FINANCIAL INSTITUTIONS

Maturity analysis based on remaining term to maturity at 30 September

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M

NOTE 33 BONDS AND NOTES

Maturity analysis based on remaining term to maturity at 30 September

Less than 3 months	1,037	1,788		
Between 3 months and 12 months	1,947	2,297		
Between 1 year and 5 years	2,505	3,145		
After 5 years	59	73		
	5,548	7,303		

NOTE 34 LOAN CAPITAL

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

Maturity analysis based on remaining term to maturity at 30 September

Between 3 months and 12 months	-	39		
Between 1 year and 5 years	1,080	963		
	1,080	1,002		

NOTE 35 BILLS PAYABLE AND OTHER LIABILITIES

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	NOTE	CONSOLIDATED		BANK	
		2003 \$M	2002 \$M	2003 \$M	2002 \$M
NOTE 36 SHARE CAPITAL					
Capital					
505,592,816 fully paid ordinary shares (2002: 498,097,921)	(a)	3,162	3,043	3,162	3,043
3,000,000 fully paid preferred resetting yield marketable equity securities (2002: 3,000,000)		291	291	291	291
Perpetual note		-	-	17	-
General reserve		15	15	15	15
		3,468	3,349	3,485	3,349

(a) Movement in ordinary share capital

		2003 \$M	2002 \$M	2003 NO. OF SHARES	2002 NO. OF SHARES
Balance at beginning of the financial year		3,043	2,821	498,097,921	483,828,232
Ordinary shares issued	(b)	119	222	7,494,895	14,269,689
Balance at end of the financial year		3,162	3,043	505,592,816	498,097,921

Issued and uncalled capital

6,069 Borrowers' shares unpaid (2002: 8,028)

300,842 Depositors' shares unpaid (2002: 330,233)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 36 SHARE CAPITAL

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

Terms and Conditions**Ordinary Shares**

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

Preferred resetting yield marketable equity securities (PRYMES)

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

Capital Management Initiatives**Dividend Reinvestment Plan (DRP)**

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M

NOTE 37 RESERVES**Composition**

Asset revaluation and realisation reserve	83	65	112	88
Claims equalisation reserve	19	13	-	-
Depositors' and borrowers' redemption reserve	2	1	2	1
	104	79	114	89

Movements in reserves**Asset revaluation and realisation reserve**

Balance at beginning of the financial year	65	48	88	74
Add net increment arising from the revaluation of land and buildings	18	17	24	14
Balance at end of the financial year	83	65	112	88

Claims equalisation reserve

Balance at beginning of the financial year	13	10	-	-
Add net transfer from retained profits	6	3	-	-
Balance at end of the financial year	19	13	-	-

Depositors' and borrowers' redemption reserve

Balance at beginning of the financial year	1	1	1	1
Add net transfer from retained profits	1	-	1	-
Balance at end of the financial year	2	1	2	1

Asset Revaluation and Realisation Reserve

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

Claims Equalisation Reserve

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

Reserve for Redemption of Borrowers' and Depositors' Shares

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M
NOTE 38 RETAINED PROFITS				
Retained profits at the beginning of the financial year	71	102	115	118
Adjustments to opening retained profits				
Reversal of 2002 final ordinary dividend on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	209	-	209	-
AASB 1028 "Employee Benefits" adjustment	(1)	-	(1)	-
Adjusted opening retained profits	279	102	323	118
Net profit after income tax attributable to members of the Bank	658	427	600	413
Total available for appropriation	937	529	923	531
Dividends recognised during the year	(488)	(455)	(455)	(416)
Transfer to reserve	(7)	(3)	(1)	-
Retained profits at the end of the financial year	442	71	467	115

NOTE 39 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

Interest in:

Depository capital securities	334	334
Perpetual note (1)	17	-
Share capital	2	2
Retained profits	(2)	3
	351	339

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 40 AVERAGE BALANCES AND RELATED INTEREST

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 40 AVERAGE BALANCES AND RELATED INTEREST**Volume and Rate Analysis**

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 41 SHARE AND OPTION PLANS

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

Details of these plans are as follows:

(a) Employee Reward Share Plan (Reward Plan)

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

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

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

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

(b) Employee Share Purchase Plan (Purchase Plan)

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 41 SHARE AND OPTION PLANS**(c) Employee Performance Share Plan (Performance Plan)**

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 41 SHARE AND OPTION PLANS**(c) Employee Performance Share Plan (Performance Plan)**

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 41 SHARE AND OPTION PLANS**(c) Employee Performance Share Plan (Performance Plan)**

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

Performance hurdles in respect of other awards granted during the year are subject to tenure and vest for nil consideration subject to the satisfaction of the following conditions:

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

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

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

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

EPS for the year ended 30 September 2004 must exceed:

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

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

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

EPS for the year ended 30 September 2005 must exceed:

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

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

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

The fair value of awards granted during the year has been determined based on the volume weighted average share price of the Bank's ordinary shares using the five day trading period before the grant date. The fair value has not been discounted for the probability of not meeting performance hurdles (where applicable). The 107,524 performance awards granted during the year have a fair value of \$2 million. If these awards were expensed at this value, there would have been a \$2 million reduction in the consolidated entity's and Bank's current year after tax profit.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 41 SHARE AND OPTION PLANS**(d) Executive Option Plan (Option Plan)**

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 41 SHARE AND OPTION PLANS**(d) Executive Option Plan (Option Plan)**

(5) No options were granted to Mrs Kelly during the year.

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

(i) Tranche (1) - first exercisable date 15 November 2004

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

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

(ii) Tranche (2) - first exercisable date 15 November 2005

EPS for the year ended 30 September 2004 must exceed:

(a) the EPS for the year ended 30 September 2003 by more than 10%; or

(b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

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

(iii) Tranche (3) - first exercisable date 15 November 2005

EPS for the year ended 30 September 2005 must exceed:

(a) the EPS for the year ended 30 September 2004 by more than 10%; or

(b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	CONSOLIDATED		BANK	
	2003	2002	2003	2002
	\$M	\$M	\$M	\$M

NOTE 42 COMMITMENTS

Capital expenditure commitments as at 30 September not provided for in the financial statements amounted to:

Not longer than 1 year	11	9	11	9
Operating lease commitments contracted for as at 30 September:				
Not longer than 1 year	64	56	62	49
Longer than 1 year and not longer than 2 years	45	34	43	31
Longer than 2 years and not longer than 5 years	45	32	42	28
Longer than 5 years	41	28	41	29
	195	150	188	137

NOTE 43 UNCOMMITTED CREDIT FACILITIES

Offshore and Australian dollar note borrowing facilities

Uncommitted credit facilities	10,256	12,877	10,256	12,877
Amount utilised	9,001	7,032	9,001	7,032
Unused uncommitted credit facilities	1,255	5,845	1,255	5,845

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 44 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

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

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

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

(c) Deed of Cross Guarantee

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

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

- St.George Financial Services Limited (formerly St.George Finance Limited)
- Advance Leasing Limited
- Canberra Advance Property Limited

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 44 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS**(c) Deed of Cross Guarantee**

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

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

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

(d) Litigation

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

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

(e) Service Contracts

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 45 EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS**1. Employee Entitlements**

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

2. Superannuation Commitments

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

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

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

- (i) termination of the funds;
- (ii) voluntary termination of employment of each member; and
- (iii) compulsory termination of employment of each member.

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 46 CONTROLLED ENTITIES

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 46 CONTROLLED ENTITIES

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

Notes

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

(b) Incorporated on 14 November 2002.

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

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

(d) These companies are in voluntary liquidation

(e) Formerly St.George Finance Limited

(f) Formerly St.George Partnership Finance Limited

(g) Formerly WealthPoint Limited

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 47 SEGMENTAL RESULTS

(a) Business Segments

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

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

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

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

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

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

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

Comparatives have been amended accordingly.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 47 SEGMENTAL RESULTS

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

As at 30 September 2003	PERSONAL	INSTITUTIONAL	WEALTH		OTHER	CONSOLIDATED
	CUSTOMERS	& BUSINESS BANKING	BANKSA	MANAGEMENT		
	\$M	\$M	\$M	\$M	\$M	\$M
Assets						
- investments in associates	-	-	-	-	7	7
- other assets	29,777	19,891	7,787	2,755	2,497	62,707
Segment Assets	29,777	19,891	7,787	2,755	2,504	62,714
Segment Liabilities	22,758	28,911	5,403	607	670	58,349
Other Segment Disclosure						
- securitised loans	7,788	-	-	-	-	7,788
- managed funds	-	-	-	19,820	-	19,820

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 47 SEGMENTAL RESULTS

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

	PERSONAL CUSTOMERS	INSTITUTIONAL & BUSINESS BANKING	BANKSA	WEALTH MANAGEMENT	OTHER	CONSOLIDATED
	\$M	\$M	\$M	\$M	\$M	\$M
As at 30 September 2002						
Assets						
– investments in associates	-	-	-	-	10	10
– other assets	26,065	17,262	6,666	2,201	2,800	54,994
Segment Assets	26,065	17,262	6,666	2,201	2,810	55,004
Segment Liabilities	19,798	25,345	4,608	390	1,025	51,166
Other Segment Disclosure						
– securitised loans	5,694	35	-	-	-	5,729
– managed funds	-	-	-	17,447	-	17,447

(b) Geographical Segments

The consolidated entity operates predominantly in Australia

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 48 INTEREST RATE RISK

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

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

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

i) Interest Rate Risk in Non-Trading Activities

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 48 INTEREST RATE RISK

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

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

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

ii) Market Risk from Trading Activities

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 48 INTEREST RATE RISK

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

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

NOTE 49 DERIVATIVES

Derivative Financial Instruments

Definition

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

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

Swaps

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

Options

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

Futures

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

Forwards

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

Objectives for Holding Derivative Instruments

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

Hedging

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

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

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

Trading

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 49 DERIVATIVES

Strategies for Achieving Objectives for Holding Derivative Instruments

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

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

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

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

The following table provides an overview of the consolidated entity's exchange rate and interest rate derivatives as at 30 September. It includes all trading and non-trading contracts.

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 50 RELATED PARTY INFORMATION

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

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

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

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

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

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

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

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

Directors

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

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

Loans to directors

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

Shareholdings

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 50 RELATED PARTY INFORMATION

Other transactions of directors and their director related entities

a) Financial instrument transactions

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

b) Other transactions (other than financial instrument transactions)

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

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

Controlled entities

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 51 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

Trading securities

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

Investment securities

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOTE 51 NET FAIR VALUE OF FINANCIAL INSTRUMENTS

Loans and other receivables

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

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

Deposits and other borrowings

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

Due to other financial institutions

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

Bonds and notes and loan capital

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

Other financial liabilities

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

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

NOTE 52 EVENTS OCCURRING AFTER REPORTING DATE

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

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

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

Directors' Declaration

FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

1. (a) the financial statements and notes, set out on pages 2 to 64 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Bank and the consolidated entity as at 30 September 2003 and their performance, as represented by the results of their operations and cash flows for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) at the date of this declaration, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe the Bank and the subsidiaries identified in Note 44 (c) will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Bank and those subsidiaries pursuant to ASIC Class Order 98/1418.

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

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F J Conroy
Chairman

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G P Kelly
Chief Executive Officer and Managing Director

Dated at Sydney, New South Wales
5 November 2003

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

FOR THE YEAR ENDED 30 SEPTEMBER 2003

SCOPE

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

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

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

AUDIT OPINION

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

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Bank's and consolidated entity's financial position as at 30 September 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



KPMG



J F Teer

Partner

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

Supplementary Financial Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

CAPITAL ADEQUACY

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

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

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

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

	CONSOLIDATED	
	2003	2002
	\$M	\$M
Qualifying Capital		
Tier 1		
Share capital	3,468	3,349
Reserves	413	548
Retained profits	442	71
Less : Expected dividend ⁽¹⁾	(190)	-
Goodwill and other APRA adjustments ⁽²⁾	(1,459)	(1,527)
Total tier 1 capital	2,674	2,441
Tier 2		
Asset revaluations	58	47
Perpetual note	17	-
Subordinated debt	917	907
General provisions for doubtful debts (not tax effected)	176	152
Total tier 2 capital	1,168	1,106
Deductions		
Investment in non-consolidated entities net of goodwill Tier 1 deductions ⁽³⁾	27	27
Other	1	13
Total deductions from capital	28	40
Total qualifying capital	3,814	3,507

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

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

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

Supplementary Financial Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

CAPITAL ADEQUACY

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

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

(ii) Off Balance Sheet Exposures

Capital Adequacy Ratio		%	%
Tier 1		7.2	7.5
Tier 2		3.2	3.4
Less deductions		(0.1)	(0.1)
Total Capital Ratio		10.3	10.8

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

KEY DATES

Annual General Meeting (Sydney)
19 December 2003

Shareholder Information Meeting
(Melbourne) 31 May 2004*

ANNOUNCEMENT OF RESULTS AND ORDINARY DIVIDEND

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

ORDINARY SHARES

Final Dividend (2003) paid
19 December 2003

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

Interim Dividend (2004) paid 02 July 2004*

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

PRYMES

Payment date 20 February 2004*

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

Payment date 20 August 2004*

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

* proposed dates only

CONTACT DETAILS

ST.GEORGE REGISTERED OFFICE

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

Secretary: M H S Bowan

ST.GEORGE SHARE REGISTRY

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

BANKSA

97 King William Street
Adelaide SA 5000
Customer Service 131 376

ADVANCE ASSET MANAGEMENT

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

SEALCORP

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

DEUTSCHE BANK

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

CUSTOMER SERVICES

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

EMAIL/INTERNET

Email: stgeorge@stgeorge.com.au

Internet: www.stgeorge.com.au

AUDITORS

KPMG
45 Clarence Street
Sydney NSW 2000

CREDIT RATINGS

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

FULL FINANCIAL REPORT (2003)

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

www.stgeorge.com.au

