St.George Bank Limited
ACN 055 513 070

CONSOLIDATED FINANCIAL REPORT

for the half-year ended
31 MARCH 2003

Table of Contents	**Page Number**

The directors of St.George Bank Limited (the Bank) submit their report on the consolidated financial report for the half-year ended 31 March 2003 and the auditors' review report thereon.

Directors

The names of the directors of the Bank holding office at any time from the beginning of the half-year to the date of this report are:

Name	Period of directorship
F J Conroy	Director since 28 August 1995
Chairman	Chairman since September 1996
J J Mallick	Director since 30 August 1993
Deputy Chairman	
G P Kelly	Director since 29 January 2002
Managing Director and Chief Executive Officer	Managing Director since January 2002
L F Bleasel	Director since 27 May 1993
J S Curtis	Director since 27 October 1997
L B Nicholls	Director since 26 August 2002
P D R Isherwood	Director since 27 October 1997
G J Reaney	Director since 12 November 1996
J M Thame	Director since 24 February 1997

Review of Operations

Unless otherwise indicated, comparative figures relate to the half-year ended 31 March 2002.

Prior to significant items, the profit from ordinary activities after tax and outside equity interests for the half-year ended 31 March 2003 was $325 million (31 March 2002: $274 million).

After significant items, the profit from ordinary activities after tax and outside equity interests of the consolidated entity was $325 million (31 March 2002: $187 million).

Net Interest Income

- Net interest income for the half-year was $711 million (31 March 2002: $648 million), an increase of 9.7%. The increase is due to growth in average interest earning assets of 8.5% since March 2002 and the improvement in the net interest margin to 2.80% from 2.77% in the previous corresponding period.

Non-Interest Income

- Other income (excluding significant items) was $448 million (31 March 2002: $411 million), an increase of 9.0%. Other income accounts for 38.7% of total income (31 March 2002: 38.8%). The increase in other income resulted from strong growth in bank acceptances, product fee and electronic banking income and profits arising from the continuation of the Bank's property sale and lease-back program.

- Managed funds stood at $17.7 billion (30 September 2002: $17.4 billion; 31 March 2002: $17.9 billion).

Operating Expenses

- The expense to income ratio, before goodwill amortisation and significant items, decreased to 49.2% (31 March 2002: 52.7%) due to efficiency gains attributable to the Even Better Bank program (EBB) and growth in total income underpinned by lending asset growth.
- Operating expenses before goodwill and significant items were $570 million (31 March 2002: $558 million), an increase of 2.2%. When compared to the September 2002 half-year, operating expenses decreased by $7 million or 1.2%.

Income Tax

- Income tax expense before significant items increased by $24 million to $159 million compared to the previous corresponding period

Shareholder Returns

- Annualised return on average ordinary equity before goodwill and significant items increased to 20.36% (31 March 2002: 19.29%).
- Basic earnings per ordinary share increased to 59.5 cents (31 March 2002: 32.0 cents).
- The Board has declared an interim ordinary dividend of 45 cents per ordinary share, payable on 2 July 2003. This dividend will be fully franked at 30%.

Rounding of Amounts

In accordance with Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, amounts in this report and the accompanying consolidated financial statements have been rounded off to the nearest million dollars except where otherwise indicated.

Signed in accordance with a resolution of the directors.

F J Conroy
Chairman

G P Kelly
Managing Director and Chief Executive Officer
Signed at Sydney
New South Wales
6 May 2003

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 MARCH 2003

	Note	Half-Year to 31 March 2003 $M	Half-Year to 30 Sept 2002 $M	Half-Year to 31 March 2002 $M
Interest income	3	1,667	1,571	1,493
Less: Interest expense	5	956	886	845
Net interest income		711	685	648
Other income	3,6	448	441	411
Total ordinary income (net of interest expense)		1,159	1,126	1059
Charge for bad and doubtful debts	4	48	53	34
Operating expenses				
- staff		277	314	272
- computer and equipment		104	156	94
- occupancy		62	65	63
- administration and other		127	132	151
Total operating expenses	5,6	570	667	580
Share of net loss of equity accounted associates		3	-	1
Goodwill amortisation		54	54	56
Goodwill write-off	6	-	-	72
Profit from ordinary activities before income tax		484	352	316
Income tax expense	6	159	112	128
Net profit		325	240	188
Net profit attributable to outside equity interests		-	-	1
Net profit attributable to members of the Bank		325	240	187
Non owner changes in equity				
Net increase/(decrease) in retained profits on initial adoption of:				
Revised AASB 1028 "Employee Benefits"	2,14	(1)	-	-
AASB 1044 "Provisions, Contingent Liabilities and Assets"	2,14	209	-	-
Net increase in asset revaluation and realisation reserve		-	17	-
Net increase in claims equalisation reserve		4	2	1
Net increase in depositors' and borrowers' redemption reserve		1	-	-
Net increase in foreign currency revaluation reserve		1	-	-
Total revenues, expenses and valuation adjustments attributable to members of the Bank recognised directly in equity		214	19	1
Total changes in equity other than those resulting from transactions with owners as owners		539	259	188
Dividends per ordinary share (cents)	7,19	45	42	38
Basic earnings per ordinary share (cents)	8	59.5	42.6	32.0
Diluted earnings per ordinary share (cents)	8	59.5	43.0	32.8
Basic – Preferred Resetting Yield Marketable Equity Security ($)	8	3.18	3.18	3.18

The consolidated statement of financial performance should be read in conjunction with the accompanying notes to and forming part of the financial report as set out on pages 7 to 25.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2003

	Note	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
ASSETS				
Cash and liquid assets		648	414	462
Due from other financial institutions		352	239	248
Trading securities		5,378	5,778	4,766
Investment securities	9	212	391	677
Loans and other receivables	10	44,718	42,767	40,811
Bank acceptances of customers		2,526	1,662	1,455
Investments in associated companies		9	10	13
Other investments		106	108	111
Property, plant and equipment		514	546	527
Goodwill		1,321	1,377	1,431
Other assets		1,556	1,712	2,076
Total Assets		57,340	55,004	52,577
LIABILITIES				
Deposits and other borrowings	12	41,744	38,394	37,077
Due to other financial institutions		475	912	787
Bank acceptances		2,526	1,662	1,455
Provision for dividends	2,19	12	221	200
Income tax liability		257	272	265
Other provisions		92	115	92
Bonds and notes		5,529	7,303	6,578
Loan capital		936	1,002	917
Bills payable and other liabilities		1,569	1,285	1,466
Total Liabilities		53,140	51,166	48,837
Net Assets		4,200	3,838	3,740
SHAREHOLDERS' EQUITY				
Share capital	13	3,399	3,349	3,271
Reserves		84	79	60
Retained profits	14	362	71	70
Shareholders' equity attributable to members of the Bank		3,845	3,499	3,401
Outside equity interests in controlled entities	15	355	339	339
Total Shareholders' equity		4,200	3,838	3,740

The consolidated statement of financial position should be read in conjunction with the accompanying notes to and forming part of the financial report as set out on pages 7 to 25.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 MARCH 2003

	Note	Half-Year to 31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received		1,659	1,584	1,490
Interest paid		(1,001)	(837)	(925)
Dividends received		3	-	2
Other income received		484	470	456
Operating expenses paid		(599)	(598)	(573)
Income taxes paid		(159)	(106)	(125)
Net proceeds from/(payments for) purchase and sale of trading securities		370	(1,002)	(1,206)
Net cash provided by/(used in) operating activities	16(a)	757	(489)	(881)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of controlled entities	16(c)	-	-	(33)
Disposal of controlled entities	16(d)	(4)	-	(2)
Restructuring costs		(20)	(9)	(9)
Net proceeds from/(payments for) purchase and sale of investment securities		178	286	(214)
Net increase in loans and other receivables		(1,965)	(2,016)	(748)
Proceeds from sale of shares		1	28	-
Payments for shares		(2)	(2)	(22)
Payments of research and development costs		(3)	(5)	(6)
Payments for property, plant and equipment		(27)	(50)	(24)
Proceeds from sale of property, plant and equipment		36	9	1
Net decrease/(increase) in other assets		49	(5)	(227)
Net cash used in investing activities		(1,757)	(1,764)	(1,284)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits		3,425	1,319	1,223
Proceeds from other borrowings		7,751	11,088	8,670
Repayment of other borrowings		(8,980)	(10,156)	(9,076)
Proceeds from loan capital		-	101	200
Net (decrease)/increase in other liabilities		(212)	(177)	272
Proceeds from issue of shares		4	9	90
Proceeds from issue of perpetual note		17	-	-
Dividends paid		(190)	(149)	(141)
Net cash provided by financing activities		1,815	2,035	1,238
Net increase/(decrease) in cash and cash equivalents held		815	(218)	(927)
Cash and cash equivalents held at the beginning of the half-year		(469)	(251)	676
Cash and cash equivalents held at the end of the half-year	16(b)	346	(469)	(251)

The consolidated statement of cash flows should be read in conjunction with the accompanying notes to and forming part of the financial report as set out on pages 7 to 25.

Note 1: Statement of Significant Accounting Policies

(a) Basis of preparation of the half-year financial report

The general purpose financial report for the half-year ended 31 March 2003 has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting", other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the Bank's Concise Annual Report and Full Financial Report for the year ended 30 September 2002 and any public announcements made by the Bank and its controlled entities during the half-year ended 31 March 2003 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and, except where there is a change in accounting policy as disclosed in Note 2, are consistent with those of the previous year-end and corresponding half-year.

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

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at the end of the half-year. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. When assessing 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 their present value, except where specifically stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Reclassification of financial information

Where necessary, the half-year accounts have been changed to reflect the sub totals and totals disclosed in the year-end accounts and comparative figures have been amended to conform with changes in presentation in the current half-year.

Note 2: Changes in Accounting Policy

(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 31 March 2003. This would also be the case for the prior financial year and half-year had the new accounting policy always been applied.

Note 2: Changes in Accounting Policy (cont…)

(b) Employee entitlements

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

The effect of this change has been to increase operating expenses by $800,000 ($560,000 after tax) during the period.

The effect of this change in accounting policy on opening retained earnings is disclosed in Note 14.

(c) Provisions and Contingencies

During the half-year ended 31 March 2003, 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 consolidated retained profits and decrease provisions by $226 million at the end of the half-year and accordingly, no dividends on ordinary shares have been recognised for the half-year ended 31 March 2003. This change in accounting policy has not had any material effect on basic and diluted earnings per share.

The effect of this change in accounting policy on opening retained earnings is disclosed in Note 14.

Note 3: Revenues from Ordinary Activities

	Note	Half-Year to 31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Interest income		1,667	1,571	1,493
Other income from ordinary activities				
Trading income		18	14	31
Product fees and commissions				
Lending		37	42	39
Deposit and other accounts		107	106	94
Electronic banking		88	76	78
Securitisation service fees		38	37	36
Managed funds fees		86	92	86
Dividends		3	-	2
Profit on sale of land and buildings		15	1	-
Profit on sale of shares	6	2	22	-
Factoring and invoice discounting income		10	10	10
Bill acceptance fees		22	18	14
Rental income		8	7	7
Brokerage and clearing fees		-	4	6
Other		14	12	8
Total other income from ordinary activities		448	441	411
Total revenues from ordinary activities		2,115	2,012	1,904

Note 4: Bad and Doubtful Debts

		31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Charge to general provision		12	13	4
Charge to specific provision		36	40	30
Total bad and doubtful debts expense		48	53	34

Note 5: Expenses from Ordinary Activities

	Note	Half-Year to 31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Interest expense		956	886	845
Operating expenses				
Staff				
Salaries and wages		223	233	221
Contractors' fees		5	5	7
Superannuation contributions		20	18	17
Payroll tax		15	15	14
Fringe benefits tax		5	6	4
Restructuring	6	-	28	-
Other		9	9	9
Total staff expenses		277	314	272
Computer and equipment				
Depreciation		21	19	18
Deferred expenditure				
- amortisation		35	35	31
- write-off	6	-	60	-
Rentals on operating leases		8	9	8
Other		40	33	37
Total computer and equipment expenses		104	156	94
Occupancy				
Depreciation		16	16	16
Rental on operating leases		29	27	27
Restructuring	6	-	2	-
Other		17	20	20
Total occupancy expenses		62	65	63
Administration and other				
Fees and commissions		14	13	14
Advertising and public relations		23	26	27
Telephone		6	6	8
Printing and stationery		17	20	15
Postage		9	9	8
Write down of investments	6	3	-	22
Other		55	58	57
Total administration and other expenses		127	132	151
Total operating expenses		570	667	580
Total expenses from ordinary activities		1,526	1,553	1,425

Note 6: Individually Significant Items

	Half-Year to		
	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Other income			
Other income before individually significant item	448	423	411
Individually significant item			
Profit on sale of shares (i)	-	18	-
Total other income	448	441	411
Operating expenses			
Operating expenses before individually significant items	570	577	558
Individually significant items			
Restructure cost (staff and occupancy) (ii)	-	30	-
Write-off of deferred expenditure balances (iii)	-	60	-
Write down of investments (iv)	-	-	22
	-	90	22
Total operating expenses	570	667	580
Goodwill			
Goodwill amortisation before individually significant item	54	54	56
Individually significant item			
Goodwill written off (v)	-	-	72
Total goodwill charge	54	54	128
Income tax expense			
Income tax expense before individually significant items	159	135	135
Individually significant items			
Income tax expense on profit on sale of shares	-	4	-
Income tax benefit on restructure costs	-	(9)	-
Income tax benefit on deferred expenditure balances write-off	-	(18)	-
Income tax benefit on write down of investments	-	-	(7)
	-	(23)	(7)
Total income tax expense	159	112	128
Summary			
Loss before tax from individually significant items	-	(72)	(94)
Tax benefit attributable to individually significant items	-	(23)	(7)
Net loss after tax from individually significant items	-	(49)	(87)

Note 6: Individually Significant Items (continued)

31 March 2003

During the half-year ended 31 March 2003 there were no revenues or expenses that were of such a size, nature or incidence that their disclosure separately as significant items was deemed relevant in explaining the financial performance of the consolidated entity.

30 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) 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 includes staff redundancy payments, outplacement services and costs associated with properties no longer required.

(iii) The deferred expenditure write-off of $60 million ($42 million after tax) resulted from a detailed review of both completed projects and projects under development. The write-off comprises the following:

- $31 million due to a reduction in expected future benefits, including certain specific elements of the St.George/Advance Bank core computer systems integration, a component of the work done on the Bank's new front end lending platform and certain projects cancelled as a direct result of EBB.
- $19 million resulting from the refinement of the consolidated entity's capitalisation policy which now involves expensing all development costs below $200,000 and all project support costs.
- $10 million due to certain system developments having superseded functionality and revisions to their estimated useful life.

31 March 2002

(iv) 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.

(v) A write-down of $72 million of goodwill relating to the acquisition of WealthPoint Limited (now WEL Limited) was written-off as a result of a strategic review of the Wealth Management Division.

Note 7: Dividends

	Note	Half-Year to 31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Ordinary dividends				
Proposed interim dividend[1] (31 March 2002 paid: fully franked – 38 cents)	2,19	-	-	188
Final dividend – paid 13-Dec-2002 (fully franked: 42 cents)		-	209	-
		-	209	188
Other dividends				
DCS[2] dividend provided for or paid (unfranked)		18	19	20
PRYMES[3] dividend provided for or paid (fully franked)		9	9	10
		27	28	30
Total dividends		27	237	218

(1) Due to the adoption of the new accounting standard AASB 1044 "Provisions, Contingent Liabilities, Contingent Assets" and the declaration of the interim dividend subsequent to balance date, this dividend has not been brought to account in the consolidated financial statements as at 31 March 2003. Full details of the impact on the Bank of this change in accounting policy are outlined in Note 2. Details of the dividend declared subsequent to balance date are contained in Note 19.
(2) Depositary capital securities
(3) Preferred resetting yield marketable equity securities

Note 8: Earnings per Share

	Half-Year to 31 March 2003	30 Sept 2002	31 March 2002
Ordinary share			
- Basic earnings per share (cents)	59.5	42.6	32.0
- Diluted earnings per share (cents)	59.5	43.0	32.8
Basic – PRYMES ($)	3.18	3.18	3.18
Alternative earnings per ordinary share (1)			
Basic earnings per share (cents)	70.3	63.4	61.2
Diluted earnings per share (cents)	70.0	63.1	61.0

(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.

Note 9: 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 on acquisition.

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Book Value	212	391	677
Market Value	201	347	666

Note 10: Loans and Other Receivables

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Housing loans	31,812	30,535	28,981
Commercial loans	7,586	7,256	7,041
Personal loans	2,597	2,456	2,385
Lease and commercial hire purchase	1,857	1,769	1,719
Structured investments	161	176	196
Credit card receivables	783	661	570
Other	153	137	123
	44,949	42,990	41,015
Less: provisions for impairment (refer Note 11)			
- specific provision for doubtful debts	67	71	65
- general provision for doubtful debts	164	152	139
Net loans and other receivables	44,718	42,767	40,811

Note 11: Provisions for Impairment

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Specific provision			
Opening balance	71	65	62
Charge to Statement of Financial Performance	36	40	30
Recoveries	6	6	5
Bad debt write-offs	(46)	(40)	(32)
Closing balance	67	71	65
General provision			
Opening balance	152	139	133
Net provision acquired	-	-	2
Charge to Statement of Financial Performance	12	13	4
Closing balance	164	152	139
Total provisions for impairment	231	223	204

Note 12: Deposits and Other Borrowings

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Certificates of deposit	8,490	7,358	7,520
Term and other deposits	33,133	30,973	29,493
Secured borrowings	98	34	31
Unsecured borrowings	23	29	33
	41,744	38,394	37,077

Note 13: Share Capital

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
1. Capital			
502,217,964 fully paid ordinary shares (30 September 2002: 498,097,921; 31 March 2002: 493,385,414)	3,093	3,043	2,965
3,000,000 PRYMES (30 September 2002: 3,000,000; 31 March 2002: 3,000,000)	291	291	291
General reserve	15	15	15
	3,399	3,349	3,271
2. Movements in ordinary share capital			
Balance at beginning of half-year	3,043	2,965	2,821
Ordinary shares issued	50	78	144
Balance at end of half-year	3,093	3,043	2,965

3. Issued and uncalled capital

7,148 Borrowers' shares - unpaid (31 March 2002: 9,445)
306,087 Depositors' shares - unpaid (31 March 2002: 346,319)

Note 14: Retained Profits

	Note	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Retained profits at the beginning of the half-year		71	70	102
Reversal of final ordinary dividend provision under AASB 1044(B)	2,19	209	-	-
Adjustment relating to AASB 1028(A)	2	(1)	-	-
Net profit after income tax attributable to members of the Bank		325	240	187
Total available for appropriation		604	310	289
Declaration of final ordinary dividend(B) (declared 6 November 2002)	2	209	-	-
Dividends	7	27	237	218
Transfer to reserves		6	2	1
Retained profits at the end of the half-year		362	71	70

(A) Due to amendment of accounting standard AASB 1028 “Employee Benefits”, the liability recognised in respect to employee benefits is now calculated at the remuneration rate the Bank expects to pay as at each balance date. Full details of the impact on the Bank of this change in accounting policy are outlined in Note 2.

(B) Due to the adoption of the new accounting standard AASB 1044 “Provisions, Contingent Liabilities, Contingent Assets” and the declaration of the final dividend subsequent to the 30 September 2002 balance date, the provision for this dividend has been added back to opening retained earnings as at 1 October 2002. In accordance with the new accounting standard the final dividend was then provided for during the interim period ending 31 March 2003. Full details of the impact on the Bank of this change in accounting policy are outlined in Note 2.

Note 15: Outside Equity Interests in Controlled Entities

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Depositary capital securities	334	334	334
Share capital	2	2	2
Perpetual note	17	-	-
Retained profits	2	3	3
	355	339	339

Note 16: Consolidated Statement of Cash Flows Notes

(a) Reconciliation of Net Profit to Net Cash provided by/(used in) Operating Activities

	Half-Year to		
	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Net profit	325	240	188
Depreciation	37	34	34
Amortisation			
- leasehold	-	1	-
- goodwill	54	54	56
- deferred expenditure	35	35	31
Profit on sale of property, plant and equipment	(15)	(1)	-
Bad and doubtful debts expense	48	53	34
Net profit on sale of shares	(2)	(22)	-
Write down of investments	3	-	22
Write down of deferred expenditure	-	60	-
Goodwill write-off	-	-	72
Trading income	(18)	(14)	(31)
(Increase)/decrease in interest receivable	(9)	14	(3)
Increase in other income receivable	-	(6)	(8)
Decrease/(increase) in trading securities	370	(1,002)	(1,206)
(Decrease)/increase in accrued expenses	(16)	(9)	3
(Decrease)/increase in income tax payable and deferred income tax payable	(16)	6	1
Increase in employee entitlements provisions	1	4	3
Increase in restructure provision	-	18	-
Increase/(decrease) in other provisions	4	(4)	3
(Decrease)/increase in interest payable	(44)	50	(80)
Net cash provided by/(used in) operating activities	757	(489)	(881)

(b) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash at the end of the half-year is reconciled to the following items in the Statement of Financial Position:

	31 March 2003 $M	30 Sept 2002 $M	31 March 2002 $M
Cash and liquid assets	648	414	462
Due from other financial institutions - at call	334	194	198
Due to other financial institutions - at call	(457)	(912)	(754)
Bills payable	(179)	(165)	(157)
Cash and cash equivalents held at the end of the half-year	346	(469)	(251)

Note 16: Consolidated Statement of Cash Flows Notes (continued)

(c) Acquisition of Controlled Entities – 31 March 2002

Deutsche Equity Lending Australia Limited (DEL) and Deutsche ML Nominees Limited (DML)

On 22 October 2001, 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) for $8 million. St.George Equity Finance Limited provides margin loans for investments in equity securities. The excess of consideration over the fair value of net assets at the date of acquisition was $9 million.

WEL Limited (Formerly WealthPoint Limited)

On 5 November 2001, WEL Limited became a wholly owned subsidiary. The consideration paid for 52 million ordinary shares and 10 million options that the consolidated entity did not already hold was $34 million after related acquisition costs.

A restructure provision of $6 million was established at the date of acquisition to cover the costs of rationalising and integrating WEL operations into the consolidated entity and discontinuing certain non-core WEL businesses.

As part of the restructure of WEL, non-core businesses were disposed of during the half-year for nominal or nil consideration. These businesses were Falkiners Stockbroking, Bourse Education and Hotcopper.

Goodwill on acquisition totalled $139 million. As a result of a reassessment of the future benefits associated with the ongoing WEL businesses $72 million of goodwill was written-off during the March 2002 half-year (refer Note 6).

	WEL Limted $M	DEL & DML $M	Total $M
Fair value of net tangible assets acquired at date of acquisition			
Cash	7	-	7
Loans and other receivables	59	329	388
Property, plant and equipment	3	-	3
Other assets	12	3	15
Borrowings	(70)	(322)	(392)
Other liabilities	(8)	(9)	(17)
Other provisions	-	(2)	(2)
	3	(1)	2
Goodwill on acquisition	139	9	148
Consideration	142	8	150
Less: - Cash acquired	7	-	7
- Non-cash consideration	102	-	102
- Deferred consideration	-	2	2
- Restructuring liabilities	6	-	6
Net outflow of cash on acquisition	**27**	**6**	**33**

Note 16: Consolidated Statement of Cash Flows Notes (continued)

(d) Disposal of Controlled Entity

Falkiners Stockbroking Limited - 31 March 2002

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

	Falkiners $M
Consideration received	-
Fair value of net tangible assets disposed of at date of disposal	
Cash	2
Receivables	7
Creditors	(7)
Provisions	(2)
Net assets disposed of	-
Less: Cash disposed	(2)
Net outflow of cash relating to disposal	**(2)**

Australian Clearing Services Limited – 31 March 2003

On 8 January 2003, the consolidated entity disposed of its 100% interest in Australian Clearing Services Limited for $1.2 million consideration. Australian Clearing Services Limited contribution to consolidated net profit for the March 2003 half-year was $191,000.

	ACS Ltd $M
Consideration receivable	1
Fair value of net tangible assets disposed of at date of disposal	
Cash	4
Receivables	16
Property, plant and equipment	1
Creditors	(19)
Net assets disposed of	2
Loss on disposal	1
Cash disposed	(4)
Net outflow of cash on disposal	**(4)**

Note 17: Contingent Liabilities

There have been no material changes in contingent liabilities from those disclosed in the 30 September 2002 Full Financial Report.

Note 18: Segmental Reporting

(a) Business Segments

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

- Personal Customers (PC) – responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits and small business banking (borrowings less than $250,000). This division also manages retail branches, agency networks and electronic channels such as call centres, EFTPOS terminals, ATMs and Internet banking. In accordance with the new business model, PC is responsible for the following customer segments:
    - "Priority" (deposits balances between $50k-$200k, or home loan balances between $90k-$300k or wealth product balances between $20k-$100k);
    - "Foundation" (personal customers with balances less than those of Priority customers); and
    - "Enterprise" small business (business loan balances less than $250k).

- Institutional and Business Banking (IBB) - responsible for liquidity requirements, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange and money market, 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. In accordance with the new business model, IBB is responsible for the following segments:

    - "Corporate and Key Account" (business loan balances greater than $1 million).
    - "Business" (business loan balances between $250k - $1 million).

- 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 Group'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 businesses. In accordance with the new business model, WM has accountability for the "Gold" segment (personal customers holding deposit balances greater than $200k or home loan balances greater than $300k or wealth product balances greater than $100k).

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

- Life and general insurance businesses were transferred from PC to WM.
- Small business banking customers with borrowings greater than $250k were transferred from PC to IBB.
- A parcel of leasing business was transferred from IBB to BSA.

Comparatives have been amended accordingly.

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

Note 18: Segmental Reporting (continued)

For the half-year ended 31 March 2003	Personal Customers $'m	Institutional & Business Banking $'m	BankSA $'m	Wealth Management $'m	Other $'m	Consolidated $'m
Segment revenue						
Net interest income	404	175	109	23	-	711
Non-interest income	209	97	33	109	-	448
Individually significant items	-	-	-	-	-	-
Total segment revenue	613	272	142	132	-	1,159
Segment expense						
Bad and doubtful debts	28	16	3	1	-	48
Operating expenses						
- Other provisions	7	9	2	5	-	23
- Depreciation	29	2	5	1	-	37
- Deferred expenditure amortisation	28	2	4	1	-	35
- Other expenses	256	75	60	84	-	475
Total operating expenses	320	88	71	91	-	570
Individually significant items	-	-	-	-	-	-
Goodwill amortisation	-	-	-	-	54	54
Total segment expenses	348	104	74	92	54	672
Share of loss of investments in associates	-	3	-	-	-	3
Profit/(loss) before income tax expense	265	165	68	40	(54)	484
Expense to income ratio (1)	52.2%	32.4%	50.0%	68.9%		
Income tax expense						159
Income tax benefit on individually significant items						-
Profit after income tax						325
Outside equity interest (OEI)						-
Profit after income tax and OEI						325

As at 31 March 2003	Personal Customers $'m	Institutional & Business Banking $'m	BankSA $'m	Wealth Management $'m	Other $'m	Consolidated $'m
Assets						
- investments in associates	-	-	-	-	9	9
- other assets	26,957	18,244	7,085	2,477	2,568	57,331
Segment Assets	26,957	18,244	7,085	2,477	2,577	57,340
Segment Liabilities	21,154	25,968	4,924	484	610	53,140
Other Segment Disclosure						
- Securitised loans	6,653	-	-	-	-	6,653
- Managed funds (2)	-	-	-	17.677	-	17.677

(1) Excludes bad and doubtful debts expense, significant items and goodwill amortisation.
(2) The consolidated entity's managed funds activities are principally through SEALCORP, Advance Asset Management and St.George Wealth Management. The consolidated entity's managed funds comprise funds under management, funds under administration and funds under advice.

Note 18: Segmental Reporting (continued)

For the half-year ended 30 September 2002	Personal Customers $'m	Institutional & Business Banking $'m	BankSA $'m	Wealth Management $'m	Other $'m	Consolidated $'m
Segment revenue						
Net interest income	391	169	104	21	-	685
Non-interest income	179	87	32	125	-	423
Individually significant items	-	-	-	-	18	18
Total segment revenue	570	256	136	146	18	1,126
Segment expense						
Bad and doubtful debts	27	23	3	-	-	53
Operating expenses						
- Other provisions	13	9	3	7	-	32
- Depreciation	25	3	5	1	-	34
- Deferred expenditure amortisation	26	4	5	-	-	35
- Other expenses	241	78	59	98	-	476
Total operating expenses	305	94	72	106	-	577
Individually significant items	-	-	-	-	90	90
Goodwill amortisation	-	-	-	-	54	54
Total segment expenses	332	117	75	106	144	774
Share of loss of investments in associates	-	-	-	-	-	-
Profit/(loss) before income tax expense	238	139	61	40	(126)	352
Expense to income ratio	53.5%	36.7%	52.9%	72.6%		
Income tax expense						135
Income tax benefit on individually significant items						(23)
Profit after income tax						240
Outside equity interest (OEI)						-
Profit after income tax and OEI						240

As at 30 September 2002	Personal Customers $'m	Institutional & Business Banking $'m	BankSA $'m	Wealth Management $'m	Other $'m	Consolidated $'m
Assets						
- investments in associates	-	-	-	-	10	10
- other assets	26,065	17,262	6,666	2,201	2,800	54,994
Segment Assets	26,065	17,262	6,666	2,201	2,810	55,004
Segment Liabilities	19,798	25,345	4,608	390	1,025	51,166
Other Segment Disclosure						
- Securitised loans	5,694	35	-	-	-	5,729
- Managed funds	-	-	-	17,447	-	17,447

Note 18: Segmental Reporting (continued)

For the half-year ended 31 March 2002	Personal Customers $'m	Institutional & Business Banking $'m	BankSA $'m	Wealth Management $'m	Other $'m	Consolidated $'m
Segment revenue						
Net interest income	378	146	100	24	-	648
Non-interest income	167	98	32	114	-	411
Individually significant items	-	-	-	-	-	-
Total segment revenue	545	244	132	138	-	1,059
Segment expense						
Bad and doubtful debts	19	11	3	1	-	34
Operating expenses						
- Other provisions	5	5	1	8	-	19
- Depreciation	24	4	5	1	-	34
- Deferred expenditure amortisation	23	3	4	1	-	31
- Other expenses	238	79	60	97	-	474
Total operating expenses	290	91	70	107	-	558
Individually significant items	-	-	-	-	94	94
Goodwill amortisation	-	-	-	-	56	56
Total segment expenses	309	102	73	108	150	742
Share of loss of investments in associates	1	-	-	-	-	1
Profit/(loss) before income tax expense	235	142	59	30	(150)	316
Expense to income ratio	53.2%	37.3%	53.0%	77.5%		
Income tax expense						135
Income tax benefit on individually significant items						(7)
Profit after income tax						188
Outside equity interest (OEI)						1
Profit after income tax and OEI						187

As at 31 March 2002	Personal Customers $'m	Institutional & Business Banking $'m	BankSA $'m	Wealth Management $'m	Other $'m	Consolidated $'m
Assets						
- investments in associates	-	-	-	-	13	13
- other assets	24,553	17,077	6,330	2,022	2,582	52,564
Segment Assets	24,553	17,077	6,330	2,022	2,595	52,577
Segment Liabilities	18,875	24,677	4,368	257	660	48,837
Other Segment Disclosure						
- Securitised loans	6,009	56	-	-	-	6,065
- Managed funds	-	-	-	17,885	-	17,885

(b) Geographical Segments

The consolidated entity operates predominantly in Australia.

Note 19: Events Subsequent to Balance Date

On 6 May 2003, the directors declared an interim dividend of 45 cents per ordinary share amounting to $226 million. In accordance with AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”, this dividend has not been brought to account in the consolidated entity’s financial statements for the half-year ended 31 March 2003.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 MARCH 2003

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

1. (a) The financial statements and notes set out on pages 4 to 25, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the consolidated entity as at 31 March 2003 and of its performance as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

   (b) at the date of this declaration, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

2. There are reasonable grounds to believe the Bank and its controlled entities will, as a consolidated entity, 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 controlled entities pursuant to a Class Order. At the date of this declaration the Bank is within the class of companies affected by Class Order 98/1418.

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

F J Conroy
Chairman

Gail Kelly

G P Kelly
Managing Director and Chief Executive Officer

Dated at Sydney
New South Wales
6 May 2003

INDEPENDENT REVIEW REPORT BY EXTERNAL AUDITORS TO THE MEMBERS OF ST.GEORGE BANK LIMITED FOR THE HALF-YEAR ENDED 31 MARCH 2003

SCOPE

We have reviewed the financial report of St.George Bank Limited (the Bank) for the half-year ended 31 March 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes and the directors' declaration set out on pages 4 to 26. The financial report includes the consolidated financial statements of the consolidated entity comprising St.George Bank Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The Bank's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: "Interim Financial Reporting" 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 financial position, and performance as represented by the results of its operations and its cash flows and in order for the Bank to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of Bank personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion

STATEMENT

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

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Bank's financial position as at 31 March 2003 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 1029: "Interim Financial Reporting" 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
6 May 2003