It isn't about being the biggest...

CONCISE ANNUAL REPORT 2001

st.george

...it's about

being the best.

Table of Contents

Annual General Meeting

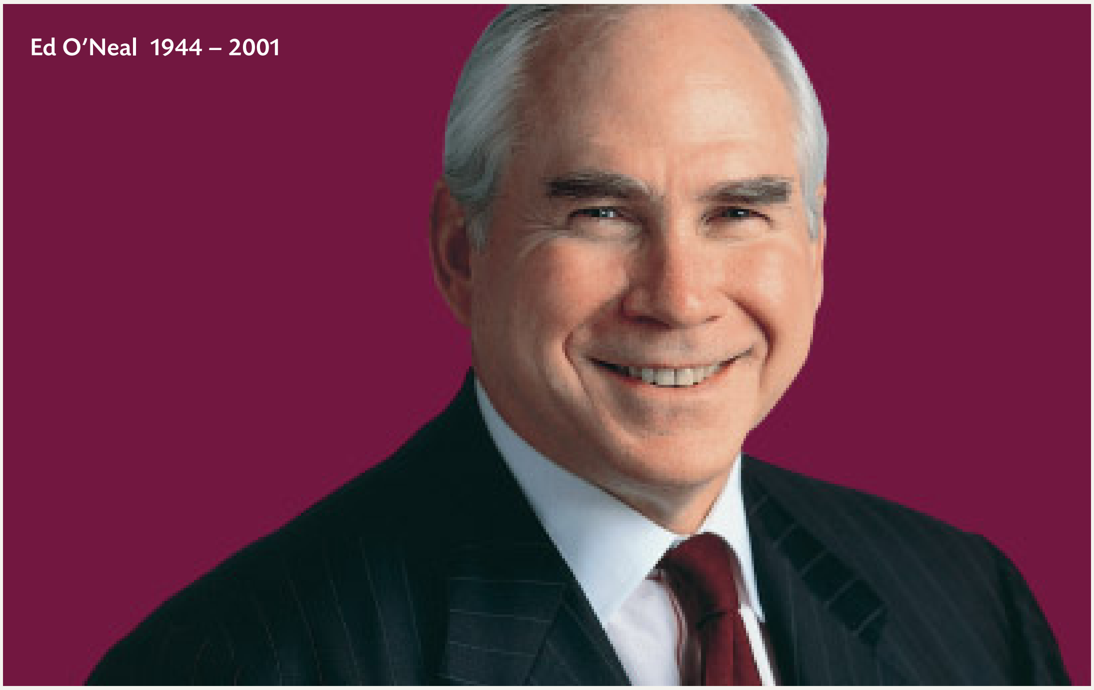
The Annual General Meeting of St.George Bank Limited ABN 92055 513 070 will be held at the Tumbalong Auditorium (Level 2), Sydney Convention and Exhibition Centre (South), Darling Harbour, Sydney on Friday 14 December 2001, commencing at 10.00am.

tribute to Ed O'Neal

The sudden death of St.George Bank's Managing Director and Chief Executive Officer, Edward Asbury O'Neal, in September 2001, shocked and saddened us all.

An inspirational leader, Ed was admired by everyone who had the privilege of meeting him. He stood apart through his charisma, congeniality, honesty, commitment and passion. He was an easy man to like and respect.

Ed was extremely popular with staff. He often remarked on their energy and motivation, skills, dedication and discipline. He introduced the Star Awards for employees who excelled in customer service. He actively joined staff activities and let them know he was just another part of the team.



Passionate about St.George customers, Ed was committed to deepening relationships with them. He genuinely believed that St.George was better placed than any Australian bank to provide customers with valuable lifestyle solutions.

He was also committed to creating the best bank St.George could be for shareholders, particularly the 110,000 or so small investors who rely on the Bank's solid returns to make a difference in their lives.

Most of all, Ed was a devoted family man. He and his wife Dianne had recently completed extensive renovations to their Sydney home. Together they spent weekends on their country property in the NSW Southern Highlands. As often as possible they would spend time with their only child, Edward, who is completing his schooling in the United States.

A career banker, Ed was appointed CEO and Managing Director of St.George in May 1998 after enjoying a distinguished banking career in the United States.

After 23 years with Chemical Bank, he went on to become Vice Chairman at the Bank of Boston.

He was the driving force behind St.George's structural and financial achievements over the past few years. He devoted his last years to making St.George Bank stand out as a genuine alternative in Australian banking.

Ed's popularity was clearly evidenced by the enormous number of tributes that flowed in from staff, friends and business leaders in Australia and from around the world. His family has taken great comfort from these messages.

The results of Ed's efforts to improve St.George's operations and share price are reflected strongly in the market place. Our sadness is that he didn't live to enjoy all the fruits of his endeavours. We are confident his positive contribution will continue to shine through.

Ed wrote the following words for the annual report. We know he would have wished them to be communicated to shareholders:

'*Our ownership restrictions – which have made us difficult to takeover, become easier to change in July next year.*

'*I welcome this change. I believe we need to be seen as standing on our own feet – without regulation – as a viable and independent financial institution offering a real alternative.*

'*I welcome the change because we're a robust company with strong growth potential.*

We're entering the new year with our best-ever financial performance. We've built a real momentum in our results. Our credit quality is strong. Our customer satisfaction is superior to that of our competitors.

'*The St.George brand is extremely strong. We stand for something different. And that's our goal. Not to be the biggest, but to be the best.*

'*St.George is delivering on its promises. We still have major challenges ahead, but I believe we're extremely well positioned for our shareholders to reap the rewards of our passion for customers and our commitment to achieving results.*'

...it's about achieving goals.

'We believe that our best course of action is to remain focused on continuing to improve our performance for shareholders, thereby strengthening our position in the market place.'

St.George is strongly positioned for a solid independent future, well beyond July 2002. The Bank has achieved genuine organic growth, robust earnings and a solid performance.

This is the result of the untiring focus and dedication of our late Managing Director, Ed O'Neal, his executive team and the staff of St.George. On behalf of the Board, I wish to thank them for their excellent contribution in bringing the Bank to such a healthy position.

The Board and staff were deeply saddened by the sudden loss of Ed O'Neal. He was an energetic leader and contributed immensely to the Bank's position. He will be greatly missed.

The Board has authorised an executive search to find an appropriate and committed leader for St.George in the future. In the interim, the Board has appointed me Executive Chairman. I have appointed BankSA Managing Director, Lou Morris, as St.George's Acting Chief Operating Officer to assist me. I should like to thank everyone for their support during this difficult time.

St.George's result to 30 September 2001 – the best in the Bank's history – comes from the dedicated efforts of all employees to make St.George a powerful alternative in Australian banking.

The profit available to ordinary shareholders was $336 million, an increase of 17.5 per cent on the previous year's record. The 2001 result was adversely impacted by significant items of $50 million ($40 million after tax). These items comprise write-downs of certain investments of $58 million ($46 million after tax) and write-backs of excess provisions of

Frank J Conroy
Executive Chairman

$8 million ($6 million after tax).

Earnings per share, before significant items and goodwill amortisation, grew by 22.8 per cent to 101.9 cents. The return on average ordinary equity was a commendable 16.56 per cent, against 13.86 per cent in 2000. This was achieved through profit improvements across key areas of the organisation, combined with major capital management initiatives undertaken in the first part of the year.

Shareholders will receive a final fully franked dividend of 34 cents per ordinary share, taking the total ordinary dividend for the year to 65 cents, an increase of 10 cents or 18.2 per cent on last year.

The Board is pleased to announce that the Dividend Reinvestment Plan (DRP) will operate for the final dividend. There will be a discount of 2.5 per cent and participation will be from a minimum of 100 shares with no cap. The DRP has been underwritten to ensure at least $120 million of the 2001 final dividend is reinvested in St.George.

The expense to income ratio, calculated after excluding goodwill and significant items, improved substantially. It fell to 53.6 per cent from 58.2 per cent. Improvement resulted from containing operating expenses, maintaining interest margins and strongly growing non-interest income.

Non-interest income grew by 23.6 per cent to $682 million (before significant items). This accounts for 35.6 per cent of total revenue, up from 32.0 per cent over the previous period. The growth came from healthier business volumes, better fee collection and some fee adjustments introduced as part of the Bank's value-based pricing policy.

The Best Bank redesign program contributed to substantial improvements in both operating expenses and revenue, the latter growing 11.2 per cent to $1.92 billion before significant items.

Despite intense competition in mortgage margins through the year, the interest margin increased slightly to 2.76 per cent from 2.70 per cent in the previous year.

Our excellent credit quality led to relatively low levels of provisioning and impaired assets. We had favourable outcomes in residential and consumer loans in both absolute and relative terms.

St.George is in a strong position at this point in the credit cycle due, in part, to our relatively small exposure to problematic loans to large corporations. Our net impaired assets at year end amounted to just 0.10 per cent of total assets.

Capital management initiatives

During the year, the Group's total assets increased to $50.8 billion from $49.6 billion at 30 September 2000. This was after taking into account two successful mortgage-backed securitisations, issued to the offshore and domestic markets in February and September, totalling $3.28 billion.

We also introduced a number of capital management initiatives. This was to maintain appropriate capital levels to support the Bank's operations, generally lowering the overall cost of capital and enhancing earnings per share.

In March, the Bank converted $360 million of convertible preference shares into 28.2 million ordinary shares. Holders of these securities were paid a pro-rata dividend of 44.8 cents for the period to the conversion date on 29 March 2001.

The Bank offered shareholders two innovative instruments to effect its share buy-back and new preference share issue in February and March. They were designed to benefit St.George shareholders as widely as possible and both proved extremely popular.

Our PRYMES (Preferred Resetting Yield Marketable Equity Securities) issue offered a preferred share with a highly competitive, fully franked dividend rate of 6.36 per cent. Our sell back rights gave shareholders the opportunity to participate in the generous buy-back price, whether or not they wished to sell shares back to the Bank.

Unfortunately, after lengthy discussions with the Australian Tax Office, we were informed in August that the sell back rights would be liable to income tax. Although we disagree strongly with the ATO ruling and have taken legal advice on shareholders' behalf, we immediately informed shareholders of the decision. We are committed to contest this issue in the courts and will keep shareholders informed of further developments.

Merger talks

During the year, St.George explored the opportunity to merge with BankWest. The advantages for us would have included increasing our customer base and geographic spread. It would have strengthened our national position with market leadership in both the South Australian and West Australian markets.

We recognised, however, that it was not a strategic imperative for St.George's independent future. We ceased negotiations in late August when we were unable to structure a deal that was sufficiently attractive to both sets of shareholders.

Ownership restrictions

From 1 July 2002, the Bank's ownership restriction that limits single shareholders to no more than 10 per cent of the Bank's shares will be able to be changed by shareholders special resolution. At that time, we will effectively assume a similar status to other companies with open share registers.

We believe that our best course of action is to remain focused on continuing to improve our performance for shareholders, thereby strengthening our position in the market place.

Theme

The theme of this year's annual report reflects elements of the Bank's new branding campaign that clearly positions St.George as recognisably different in the financial market place.

St.George is in a category of its own. With an asset base of more than $50 billion, we are ranked after the four major banks, but a long way ahead of Australia's regional banks. The Bank's goal is not to be the biggest, but to be the best in what we do.

We have over 400 banking centres with representation in every major Australian city. We have a concentrated position in New South Wales and the Australian Capital Territory under the St.George brand and in South Australia as BankSA. Our 7,000-plus employees provide the full spectrum of financial services to our 2.6 million retail, commercial and corporate customers, posting strong returns for our more than 110,000 shareholders, many of whom are small investors.

Strategic horizons

In previous reports, we outlined our efforts to satisfy fully customer and shareholder expectations. St.George has not lost sight of its key priorities. This year we introduced the Three Horizon Strategy to help place our strategies into a long term context.

The three horizons help focus us on becoming the best bank we can be through a series of concurrent activities over different time horizons.

The first horizon is to improve, extend and defend our core banking business. We see this as the main profitability driver over the next few years. The key components of this horizon are our Best Bank initiative and our focus on improving the amount of business we do with our customers.

The second horizon is to invest in high-growth and high-return complementary businesses that extend the depth and reach of our financial services businesses. Some key investments in this horizon include SEALCORP, WealthPoint, Scottish Pacific, the St.George Private Bank and Advance Asset Management.

Our third horizon is to invest conservatively in new business models and opportunities. All evidence shows that companies committed to exploring this horizon are the ones that have sustainable long-term growth.
With this strategy, we aim to acquire or develop a limited number of potentially high-growth businesses.

New horizons

We recognise that our most valuable resource is not financial capital, but human capital. The quality of our people and their commitment to the Bank are pivotal to us never losing sight of our key driver, customer focus.

While staff morale dipped slightly during the Best Bank process, it has lifted again as our people begin to see the benefits of the redesign and understand their importance in our reinvigorated organisation.

Our staff's commitment is vital in achieving a key first horizon objective – to do more business with our 2.6 million customers. The cost of acquiring customers is increasing, therefore retaining and building on our existing customer base makes economic sense.

During 2001, we improved our products-per-customer ratio to 1.9 up from 1.6 the previous year. We have room for further gains as we deepen customer relationships. This will be done with care and sensitivity. We are committed to listen carefully to our customers, to assess their requirements and respond to their needs.

Outlook

The Australian banking industry faces a more uncertain operating environment in the coming year. A global economic slowdown and some increased domestic credit quality concerns will impact on the industry's financial performance.

St.George is, however, relatively well placed for this challenging environment. This can be attributed to our conservative lending mix and approach to credit, plus the full year impact of the Best Bank redesign benefits. From this base, we can expect to again deliver double digit percentage growth in earnings per share.

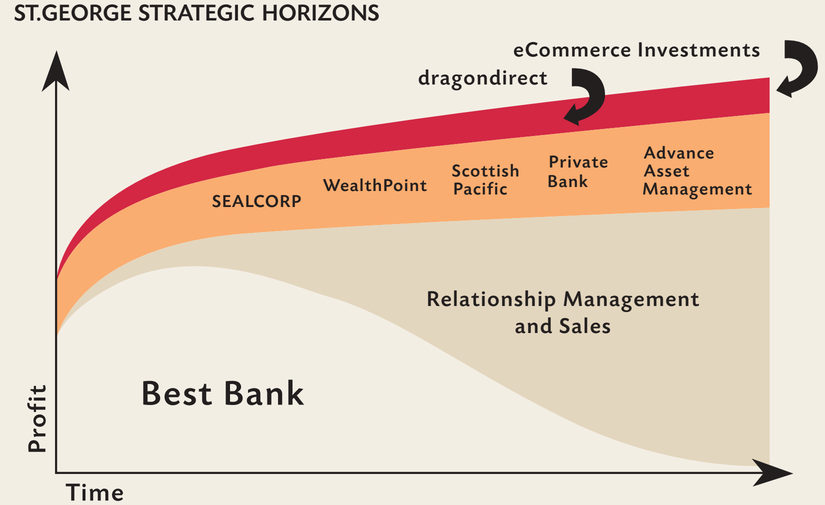
St.George's strategies for the future go well beyond July 2002. We are focused on creating an organisation with sustainable performance. Our consistently improving results highlight our ability to perform at the top end of market expectations. They reinforce our ability to drive shareholder value while delivering superior customer service and satisfaction.

Our aim is to become the most admired bank in Australia by consistently giving customers their best banking experience. Our goal is to build a customer base that is not only extremely satisfied, but also our best advertisement for quality.

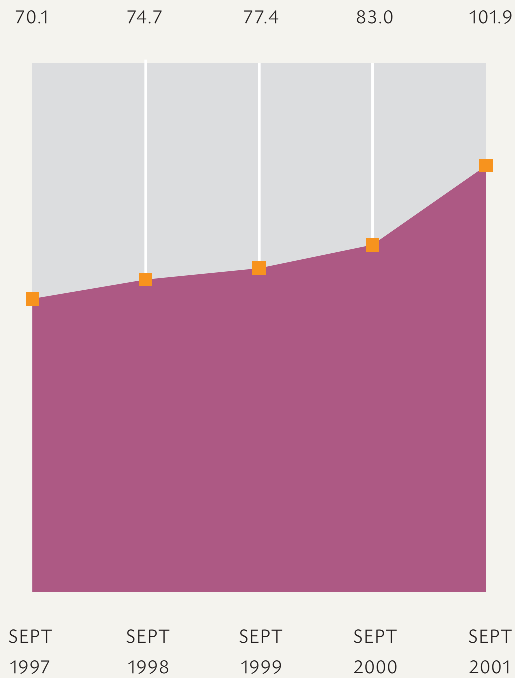
St.George has no illusions about how quickly we can achieve our goals. It will take time. As we make improvements every year, we will build one of the best performing independent banks in the country.

Frank J Conroy
Executive Chairman

ST.GEORGE STRATEGIC HORIZONS

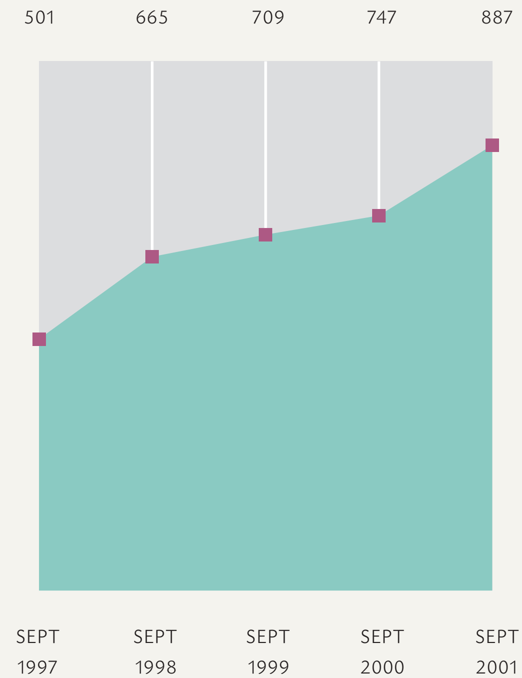


EARNINGS PER ORDINARY SHARE (CENTS)
(before goodwill amortisation and significant items)



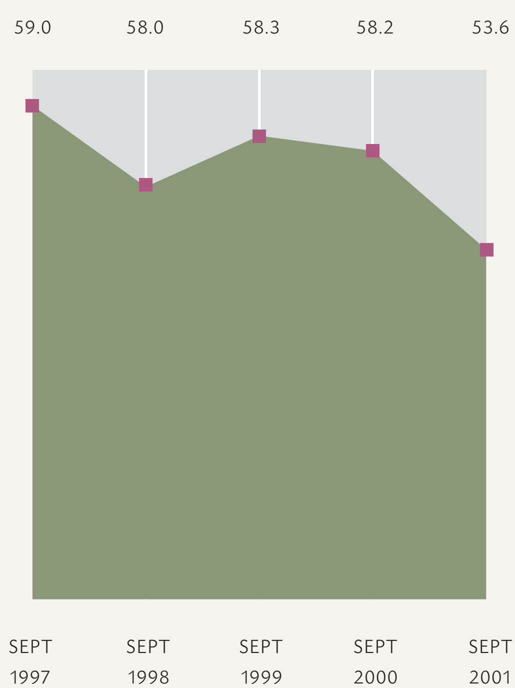
Basic earnings per ordinary share were 101.9 cents (before goodwill amortisation and significant items) and 72.1 cents (after goodwill amortisation and significant items).

OPERATIONAL PROFIT ($M)
UNDERLYING PROFIT



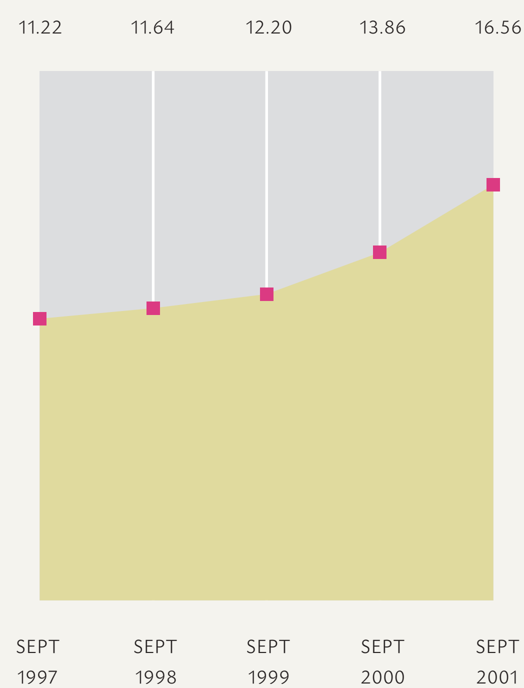
Excludes the effect of income tax, significant items, bad and doubtful debts expense, goodwill amortisation, Year 2000 compliance costs and GST implementation costs.
Underlying profit increased 18.8 per cent to $887 million from $747 million last year.

EXPENSE TO INCOME (%)



The expense to income ratio (before goodwill amortisation and significant items), was 53.6 per cent compared to 58.2 per cent last year.

RETURN ON AVERAGE ORDINAY EQUITY (%)



Return on average ordinary equity was 16.56 per cent (before goodwill amortisation and significant items) and 11.71 per cent (after goodwill amortisation and significant items).

…it's about providing satisfaction.

FOR DIGBY AND GWEN COOKE LIVING ABOARD THEIR OWN BOAT WHILE ISLAND-HOPPING THE WHITSUNDAYS HAS BEEN ONE OF THE MOST SATISFYING ADVENTURES OF A WELL EARNED RETIREMENT. BEING ABLE TO MANAGE THEIR RESPECTIVE BANKING AND INVESTMENTS WHILE AT SEA GIVES THEM THE FREEDOM TO PURSUE MANY OF THEIR DREAMS.

We made nearly 1000 improvements to our systems and processes. As a result we achieved our goals of meeting and, in some cases, exceeding our competitors' product and service capabilities.

In independent survey after survey, St.George continues to beat the majors on customer satisfaction nationally. But we have not become complacent. We believe there is always room to improve.

St.George's goal is to provide customers with the best service experience they can have with a bank. To help achieve this, in 1999 we introduced the Best Bank redesign program which we detailed in last year's annual report.

Consulting firm, Aston Associates, assisted St.George with the development of the successful redesign program.

We are pleased to announce that Best Bank was substantially completed by October 2001. We made nearly 1000 improvements to our systems and processes. As a result we achieved our goals of meeting and, in some cases, exceeding our competitors' product and service capabilities.

The redesign has enabled us to accelerate the realisation of operational savings and efficiency improvements. Best Bank's goal was to create a solid platform from which we could grow organically. In the process we achieved significant savings and revenue growth.

Around 60 per cent of Best Bank improvements came from streamlining and automating processes, eliminating duplicate activities and giving customers better access to the Group's full range of products and services. The other 40 per cent came from increasing revenue streams.

The two-year program delivered pre-tax benefits of $80 million in the 2001 year, better than our targeted $70 million. From next year, Best Bank is expected to deliver a new target of $145 million in pre-tax benefits, revised upwards by $25 million from the original target of $120 million.

Branch network changes

One Best Bank outcome was to implement a three-tier branch network to align service delivery with customer needs. The Group now has 40 Automated Banking Centres (ABCs) offering electronic services through the internet, telephone and ATMs.

We also have 50 Financial Service Centres (FSCs) offering a full range of banking and wealth management services. These complement the Group's 300 traditional branches nationally.

While many financial institutions are reducing their branch numbers, our Best Bank initiative did not pursue branch closures. As a result we are still providing face-to-face customer support in our sites. At ABCs, customers can both self-serve or seek help from our staff dedicated to showing them how to use electronic channels and the benefits of new products and services.

Customer feedback on ABCs has been positive. Contrary to conventional belief that only the young, technically adept use electronic banking, customers in their 90s are enjoying the experience. We have found that once customers of any age are shown how to use ATMs and the internet, they are comfortable using electronic banking.

Our Financial Service Centres create a 'one stop shop' for personal and business customers' full financial service needs. FSCs differ from traditional branches. They feature product specialists for customers to discuss their more complex financial affairs. Some have multiple queuing for either simple or more complex transactions. This significantly reduces the time customers with simple transactions need to spend in a branch.

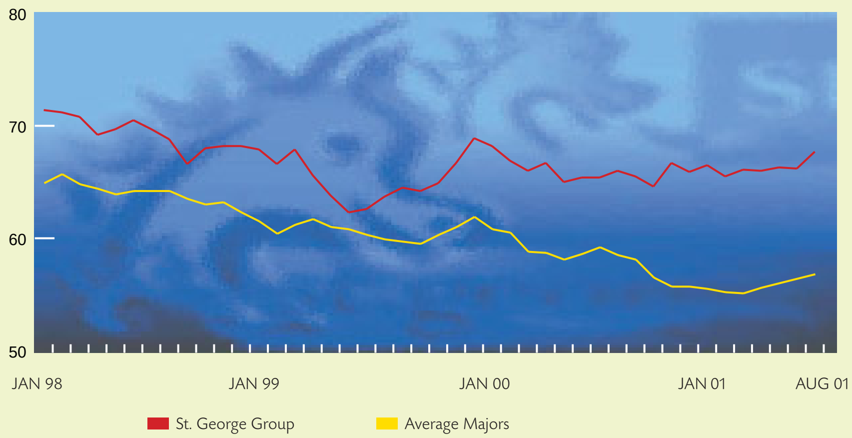
We have also improved all branch based technology platforms and processes. Many transactions can now be conducted more easily and quickly, giving staff more time to devote to customers and less to system needs.

MORE SATISFIED CUSTOMERS

Independent surveys continue to show St.George beating the majors on customer satisfaction nationally.

CUSTOMERS SATISFIED WITH FINANCIAL INSTITUTION

(% OF RESPONDENTS) Trend is based on a three month rolling average



Source: Roy Morgan

While many financial institutions are reducing their branch numbers, our Best Bank initiative did not pursue branch closures. As a result we are still providing face-to-face customer support in our sites.

Call centres

St.George is also differentiated from the majors by our world's best practice call centre technology. Our advanced systems now give staff the ability to view a customer's complete financial relationship on one screen. Staff can now better offer true solutions and enhance customers' experience of banking via telephone.

We have improved our data systems to enable quicker response times. Customers can use the 'touch tone' interactive voice recognition system to do most of their banking. Without needing to consult an operator, customers can transfer funds, pay bills, redraw on their mortgage payments, stop payments, issue interest instructions, order cheques and access cheque payment details.

Automating and outsourcing

From a catch-up perspective Best Bank has made some important inroads for the Group. We automated some manual processes, such as fee collection and aspects of cash balancing in branches. We outsourced some services, including staff recruitment, property management and facilities, cheque encoding, platform support and certain collection activities. By outsourcing activities previously conducted in branches, we are able to reduce costs while improving functionality.

Systems improvements

Savings from Best Bank are not just financial. For example, we found that across the network customers were averaging 2,400 requests each month for account interest details, but systems didn't allow branch staff to provide immediate answers in all cases. We have now rectified that.

By creating a bridge between our commercial and retail computer systems, for the first time we can offer commercial and private bank customers, internet, phone services and genuine transactional access through our 400 centres.

Streamlined processes

Many Best Bank achievements help reduce duplication, particularly in lending. While we have been careful to maintain our stringent lending criteria, customers gain from faster decisions on their loan applications and the Bank benefits from retaining or gaining new customers. In addition, St.George customers can also add onto their existing loans through more simplified procedures.

By introducing a lead management system, with automated tracking between business units, the Bank can better follow through on customer referrals and ensure applications are handled in a timely manner. The number of quality cross-divisional referrals and conversions into sales has increased significantly. The efficiency comes from reduced paperwork. Customers benefit from improved response time.

Positioning and pricing

In April 2001, the Group introduced value-based pricing to better match fees to the service channels customers choose. This resulted in slightly higher fees for some customers who need occasional services such as temporary overdrafts. However, most customers accessing the Bank's more cost-effective electronic channels are benefiting from our revised fee structure. Value-based pricing will continue to provide sustainable growth in non-interest income across a range of products and services.

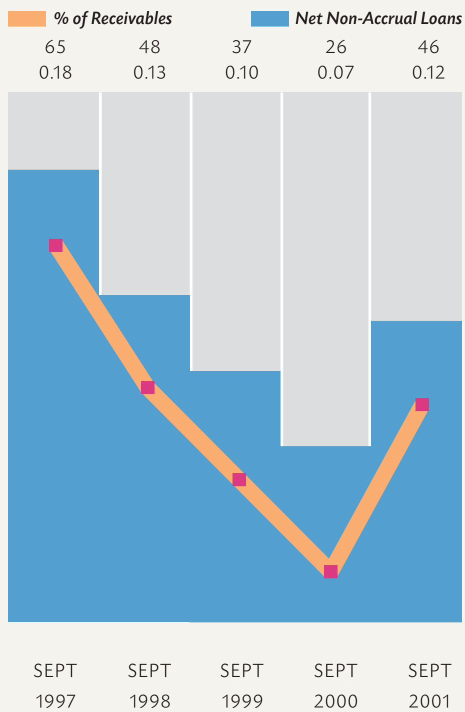
Through Best Bank we recognised we could better serve customers by further segmenting our business units. As a result, we established units dedicated to both small business and our premium personal customer segment we have called Gold. We deliberately started with a small pilot program to ensure our support services were established before extending Gold more broadly. This pilot was extremely successful. We now have 50,000 Gold customers. This initiative has led to greater customer retention and satisfaction.

Customer Satisfaction

Best Bank has given St.George the platform from which to grow organically. Customers will benefit through us investing in, and providing them with, the most appropriate services and channels for their needs. Staff will benefit by greater, more varied career opportunities and a sense of working for an organisation that has a clear direction. Shareholders will be rewarded through higher returns.

'GWEN HAD HER FIRST HOME LOAN WITH ST.GEORGE OVER 40 YEARS AGO AND I'VE HAD MY PERSONAL ACCOUNT FOR OVER 30 YEARS,' SAID DIGBY. 'BEING A BIT SMALLER THAN THE OTHER BANKS, ST.GEORGE OFFERS MORE PERSONALISED SERVICE AND THERE'S A CERTAIN SATISFACTION IN THAT.'

NON-ACCRUAL LOANS



Net non-accrual loans were $46 million compared to $26 million last year. Net non-accrual loans as a percentage of net receivables increased to 0.12 per cent from 0.07 per cent last year. The Bank's level of non-accrual loans is still low by industry standards.

...it's about offering solutions.

WHEN TERRY TZANEROS AND BROTHER STEVEN FIRST SAID 'TRUST US' TO THEIR ST.GEORGE BANK MANAGER THEY WERE STANDING ON A DUSTY, WINDSWEPT PATCH OF LAND, A SMALL TRUCKING COMPANY WITH A PORTABLE BUILDERS OFFICE.

THEY EXPLAINED THEIR VISION OF LARGE WAREHOUSES AND ROWS OF CONTAINERS FILLED WITH GOODS FROM INTERNATIONAL IMPORTERS AND EXPORTERS.

ST.GEORGE LISTENED.

We have a higher number of satisfied customers who perceive us as friendly, trustworthy, providing good-value products, having a high standard of customer service and helping them achieve their goals.

The Australian financial services market is concentrated and intensely competitive. Even with St.George's extremely high customer satisfaction levels, we recognise the need to remain proactive in continuing to meet our customers' developing needs.

St.George research shows that we are uniquely positioned in our customers' minds. More than any other major bank, we have a higher number of satisfied customers who perceive us as friendly, trustworthy, providing good-value products, having a high standard of customer service and helping them achieve their goals. Even non-customers perceive St.George as having friendly service and a greater proportion of satisfied customers. We are positioned well to consolidate and continue improving our offerings.

St.George is directing energy into expanding its value-based services and options. We are focused on offering customers what they want and what is valuable to them. We are helping them enhance their personal wealth and financial security.

The Bank's first horizon strategy – to improve, extend and defend our core banking business – has the strongest potential to drive profitability in the short-to-medium term. With more satisfied customers but lower cross-sell ratios than our competitors, we have a greater potential to increase our business volumes and revenue.

The Bank's lending business remains key for St.George. During the year the Reserve Bank progressively cut interest rates by 150 basis points, or 1.5 per cent, to shore up Australia against a worsening global economy. In September it announced the lowest official cash rate in nearly three years – 4.75 per cent – which had the effect of providing vigour to an already robust home lending market.

During this time of declining interest rates, St.George regained its market share of just under 11 per cent by competitively pricing and aggressively promoting our loans. JB Were's September 2001 Market Share Analysis reported that St.George 'generated the strongest absolute growth among the regionals.'

St.George-branded home lending increased to record levels each month in the last half of the year. Around a third of these lending volumes were in home equity lending through our popular Portfolio Loan. In the same period BankSA, which remains a market leader in owner-occupied and investment home loans in South Australia, also increased its lending volumes by 37 per cent.

More than 30 per cent of home lending each month is to new customers, expanding our already healthy customer base. More

than 80 per cent of home loan customers take at least one other Group product at the time of borrowing, be that a credit card, transaction account and/or home insurance.

Value based products

Even in traditional income streams such as credit cards, we have been enterprising and innovative in response to customers' needs. Earlier this year St.George launched the very popular Starts Low - Stays Low credit card with its 10.99 per cent interest rate. Our customer commitment in offering this 55-day interest-free MasterCard, is to guarantee an interest rate that stays low.

The card is extremely popular with customers and has won plaudits from the community. Cannex, an independent provider of data on financial institutions, judged it the best value credit card in the market place for customers with debts over $5000. It also won the gold medal for Credit Card of the Year from Personal Investor magazine – both examples of our success in providing valuable solutions and great service.

Our market-leading Portfolio Cash Management Account is yet another St.George customer solution. It is a fully functional, high-interest savings account that is extremely attractive to customers who are serious about saving and investment but want the availability of day-to-day transactions. This product has been a true success story of this year.

In keeping with the Bank's objective of developing good value product solutions, St.George introduced the Head Start home loan during the year. Customers were able to make immediate savings through this competitively priced product, its $1000 cash back offer, low cost insurance and low interest credit cards.

St.George's Starts Low-Stays Low credit card

- Personal Investor Magazine's Credit Card of the Year 2001
- 55 day interest free Mastercard
- Low 10.99 per cent interest rate
- Judged best value credit card in the marketplace for customers with debts over $5000

St.George is constantly assessing market gaps and looking at ways to improve the banking experience of all our customers.

Rural solutions

The St.George Group's rural market share is strategically valuable. Although it is a small part of our overall business, we remain focused on providing quality service to this sector.

St.George, primarily through BankSA, offers complete financial solutions to our rural customers, including the Australian Tax Office-approved Farm Management Deposit Account. This tax-effective product allows primary producers to set aside pre-tax income in the good years, establishing cash reserves to manage through low-income periods.

In South Australia, we have been actively involved in rural banking for more than 150 years. We are serving our South Australian and Victorian customers well with this product. We recently expanded this offering to primary producers in rural New South Wales.

Our rural customers are just some of the users of internet banking. Revenues from this channel continue to grow as customers right across the Group choose to bank at their own convenience.

This year, St.George has seen tremendous growth in internet banking. During 2001, our registered internet customers grew 117 per cent, transaction volumes increased by 113 per cent and unsecured lending applications rose by 148 per cent.

Business customer solutions

St.George is constantly assessing market gaps and looking at ways to improve the banking experience of all our customers. In April this year, we introduced an advanced online foreign exchange transaction service through Global Dealer. This product enables business customers to make foreign exchange transactions from their own computers during normal trading hours.

St.George designed and developed this product, which is provided free to our foreign exchange customers, mostly importers and exporters. It provides secure and convenient access to market information and foreign exchange transactions. Customers can make their own foreign currency trades, saving time and money that can be returned to their businesses. The system's unique capability enables them to view their transactional history, giving them more control over managing their portfolios.

Our purchase of Scottish Pacific in May 2000, just before the GST was introduced, is another example of providing solutions to the small to medium (SME) business market. The GST has affected some SME clients, resulting in severe cash flow constraints. Scottish Pacific, a specialist small business and cash flow financier, provides funds to help SMEs continue trading in tough times. It is a valuable service to the SME market and profitable to St.George.

Scottish Pacific and Global Dealer are two innovative and flexible offerings of our strategy to help business customers thrive in the competitive market. We will continue to develop similar services to strengthen our business customers' relationships.

Customer knowledge management

St.George has invested $5.5 million to improve our data warehousing capabilities. This has enhanced the Bank's ability to understand and deliver relevant solutions to our 2.6 million customers.

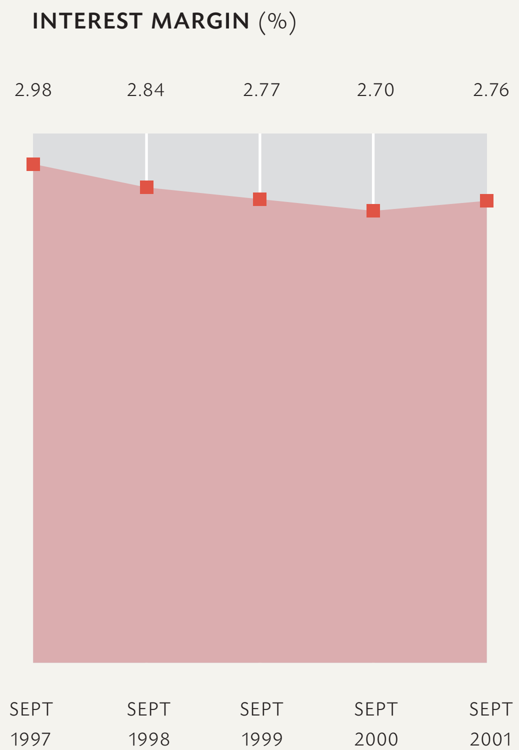
St.George's data warehouse holds information about customers and their relationship with the Bank. During the year we consolidated this data to allow us to provide timely service to our customers when they contact us for information on their accounts. In addition, this will allow us to offer suggestions on other products and services that may be beneficial to our customers. We are committed to maintaining customer privacy in all uses of this information.

A key driver in providing financial solutions is our clear and concerted focus on customers. St.George recognises that if we don't give customers what they want and need, then we can't expect them to make St.George their bank of choice. And this remains our goal. Not to be the biggest, but to be the best in providing solutions.

'ST.GEORGE BELIEVED IN US AND NOW, AFTER NINE YEARS, OUR FAMILY BUSINESS IS THE MARKET LEADER IN THE CONTAINER HANDLING FIELD,' SAID TERRY. 'SMITH BROS NOW EMPLOY OVER 350 PEOPLE THROUGHOUT OUR SYDNEY AND BRISBANE TERMINALS.'

'WE USE ST.GEORGE TO PROVIDE US WITH SOLUTIONS – REFINANCING, INVESTING AND TO HELP PAY OUR EMPLOYEES.

BUT MOST OF ALL WE STAY WITH ST.GEORGE BECAUSE WE TRUST THEM, AS THEY TRUSTED US.'



Interest margin improved to 2.76 per cent compared to 2.70 per cent last year.

...it's about being innovative.

FOR MANY OF RHONDA LANE'S CLIENTS, ST.GEORGE GAVE THEM A HOME LOAN AT A CRITICAL TIME IN THEIR LIFE. THAT SUPPORT HAS PROVED VERY POWERFUL BECAUSE WHEN THESE PEOPLE SOUGHT OUT A FINANCIAL ADVISER THEY RETURNED TO ST.GEORGE AND HAVE SHOWN ENORMOUS LOYALTY.

The fastest growing segment of the financial services market is wealth management.

To St.George, innovation is developing customer-focused propositions that underscore our difference, then delivering them to market long before our competitors.

Over the past few years, the Bank has made modest investments, many in alliance with other companies, to establish new business models for the future. We have quickly and successfully delivered customers a range of products and platforms that are truly innovative.

St.George recognises that some ideas, while well conceived, may not survive in their original form. Others, however, will become future profit drivers for the Group.

Innovation through alliances

With the right strategy, complementary business alliances and acquisitions can effectively realise goals more quickly and cost effectively. They can be tools for success, a means to achieving goals.

St.George's 100 per cent purchase of WealthPoint post-result date this year was one such acquisition. In 2000, we purchased eight per cent of WealthPoint's ordinary shares.

We also acquired a significant number of convertible preference shares in exchange for the sale of businesses to WealthPoint. This was done to facilitate it becoming the Bank's online wealth management solutions partner.

In October this year, we moved to outright ownership when we received their shareholders' approval to buy the remaining 52.4 million shares that St.George didn't already own, for 60 cents each.

We have great faith in WealthPoint. We firmly believe it is worth more to us in the future than was its recent market value. The company's mainstream functions – including the well regarded Assirt Ratings – create a total wealth management offering that fits well into our second horizon strategy.

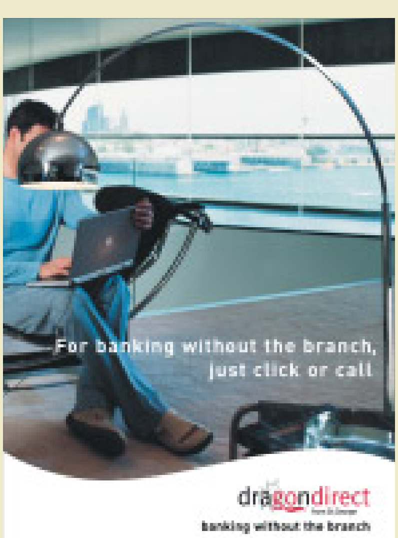
The fastest growing segment of the financial services market is wealth management. Market feedback has reinforced our view that privatising WealthPoint will give us a more stable and focused base from which to pursue wealth management technology developments and marketing strategies.

WealthPoint, strongly coordinating with Sealcorp, will enable us to give internal and external advisers a comprehensive online financial services platform. It will significantly improve St.George financial planners' productivity and control, enabling us to acquire more new clients.

The company's portal has already delivered value-add systems operating in St.George. Its first offering, as the St.George Private Bank website, is progressing well and is being used to attract customers. WealthPoint's first release, a new online adviser system, was delivered in July. The St.George branded versions are now being used by our Private Banking and Financial Planning business units.

We intend a further major release, before year-end, to provide more valuable portfolio management and plan creation tools. Early next year we will link this with our banking systems to support our total wealth management vision across investment and traditional banking.

WealthPoint's advantage is that ultimately, customers with their advisers or on their own, will have the research tools to analyse and manage their wealth online. It will consolidate customers' financial affairs, not just from St.George, but from all financial organisations they deal with. With their financial details in one place they can make relevant, personal decisions to guide their futures.



dragondirect

- Direct distribution strategy capitalises on convenience and price advantages of electronic delivery
- Two products available exclusively via internet and phone banking
- ***directsaver***– High interest, at call, online savings account
- ***directfunds***– Two top performing managed funds, with no entry or exit fees

St.George innovation

St.George takes an innovative approach to creating customer solutions. When Australian banks' customers were, in general, being attracted away from traditional deposit accounts into other, higher paying investments in 1999, we recognised the need to take action.

St.George is immensely nimble in bringing innovative products to market. Thirteen months ago, we devised a new customer proposition, dragondirect, that capitalises on St.George's strong brand without involving the traditional branch network. Launching dragondirect, to compete aggressively with competitors, has allowed us to achieve our strategic goals of both deepening existing customer relationships and acquiring new customers nationally.

The dragondirect platform is innovative. It offers products exclusively by direct distribution, that is, by the internet and phone, which customers can access from anywhere in the world.

The international market is hungry for quality assets. Our experience is that they particularly like the St.George story – our loan quality and the innovative way we package and market our products.

Our aim is to grow dragondirect by extending its range of offerings in addition to its already popular savings product. dragondirect recently launched managed fund products and in the future plans to offer a credit card, insurance, a transaction account and a mortgage product.

We recognise that the internet will not suit those customers looking for complex financial advice. But with dragondirect's $2 billion in retail funds, representing increased deposits from existing customers and 70 per cent from new customers, it is clear that customers looking for exceptional value are willing to embrace the convenience of banking through direct channels.

We recently researched dragondirect customers. More than 90 per cent told us they gained considerable advantage from it relative to other products, were satisfied and willing to continue using dragondirect, would buy additional products and services and refer it to friends and family.

Of overwhelming importance was that St.George was standing behind the product. We believe that from this strong base we will be able to successfully leverage future offerings.

Securitisation innovation

The international market is hungry for quality assets. Our experience is that they particularly like the St.George story – our loan quality and the innovative way we package and market our products.

While many banks securitise their loan portfolios (that is, sell loan packages to remove the loans from their balance sheets and free capital to be used for investing in their business), no Australian banks are doing it quite like St.George.

This year under St.George's Crusade brand, which is well known in the US and European markets, we successfully launched two international mortgage-backed securitisations. In February, we launched an innovative $1.78 billion mortgage-backed issue. Its efficient five-tranche Australian and US dollar structure appealed to a broad range of investors, including the short-term money market. The innovative package was quickly oversubscribed with new investors taking up 66 per cent of the offering.

In September, we launched our second Crusade global mortgage-backed securities issue for the year (and seventh overall) in New York. This was backed by $1.5 billion of St.George-originated residential mortgage loans and was quickly over-subscribed, again reflecting the excellent quality of our loan book.

These securitisations are complex and involve people with specific expertise across many parts of St.George – retail lending, finance, legal, capital and financial markets. We have now refined our cross-divisional processes to the point that we were able to bring the last issue to market faster than ever before.

Future innovations

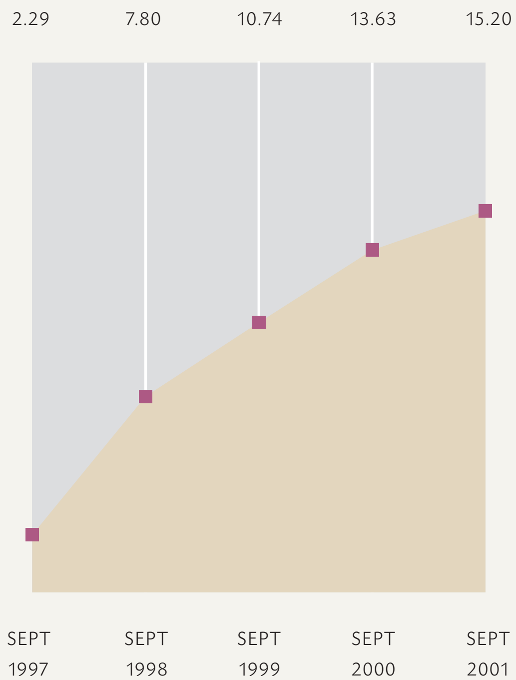
Our approach to innovation will provide St.George with high growth, high return businesses in future. We will continue to invest if we believe those investments will add value to our already strong customer offerings.

St.George's management is passionate about achieving results today and creating a superior business for tomorrow. We recognise that companies with a robust future keep an eye on the health of their core business while looking beyond the horizon, always alert to new opportunities.

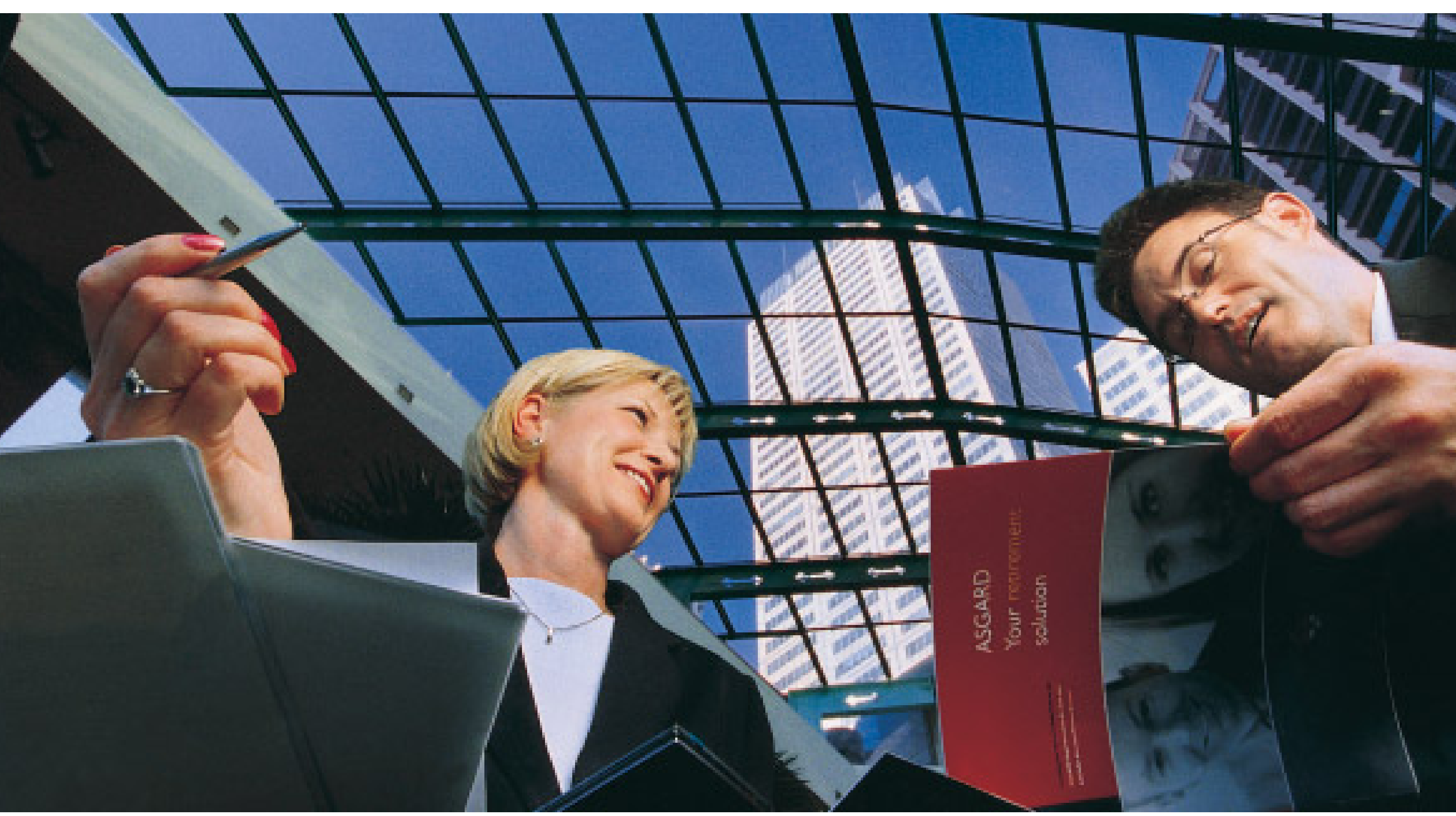
'EVEN THOUGH I WORK FOR ST.GEORGE I OFFER INDEPENDENT FINANCIAL ADVICE. I'M A CUSTOMER JUST LIKE ANYBODY ELSE AND RELY HEAVILY ON ST.GEORGE TO PROVIDE MY CLIENTS WITH INNOVATIVE AND SUCCESSFUL PRODUCTS SUCH AS ASGARD – OUR NATION'S LARGEST MASTER FUND.

EFFICIENT PRODUCTS MEAN I SPEND LESS TIME SHUFFLING PAPERWORK AND MORE TIME GIVING RELEVANT, QUALITY ADVICE. THANKS ST.GEORGE.'

MANAGED FUNDS (Billion)



Managed Funds increased 11.5 per cent to $15.2 billion this year.
SEALCORP funds increased to $11.0 billion from $9.3 billion last year.



...it's about delivering expertise.

SCOTT BUGDEN IS FUSSY ABOUT HIS STEAK. SO FUSSY HE KNOWS THE STATION IT WAS RAISED ON AND ITS AGE IN MONTHS. THE MENU AT HIS RENOWNED STEAKHOUSE CHA CHA CHAR IS AS EXTENSIVE AS HIS WINE LIST AND IS ONE REASON THE RESTAURANT RECENTLY SCOOPED THE PRESTIGIOUS NATIONAL RESTAURANT AND CATERERS ASSOCIATION AWARD FOR BEST INFORMAL DINING IN AUSTRALIA.

In this dynamic market place it is relatively easy to replicate products. What is not easy is replicating expertise.

The basic rules of the new economy haven't changed. Competitive companies need to focus on offering customers products and services they want and can't get elsewhere. In this dynamic market place it is relatively easy to replicate products. What is not easy is replicating expertise.

St.George prides itself on the quality of its people who manage the Bank's offerings. Over the past year, in particular, we have been developing our people's skills and knowledge to better leverage on our high growth businesses' specific services.

Sealcorp

Sealcorp is currently the most outstanding example of our high growth businesses. Sealcorp's strength is its ability to consolidate customers' financial affairs. Its expert staff have the investment skills and internet capabilities to provide their customers with the best possible solutions.

With its 3,200 adviser clients, Sealcorp has in excess of 20 per cent of Australia's advisory market. It provides advisers with quality services in superannuation, investment and insurance products, while adding value through strategic business alliances.

Sealcorp's main product, Asgard, is Australia's leading master trust, with $11 billion under administration for its 140,000 investors. Asgard provides consolidated investment reporting and transactions for managed funds, selected direct investments and insurance products. This includes providing unbranded products for several large institutional clients.

Sealcorp has a number of other offerings including Securitor and Pact. These products provide independent advisers with accreditation and individually branded financial planning support services. Overall, Sealcorp's staff expertise is generating quality products for our customers and quality revenue for the Group.

Wealth creation expertise

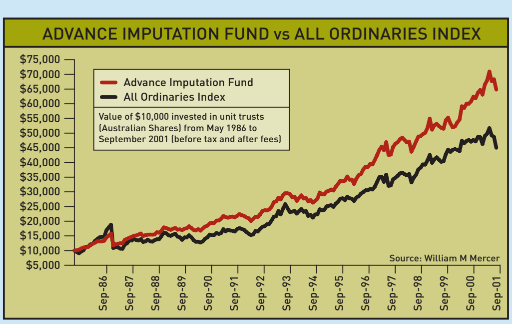
Customers are embracing the banking and wealth management solutions that St.George Private Bank offers. Our Private Bank differs from many of our competitors in that we assess both the assets and liabilities of customers before giving advice.

A significant number of new customers are moving from big name private banks to St.George on the basis of our own Private Bank customer referrals. These include successful business executives, professionals, sporting identities, wealth inheritors, retirees and self-made business owners.

Our new customers tell us that St.George has a more coherent view of private banking, that our proposition is true to its name. They are impressed with our service. They appreciate our staff, their integrity, their knowledge and responsiveness. With these kinds of recommendations, we believe St.George will become the pre-eminent Private Bank in Australia.

In September we purchased Deutsche Equity Lending Australia. This enhances our margin lending offerings to Private Bank and financial planning customers. It also gives us a new customer base from which to on-sell future products and services.

Over the past 18 months, we have continued to build a number of expert sales forces to enhance our product and service delivery. We have 50 financial planners. Our investment adviser team has grown to 110. These teams have achieved record sales in a tough market. We are continuing to develop our mortgage, insurance and financial planning sales forces to better serve our traditional retail customer base.



Advance
Funds Management
Member of the St.George Group

Advance Imputation Fund

Fund strategy:

- long term capital growth
- tax effective quarterly income
- a total return that outperforms the S&P/ASX 200 Accumulation Index over periods of five years or longer
- to invest in a wide range of shares and other securities chosen for their "fundamental value"
- favours shares providing imputation credits
- cash plays a part in reducing volatility

Advance Funds Management

Advance Funds Management is another specialist St.George business. It has strong expertise in providing its 100,000-plus investors access to premium fund managers. In 2000, Advance lost some ground, but quickly regained its position this year.

In 2001, Advance's sales volumes grew on average by more than 30 per cent, with the last six months of this year showing nearly 50 per cent growth.

Advance's performance improvement came from renewed customer focus and revitalised sales management processes. Its investment performance also improved when our management style – concentrating on value rather than high growth stock – came back into favour. Sales were also driven up by improved market recognition.

Early endorsement came in January 2001 with Taylor Management Consultants' independent Funds Management Customer Survey. The survey canvassed 10 fund managers and around 250 retail and adviser customers from each fund.

Our new customers tell us they are impressed with our service. They appreciate our staff, their integrity, their knowledge and responsiveness.

Advance was ranked second in post-sales and third in pre-sales against our major competitors. In addition, 80 per cent of surveyed Advance customers were satisfied or very satisfied with the overall service they receive.

In May, Assirt awarded 12 Advance products four stars, denoting 'a very good fund with strong management, a sound investment strategy and solid past performance'. Another 24 Advance funds were given three stars and placed on the Assirt recommended list.

Advance's most public recognition came in July this year when Personal Investor magazine announced that the Advance Imputation Fund was the Australian Share Fund of the Year and the Advance International Sharemarket Fund was the International Share Fund of the Year.

Rural expertise

Over the past three years we have leveraged on BankSA's particular expertise in managing the rural market. Our recent St.George branded, BankSA driven, expansion into five major Victorian regional centres has been successful. It has already generated good gains in banking business from Victorian rural and regional business customers. We replicated this expansion into seven major NSW regional cities and towns, to further improve our offerings to the largest regional market in Australia.

Our long term goal is to build a complete, superior and lasting financial services franchise in these States by providing seasonal finance, term loans, electronic banking packages and specific farming products. We are proud to be taking proactive steps to deliver both personal and business banking services to rural customers. It is another aspect of our strategy to be a genuine full service banking alternative in regional Australia.

Building expertise

We continue to develop the Group's expertise through a variety of training programs. In the Best Bank program, we introduced online computer-based training, which we are calling e-luminate, to compliment our traditional training programs.

This year our Institutional and Business Banking (IBB) division also put its entire relationship staff through a leading-edge training methodology known as Key Account Relationship Management training, or KARM. Its objective was to give staff a greater understanding of customers' overall needs and enhance their skills in managing customer relationships.

The training program took staff into customers' businesses to help them understand all facets of their operation and management. It gave staff the analytical tools to understand the intimate details of those businesses in order to add value.

KARM has helped enhance relationships with existing customers and is now being used extensively to acquire new customers. The result is significant new business from our competitors who don't provide this level of expertise, quality service and understanding to the middle market segment.

IBB staff's focus on understanding customers and responding effectively to their needs was publicly recognised in June. Every year, East & Partners poll the top 500 corporates by revenue. This year, their survey included 40 Australian banks.

St.George's IBB division came first in the Loyalty to Customer Relationships category and second in the Quality of People category. We were also ranked first for short-term domestic debt and second in long-term domestic debt, beating all the majors.

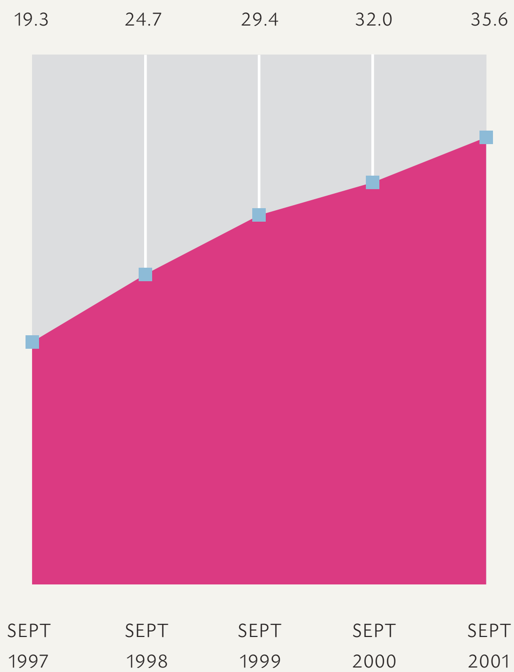
We all recognise that the road to success rarely goes in a straight line. We at St.George, however, are convinced that the expertise of our people and the quality of our offerings have set us on a steady course towards future growth and profitability.

AS CHA, CHA, CHAR GENERAL MANAGER, SCOTT IS ALSO FUSSY ABOUT HIS BANK. HE WANTED A UNIQUE RESTAURANT AND LOOKED TO ST.GEORGE FOR START UP CAPITAL AND SOPHISTICATED LOAN STRUCTURES.

'OUR RELATIONSHIP WITH ST.GEORGE HAS BEEN INCREDIBLE. WE ARE ALWAYS TALKING DIRECT TO THE MANAGER REGARDING OUR FINANCES. ST.GEORGE IS THE FIRST BANK TO NOT ONLY TAKE AN INTEREST IN THE NATURE OF OUR BUSINESS, BUT THE VERY INDUSTRY WE WORK IN.

WE'RE STRIVING TO BE LEADERS IN OUR FIELD AND WHEN WE NEED FINANCIAL ADVICE WE TURN TO ST.GEORGE TO PROVIDE THE EXPERTISE WE REQUIRE.'

OTHER INCOME TO TOTAL INCOME (%)
(before significant items)



Other income to total operating income before significant items increased to 35.6 per cent from 32.0 per cent last year.
This reflects continued growth in managed funds businesses and changes to the product fees and commissions structure as part of the Group redesign.

…it's about having values.

BEGINNING AS A ONE MAN OPERATION BEHIND A SMALL FRUIT SHOP, STEVE VERGOTIS PLANTED THE SEED FOR SUNRIPE AUSTRALIA – NOW ONE OF OUR NATION'S LARGEST PRIVATELY OWNED FRUIT AND VEGETABLE PROVIDORES. WITH PLENTY OF HARD WORK AND CLOSE SUPPORT FROM ST.GEORGE, SUNRIPE NOW SUPPLIES QUALITY PRODUCE TO MANY OF AUSTRALIA'S LEADING HOTEL CHAINS, RESORTS, UNIVERSITIES, RESTAURANTS AND MINING SITES.

St.George prides itself on providing affordable and accessible banking, having responsible lending practices and educating consumers to make more informed financial decisions.

Banks are increasingly under pressure to improve their customer relationships and demonstrate their social and community responsibilities.

St.George recognises that banks hold a privileged position in our society. We recognise that we have a responsibility to the community. While strong investor returns are a priority for St.George, we also recognise that you, our shareholders, want to invest in an organisation that is ethical towards its staff and the broader community.

We at St.George are driven by strong, innate values. What is special about St.George's values is that they are not qualities we aspire to, they form the very fabric of our organisation.

A sense of integrity drives these values. It is at the core of our Code of Ethics. Having integrity, to St.George, is about being sensitive and discreet with the personal financial information entrusted to us. It ensures our staff are fair, open and honest in their dealings with people every day.

Our values also include striving for excellence through effective teamwork, which comes from valuing each other. By valuing each other, we create an environment where our diverse talents, skills and abilities are nurtured to their full potential. By valuing each other, we respect our key stakeholders' needs: our staff's need for respect and recognition; our customers' need for privacy; and our shareholders' need for clear access to material information about the Bank.

St.George charter of social responsibility

St.George articulates its values internally to help our staff remain focused on consistent ethical behaviour. We intend to communicate these values more widely to our key stakeholders, in the form of St.George's social charter of community responsibility. It will fully articulate how, with our values, we 'walk the talk'.

We pride ourself on providing affordable and accessible banking, having responsible lending practices and educating consumers to make more informed financial decisions. The key points are covered below.

St.George has been actively involved with community issues since our days as a building society and is in an enviable position compared to the major banks. We have a much stronger and well-deserved image as a community-conscious bank. We continue to deliver high levels of customer service.

The St.George Foundation

The most visible example of our community support is the St.George Foundation, which we established 11 years ago. The St.George Foundation works closely with a diverse range of care and social welfare groups to support the rights and dignity of Australia's children. It enhances their quality of life by offering financial help and encouraging them to pursue excellence.

The Foundation has helped many children reach their full potential by providing financial assistance for new technologies, youth workers, research, equipment, mobility and learning aids, special children's camps, educational assistance, counselling and therapy programs.

Many St.George staff contribute actively to the Foundation's success through fundraising initiatives such as Happy Hat Day, which raised more than $50,000. Our suppliers, including accounting firms, solicitors, travel companies, hotels, public relations firms, advertising agencies, computer companies and a range of other businesses, also contribute strongly to the Foundation's fundraising activities.

We are very proud of our employees' and suppliers' commitment to this important objective.

Over the past year, the St.George Foundation has contributed more than $540,000 to charitable organisations around Australia, bringing the Foundation's overall community contribution to more than $5 million.

Other sponsorships

The Foundation is just one of many St.George Group initiatives that reflect our values. We are proud of our commitment to Australian society. As part of our long history of supporting the community, we have sponsored The Salvation Army Red Shield Appeal for more than 17 years. We support the Wesley Mission Credit Line by paying the wages of staff who provide free advice to those in financial crisis. St.George won a Community Award in 1996 for our contribution to this program.

Closer to our traditional home, we are proud to be one of the St.George Illawarra Rugby League Football Club's major sponsors. Our regional offices have also had long standing involvement with their local communities through donations, facilities and services.

The St.George Foundation

Thanks to the overwhelming generosity of St.George Bank staff, the St.George Foundation's inaugural Happy Hat Day fundraiser generated $50,054-over five times the original target.
These funds helped to give the gift of sound to three hearing impaired young Australians through the Children's Cochlear Implant Centre.

We are committed to social responsibility and honesty in our dealings because we recognise that both the Bank and the community benefit.

BankSA has its own sponsorship program, reflecting its strong community position and long history of supporting South Australians. Its core community involvements include BankSA Crime Stoppers, the Lights of Lobethal, BankSA Heritage Icons List, Royal Show Farmyard Nursery, SA Cricket Association, SA Basketball Association and the Art Gallery of South Australia.

Our community commitment

St.George is well known for recognising its community responsibilities. Our over-riding aim is to give customers value-based, convenient services for their needs. For example, we are an active member of the Australian Bankers Association's Disabled Access Working Group and have adopted its recommendations to assist customers with special needs.

Our product and service points of distribution, be they Financial Service Centres, Automated Banking Centres or traditional branches, provide ease of access for all customers. Most have wheelchair access and are designed to help people with disabilities use the services.

Our ATMs are configured to accommodate wheelchair users. We have re-branded our ATM signage and screens to help sight-impaired customers. Our staff are educated, as part of their induction-training program, in ways to help customers with special requirements.

We are committed to ongoing consumer education about our offerings, most particularly the latest banking methods such as internet banking and ATMs. Our commitment to serving regional Australia with banking services is reflected in our continued expansion into Victoria and NSW.

Specific community offerings

St.George offers customers a variety of products, services and platforms to give them choice in managing their day-to-day banking. Some St.George products provide exemptions for specific community groups. For instance, we do not have a minimum balance requirement on our Everyday Pensioner Account, available for all pensioner categories. Pensioners who have their home loan repayments automatically deducted from this account are also exempt from loan repayment transaction fees.

Customers with physical or intellectual disabilities, who need to rely on branch services due to their disability, are exempt from transaction fees on all Everyday transaction accounts.

BankSA has a longstanding school banking service, which aims to teach young people the value of saving money. St.George provides a fee free, Happy Dragon Account to customers under the age of 13. Our Everyday Student account provides 12 free transactions and has no account service fee or minimum balance requirements.

Our commitment to social responsibility extends to understanding our customers' financial capabilities. We are also committed to working on a case-by-case basis to help customers out of exceptional financial difficulties.

Responsibility to our employees

Recognising and respecting our staff is built into St.George's corporate values. Our social accountability extends to creating an environment where employees can operate at optimum levels.

Our commitment extends to the range of services and programs we provide staff. These include the St.George Social Club, the St.George Bank Child Care Centre, Star and Long Service Awards, occupational health and safety standards, anti-discrimination policies and work place diversity, training and development opportunities, employee entitlements and advice on aged care.

These are just a few of St.George's promises to customers and the broader community. We are committed to social responsibility and honesty in our dealings because we recognise that both the Bank and the community benefit. We believe that keeping the community fully informed will enhance our corporate credibility and investor confidence and, ultimately, will positively influence our share price.

...it's about understanding the results.

Many of you responded positively to our new initiative last year of explaining the financial results, so this year we're again including similar tables and explanations of our core financial items. We're sure these pages will once again help you to better understand the Group's achievements in the current year as reflected by our results.

Since we reported last year, a number of Australian Accounting Standards have changed. Some are cosmetic. For example, the Profit and Loss Statement is now called Statement of Financial Performance. The Balance Sheet is now called Statement of Financial Position. Other changes involved the re-statement of certain items, such as 'abnormal items'.

The Accounting Standards now prohibit the separate disclosure of these items after 'net profit'. Therefore, they are now included as revenue, or expense contributing to net profit. To help you understand this change we've included a table showing the impact on each category of revenue and expenses.

SELECTED FINANCIAL DATA As per the Statement of Financial Performance (page 46)	2001 $M	2000 $M
Operating income		
Net interest income	**1,235**	1,172
Other income	**690**	660
Total operating income	**1,925**	1,832
Operating expenses before goodwill amortisation	**1,085**	1,138
Share of net loss of equity accounted associates	**3**	-
Profit before bad debts and goodwill amortisation	**837**	694
Bad and doubtful debts	**77**	50
Goodwill amortisation	**99**	101
Profit after bad debts and goodwill amortisation	**661**	543
Income tax expense	**255**	189
Profit after income tax	**406**	354
Outside equity interest	**1**	-
Profit after income tax and outside equity interest	**405**	354
Preference dividends:		
- Preferred Resetting Yield Marketable Equity Securities (PRYMES)	**12**	-
- Depositary Capital Securities (DCS)	**41**	36
- Convertible Preference Shares (CPS)	**16**	32
Profit available to ordinary shareholders	**336**	286

Net interest income

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

Net interest income grew by 5.4 per cent to $1,235 million (2000: $1,172 million). Essentially, interest income grew at a greater rate than interest expense. This was due to growth in our lending activities and a concerted effort to reduce our cost of borrowing. The growth demonstrates improvements in how we've managed our lending and borrowing activities.

Other income

This income category includes all sources other than interest income. The Group earns revenue on our lending activities, managed funds, other products and services, dividends, profit on the sale of treasury securities, foreign exchange and derivative gains, trading securities and from other sources such as rental income.

OTHER INCOME	2001 $M	2000 $M
Financial markets income	**31**	21
Product fees and commissions		
- Lending	**77**	79
- Other products	**310**	225
Managed funds	**152**	134
Other	**112**	93
Other income before significant items	**682**	552
Significant items	**8**	108
Total other income	**690**	660

Other income before significant items this financial year increased 23.6 per cent. We've continued to diversify our income sources with other income representing 35.6 per cent of total income (2000: 32.0 per cent).

Despite growth in lending volumes, lending fees and commissions marginally decreased due to some introductory offers. The success and growth of our electronic banking network and transaction accounts led to the increase noted in 'other product fees and commissions'.

St.George's managed funds' revenues are principally earned through Sealcorp, Advance Asset Management and St.George Wealth Management. An increase in managed funds to $15.2 billion (2000 $13.6 billion), helped boost income by 13.4 per cent to $152 million (2000: $134 million). We believe that the trend away from bank deposits to managed fund products will continue to provide strong growth opportunities for St.George.

Operating expenses

The Group's total operating expenses (before goodwill amortisation and significant items), were $1.03 billion (2000: $1.00 billion), an increase of 2.4 per cent. Other costs are primarily administration, marketing, telecommunication and finance charges.

We stabilised the Bank's core expenses despite inflationary pressures and the strong growth in business volumes. The result highlights the Group's success in focusing on improving efficiency.

OPERATING EXPENSES	2001 $M	2000 $M
Staff expenses	**507**	518
Computer and equipment expenses	**164**	159
Occupancy expenses	**116**	111
GST implementation expenses	**-**	17
Other expenses	**240**	198
Total operating expenses before goodwill amortisation and significant items	**1,027**	1,003
Significant items	**58**	135
Total operating expenses before goodwill amortisation	**1,085**	1,138

Staff expenses for 2001 decreased, reflecting efficiency improvements in line with completing a number of Best Bank initiatives. This decrease happened despite an average enterprise agreement wage increase of 4.5 per cent in October 2000.

The increase in computer and equipment expenses reflects extra spending on IT infrastructure as part of the Best Bank program. Other costs in this area relate to our customers' increased use of internet and phone banking services, thus increasing our telecommunication costs.

Increases in other expenses were due to additional marketing and promotion costs, plus increases in customer transaction volumes resulting in higher transaction costs and charges to the Bank.

Bad and doubtful debts

Bad and doubtful debts expense was $77 million (2000: $50 million) for the year. This expense was impacted by a $17.5 million provision on one of the Bank's larger exposures.

Goodwill and Goodwill amortisation

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

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

Individually significant items

Individually significant items are specific revenues and expenses that have a large impact on the Group's results due to their size or nature. Items previously classified as 'abnormal' are an example of what now constitutes 'individually significant'.

Abnormal items in 2000 have been reclassified into normal income and expense categories. For comparability and clarity, we have reported these abnormal items as significant, then separately disclosed them with this year's individually significant items. See the table below.

INDIVIDUALLY SIGNIFICANT ITEMS		2001 $M	2000 $M
Income			
Other income before significant items		**682**	552
Significant items:			
Writeback of excess provisions	(i)	**8**	-
Profit on sale of businesses		**-**	85
Unrealised gains on revaluation of APF units		**-**	23
		8	108
Total other income per the Statement of Financial Performance		**690**	660
Expense			
Operating expense before goodwill and significant items		**1,027**	1,003
Significant items:			
Write-down of investment in WealthPoint Limited	(ii)	**22**	-
Write-down of investment in SMS Management and Technology Limited	(iii)	**6**	-
Write-down of other external investments	(iv)	**30**	-
Goodwill write-off		**-**	13
Redesign restructure costs		**-**	115
Write-off of investment in R&D syndicates		**-**	7
		58	135
Operating expenses per the Statement of Financial Performance		**1,085**	1,138
Income tax			
Income tax expense before significant items		**265**	219
Significant items:			
Income tax expense on write-back of excess provisions	(i)	**2**	-
Income tax benefit on write-down of investment in SMS Management and Technology	(iii)	**(2)**	-
Income tax benefit on write-down of other external investments	(iv)	**(10)**	-
Capital gains tax on profit on sale of business		**-**	2
Capital gains tax on revaluation of APF units		**-**	8
Income tax benefit on redesign restructure costs		**-**	(40)
		(10)	(30)
Income tax expense per the Statement of Financial Performance		**255**	189
Summary			
Total pre-tax loss from individually significant items		**(50)**	(27)
Less: tax benefit attributable to individually significant items		**(10)**	(30)
Net (cost of)/revenue of individually significant items		**(40)**	3

(i) Writeback of excess provisions

In prior years we set aside funds (a provision), for the costs relating to the Group redesign and all the write-off of our investments in research and development syndicates. These projects were completed during the year with funds remaining. These funds have been absorbed back into profit this year and we have separately identified them to better understand the Bank's actual performance.

(ii) WealthPoint

On 5 November 2001, WealthPoint became a wholly owned member of the St.George Group. The average cost of WealthPoint shares was 98 cents each. The directors decided that WealthPoint's value to the Group is 86 cents per share. Therefore St.George has written down WealthPoint's shares by $22 million, or 12 cents per share. With full ownership St.George can now help WealthPoint better develop its business and strategic purpose.

(iii) SMS Management and Technology (formerly Sausage Software)

The Group acquired a strategic share of SMS Management and Technology as part of its overall eCommerce plan. The Directors do not believe that this investment will now provide the returns originally anticipated. They have therefore elected to write down this investment to 38.5 cents per share, its market price at 30 September 2001. The gross write-down is $6 million with an associated income tax benefit of $2 million.

(iv) Other external investments

The carrying values of the Group's external investments have been reviewed and written down by $30 million ($20 million after tax), as at 30 September 2001. This action is consistent with the Group's prudent approach to investment portfolio management. St.George remains committed to its eCommerce and financial services strategy and these investments are integral to the success of that strategy. The Group intends to maintain its association with these entities to ensure future benefits are realised.

Dividends

The Directors announced that the final dividend would increase to 34 cents (2000: 29 cents) to reflect the Group's improved profit performance, outlook and commitment to adding value to you, our shareholders.

DIVIDENDS	**2001 Cents per share**	2000 Cents per share
Interim dividend	**31**	26
Final dividend	**34**	29
	65	55

Ratio analysis

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

Earnings per share (EPS)

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

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

EARNINGS PER SHARE	**2001 $M**	2000 $M
Profit available to ordinary shareholders (profit after goodwill amortisation and significant items)	**336**	286
Less: net (cost of)/revenue from individually significant items	**(40)**	3
Add: goodwill amortisation	**99**	101
Profit, significant items and goodwill	**475**	384
Divided by: Weighted average number of ordinary shares (millions)	**466.17**	462.99
	Cents	Cents
Equals:		
Earnings per share before significant items and goodwill amortisation	**101.9**	83.0
Earnings per share after significant items and goodwill amortisation	**72.1**	61.8

As the Group's profit has improved, the Group's EPS has increased. Therefore your entitlement to the Group's current profit is growing.

Return on ordinary equity (ROOE)

The ROOE shows profit as a percentage of ordinary equity, that is, the return on each dollar you invest in our ordinary shares. ROOE has grown due to our improved performance, as shown in the table below.

RETURN ON ORDINARY EQUITY	**2001 $M**	2000 $M
Profit before significant items and goodwill*	**475**	384
Profit available to ordinary shareholders (after goodwill and significant items)	**336**	286
Divided by: Average ordinary equity	**2,869**	2,771
	%	**%**
Equals:		
ROOE before individually significant items and goodwill amortisation	**16.56**	13.86
ROOE after individually significant items and goodwill amortisation	**11.71**	10.32

* As calculated in the EPS table.

Expense to income ratio

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

This ratio measures the efficiency of our operations. It demonstrates the expenses we incur in generating our income. A lower ratio means we are more efficient in creating profit. This year the ratio has decreased to 53.6% (2000: 58.2%), reflecting the success of our Best Bank project and our commitment to increasing the Group's value.

EXPENSE TO INCOME RATIO	**2001 $M**	2000 $M
Operating expenses (before goodwill amortisation and significant items)	**1,027**	1,003
Divided by: Operating income (before significant items)	**1,917**	1,724
	53.6%	58.2%

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES

FIVE YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 SEPTEMBER 2001

		1997	1998	1999	2000	**2001**
Statement of Financial Performance						
Interest Income	$m	2,688	2,979	2,833	3,194	**3,311**
Interest Expense	$m	1,704	1,821	1,694	2,022	**2,076**
Net Interest Income	$m	984	1,158	1,139	1,172	**1,235**
Other Income	$m	236	379	491	660	**690**
Bad and Doubtful Debts Expense	$m	45	47	45	50	**77**
Operating Expenses	$m	790	1,113	1,217	1,239	**1,184**
Share of Net Profit /(Loss) of						
Equity Accounted Associates	$m	-	-	-	-	**(3)**
Profit before Income Tax	$m	385	377	368	543	**661**
Income Tax Expense	$m	157	154	211	189	**255**
Profit after Income Tax	$m	228	223	157	354	**406**
Net Profit Attributable to Outside Equity Interests	$m	(1)	(1)	-	-	**(1)**
Net Profit Attributable to Members of the Bank	$m	227	222	157	354	**405**
CPS, DCS and PRYMES Dividends	$m	40	67	65	68	**69**
Profit Available to Ordinary Shareholders	$m	187	155	92	286	**336**
Return on Average Assets						
– before goodwill and significant items	%	0.84	0.91	0.94	0.95	**1.09**
– after goodwill and significant items	%	0.64	0.49	0.35	0.74	**0.81**
Return on Average Ordinary Equity						
– before goodwill and significant items	%	11.22	11.64	12.20	13.86	**16.56**
– after goodwill and significant items	%	8.15	5.29	3.13	10.32	**11.71**
Return on Average Risk Weighted Assets	%	1.06	0.82	0.62	1.34	**1.42**
Operating Expenses as a % of Average Assets (1)	%	2.02	1.98	2.09	2.11	**2.07**
Expense to Income Ratio (1)	%	59.0	58.0	58.3	58.2	**53.6**

(1) Excluding goodwill and significant items

		1997	1998	1999	2000	**2001**
Statement of Financial Position						
Total Assets	$m	45,060	44,261	45,017	49,610	**50,804**
Cash, Liquid Assets and Treasury Securities	$m	5,745	3,851	5,333	5,796	**5,583**
Loans and Other Receivables	$m	35,690	35,816	36,232	39,454	**39,699**
Other Assets	$m	3,625	4,594	3,452	4,360	**5,522**
Retail Funding	$m	22,347	21,971	22,263	22,903	**25,681**
Borrowings	$m	16,399	17,287	17,021	20,492	**18,403**
Other Liabilities	$m	2,695	1,219	2,078	2,574	**3,094**
Total Shareholders' Equity	$m	3,619	3,784	3,655	3,641	**3,626**
Shareholders' Equity as % of Total Assets	%	8.03	8.55	8.12	7.34	**7.14**
Capital Adequacy						
– Tier 1 Capital	%	7.0	8.0	8.2	7.7	**8.1**
– Tier 2 Capital	%	3.3	4.1	3.7	3.9	**3.1**
– Less: Deductions	%	-	(0.1)	(0.1)	(0.1)	**(0.1)**
Total	%	10.3	12.0	11.8	11.5	**11.1**
Risk Weighted Assets	$m	27,264	24,860	24,883	28,102	**29,226**
Receivables						
Residential	$m	25,747	25,749	25,962	27,971	**28,422**
Commercial	$m	7,738	7,600	7,967	9,054	**8,767**
Consumer	$m	1,749	2,007	1,808	2,079	**2,384**
Other	$m	585	586	618	482	**259**
Receivables before General Provision	$m	35,819	35,942	36,355	39,586	**39,832**
General Provision	$m	129	126	123	132	**133**
Net Loans and Other Receivables	$m	35,690	35,816	36,232	39,454	**39,699**
Share Information						
Dividend per Ordinary Share						
– Interim	Cents	26	26	26	26	**31**
– Final	Cents	26	26	26	29	**34**
Total	Cents	52	52	52	55	**65**
Earnings per Ordinary Share						
Basic						
- before goodwill and significant items	Cents	70.1	74.7	77.4	83.0	**101.9**
- after goodwill and significant items	Cents	51.0	34.0	19.9	61.8	**72.1**
Diluted						
- before goodwill and significant items	Cents	69.1	73.4	73.9	80.5	**101.6**
- after goodwill and significant items	Cents	52.4	37.0	23.7	61.5	**72.6**
Dividend Payout Ratio	%	123.8	154.2	260.9	86.7	**91.7**
Net Tangible Assets per Ordinary Share	$	2.58	2.39	2.68	2.90	**3.28**
Other Statistics						
Branches		513	437	421	413	**409**
Staff		6,988	7,447	7,886	7,619	**7,061**
Assets per Staff	$m	6.4	5.9	5.7	6.5	**7.2**
Staff per $m Assets		0.16	0.17	0.18	0.15	**0.14**

...it's about teamwork.

LOU MORRIS

Acting Chief Operating Officer

- Strategy and Internet
- Managing Director's Office
- Corporate Relations

STEVE McKERIHAN

Chief Financial Officer

- Finance
- Group Credit
- Property
- Group Audit
- Balance Sheet Management
- Legal and Secretariat
- Procurement
- Operational Risk

JOHN LOEBENSTEIN

Group Executive Information Technology

- Architecture and Planning
- Project Delivery
- Production
- IT Support Services

BILL OTT

Group Executive Personal and Small Business Banking

- Branch Banking
- Phone Banking
- Merchant Services
- Small Business Banking
- GOLD Banking
- Internet Marketing and Sales
- Card Products
- Liability Products
- dragondirect
- Insurance Products
- Residential Lending
- Consumer Lending
- Operations
- Business Technology
- Group Marketing

RICHARD CAWSEY

Group Executive Investment Services

- Advance Asset Management
- Private Banking
- Financial Planning
- SEALCORP
- WealthPoint
- Margin Lending
- ASSIRT Funds Research
- ASSIRT Equities Research
- Australia Clearing Services

GREG BARTLETT

Group Executive Institutional and Business Banking

- Corporate and Business Banking
- Commercial Finance
- Property Finance
- Structured Products
- Group Treasury
- Capital Markets
- International
- Securitisation
- Scottish Pacific

COLIN TAYLOR

Acting Managing Director BankSA

- Metropolitan Banking
- Rural Banking
- Commercial Banking (covering South Australia and Northern Territory)

...it's about direction.

J M THAME | J S CURTIS | F J CONROY | J J MALLICK

JOHN MICHAEL THAME AAIBF FCPA
John Thame, aged 59, was appointed to the Board in February 1997, having been the Managing Director of Advance Bank Australia Limited from October 1986 to January 1997. His career with Advance spanned 26 years during which time he held a variety of senior positions. Mr Thame is Chairman of Permanent Trustee Company Limited and is a director of AWB Limited, Centrelink, Reckon Limited, the Australian Geographic Group and The MBA Group Pty Limited. He is a member of the Board's Audit and Compliance and Risk Management Committees.

JOHN SIMON CURTIS BA LLB (Hons)
John Curtis, aged 51, was appointed to the Board in October 1997. Since 1987, he has been a professional company director and is currently the Chairman of Allianz Australia Limited, Caliburn Partnership Pty Limited and First Data Resources Australia Ltd Advisory Committee. He is a director of Perpetual Trustees Australia Limited and other public companies. Prior to 1987, Mr Curtis was a main board director of Wormald International Limited and was responsible as a Chief Executive for its operations at various times in Australia, Europe and the Americas. He is a member of the Board's Nomination and Remuneration Committee.

FRANK JOHN CONROY BComm MBA
Executive Chairman
Frank Conroy, aged 59, is a professional company director. A former career banker, he joined the St.George Board in August 1995 and was appointed Chairman in September 1996. Mr Conroy is Chairman of Australian Pharmaceutical Industries Limited and Orix Australia Corporation Limited. He is also a director of Futuris Corporation Limited and Santos Limited.

JOHN JAMES MALLICK AM FAII FIIC (Canada)
Deputy Chairman
John Mallick, aged 67, joined the Board in August 1993 and was appointed Deputy Chairman in September 1996. He has been involved in the insurance industry for 42 years and was the Managing Director of the Sun Alliance and Royal Insurance Group until his retirement in 1994. He continues to be a non-executive director of Royal & Sun Alliance Australia Holdings Limited, Royal & Sun Alliance Life Assurance Australia Limited and Royal & Sun Alliance Financial Services Limited. He is also a director of Tyndall Australia Limited, Tyndall Investment Management (Australia) Limited and Tyndall Superannuation Limited. Mr Mallick was President of the Insurance Council of Australia Limited in 1984 and Deputy President in 1981. He is also a past President of the Australian Insurance Institute. Mr Mallick is Chairman of the Board's Audit and Compliance Committee and a member of the Nomination and Remuneration Committee. He is a nominee of the Board of Directors on the Bank's various staff superannuation funds and is a director of the Bank's funds administration subsidiary, SEALCORP Holdings Limited. He is also a Governor of St.George Foundation Limited.

L F BLEASEL G ETTINGER P D R ISHERWOOD G J REANEY

LEONARD FRANCIS BLEASEL AM
Len Bleasel, aged 58, was appointed to the Board in May 1993. He was the Managing Director of the Australian Gas Light Company where his career spanned 42 years and was Chairman of Natural Gas Corporation Holdings Limited (New Zealand). Mr Bleasel is a director of QBE Insurance Group Limited and a member of the ABN Amro Advisory Council. He is also Chairman of the Zoological Parks Board of NSW and a member of the Advisory Board of the Salvation Army. Mr Bleasel is Chairman of the Board's Nomination and Remuneration Committee and is a member of the Audit and Compliance Committee.

GERI ETTINGER BA LLB
Geri Ettinger, aged 61, is a solicitor of the Supreme Court of NSW and High Court of Australia. She joined the St.George Board in 1987. Ms Ettinger is a Senior Member of the Administrative Appeals Tribunal (Commonwealth) and a Member of the Fair Trading Tribunal. She is a member of the Dispute Resolution Committee of the Law Society of New South Wales, a member of the New South Wales Product Safety Committee and a member of the New South Wales Medical Tribunal and Professional Standards Committees. Ms Ettinger was Chief Executive of the Australian Consumers' Association, publisher of Choice Magazine for 11 years and served on the board of the Australian Postal Commission from 1974 to 1982. She has also served on the Building Societies' Advisory Committee. Ms Ettinger is a member of the Board's Risk Management and Nomination and Remuneration Committees.

PAUL DEAN RAMSBOTTOM ISHERWOOD FCA
Paul Isherwood, aged 63, was appointed to the Board of Directors in October 1997. He is a former partner and National Chairman of Partners of Coopers & Lybrand, Chartered Accountants, his career with that firm spanning a period of 38 years. Mr Isherwood is Chairman of Stadium Australia Management Limited. He is also a director of Munich Reinsurance Company of Australasia Limited, NM Rothschild Australia Holdings Pty Limited, CRI Australia Holdings Limited and Globe International Limited. He is a member of the Bank's Board Risk Management Committee.

GRAHAM JOHN REANEY BComm CPA
Graham Reaney, aged 58, was appointed to the Board in November 1996. He is a director of the Australian Gas Light Company Limited, Queensland Cement Limited and So Natural Foods Limited and Chairman of Open Telecommunications Limited and Australian Rural Group Limited. Mr Reaney's business experience spans 30 years during which he has held a number of senior corporate appointments, including Managing Director of National Foods Limited. Formerly Operations Director and Managing Director of Industrial Equity Limited, Mr Reaney was responsible for managing a range of businesses in the food and beverage and resource and service sectors. Mr Reaney is Chairman of the Board's Risk Management Committee and is also a member of the Board's Audit and Compliance Committee and the BankSA Advisory Board.

The Board of Directors

The Board of Directors is responsible for St.George's overall performance and governance. The Board:

- oversees the operations of the Group through the setting of goals and strategy
- assesses performance against budgets and strategies
- monitors the management of the Group's business, and
- monitors the controls, systems and procedures within the Group to manage the risks of its businesses and compliance with regulatory and prudential requirements.

Board Composition

There are eight non-executive directors and one executive director, namely the Managing Director and Chief Executive Officer, on the St.George Board. One third of the directors (excluding the Managing Director) must retire each year at the Annual General Meeting but may stand for re-election.

At the date of this statement, the position of Managing Director and Chief Executive Officer is vacant and the Bank's Chairman is acting as Executive Chairman on a temporary basis until the position of Managing Director is filled. It is the Board's general policy that the Chairman, as well as a majority of directors on the Board, must not be executives.

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

Independent Professional Advice

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

Board Committees

The Board's structure of Board committees assists it in its oversight and control. Minutes of committee meetings and committee recommendations are provided to the Board. The Chairman and Managing Director are entitled to attend the meetings of all Board committees.

Membership/2000-2001 Attendance Record of Board and Board Committees

Board

(Total number of meetings held: 17)	Attended
F J Conroy	15
J J Mallick	16
E A O'Neal	16 (16)*
L F Bleasel	17
JS Curtis	16
G Ettinger	17
P D R Isherwood	15
G J Reaney	17
J M Thame	17

Board Risk Management Committee

(Total number of meetings held: 17)	
G Ettinger	16
P D R Isherwood	15
G J Reaney	17
J M Thame	17

Audit and Compliance Committees

(Total number of meetings held: 4)	
L F Bleasel	3
J J Mallick	4
G J Reaney	4
J M Thame	4

Nomination and Remuneration Committee

(Total number of meetings held: 4)	
L F Bleasel	4
J S Curtis	3
G Ettinger	4
J J Mallick	4

Due Diligence Committee

(Total number of meetings held: 3)	Attended
L F Bleasel	1 (1)**
J J Mallick	3
G J Reaney	3
J M Thame	3

NB: Bracketed numbers denote the number of meetings held while the director was a member of the Board/Committee.

* Mr O'Neal died on 16 September 2001.

** Appointed as a member of the Due Diligence Committee on 27 August 2001.

Risk Management Committee

This Committee oversees and monitors policies and procedures in relation to credit, liquidity, operational and market risks and balance sheet management.

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

Audit and Compliance Committee

This Committee reviews and makes recommendations to the Board on the Bank's financial reporting, the systems for internal control established by management and the Board, and internal and external audit processes. It also reviews compliance, reporting and control structures throughout the Bank to ensure compliance with financial, regulatory and legal requirements. In addition, the Committee oversees the reporting systems within the Group to ensure that the Bank observes its disclosure requirements.

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

The internal and external auditors have a direct line of communication to the Chairman of the Audit and Compliance Committee with the external auditor also having a direct line of communication to the Board's Chairman. The Committee is also responsible for making recommendations to the Board regarding the nomination of external auditors to the Group and for reviewing the adequacy of existing external audit arrangements.

Nomination and Remuneration Committee

This Committee meets as required to consider and make recommendations to the Board on the suitability of candidates for nomination for the position of director. This consideration will involve an assessment (with the assistance of external advice, if appropriate) of the qualifications, skills, experience and value which the person may bring to the Board and his or her ability to make a contribution to the Board's strategy, policy and effectiveness.

The Committee also reviews and makes recommendations to the Board on the various Group compensation, incentive and reward programs including the remuneration for the Managing Director and senior executives. In addition, the Committee makes determinations as required of it under the rules of St.George's employee share/option plans.

Due Diligence Committee

This Committee forms as and when St.George is involved in the issue of a fundraising or similar document. This Committee assists the Board in ensuring the appropriate disclosure of material matters in such documents.

Remuneration of Directors and Senior Executives

The policies and philosophy applicable to the remuneration of directors, the Managing Director and senior executives are set out in the Directors' Report on pages 41-45.

Identifying and Managing Significant Business Risks

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

Ethical Standards

The Board has adopted a Code of Ethics which sets out the expectations of directors and staff in their business affairs and in dealings with customers. Among other things, the Code of Ethics requires high standards of personal integrity and honesty in all dealings, a respect for the privacy of customers, and observance of the law.

Other Governance Policies

The Board has established guidelines incorporating governance policies which deal, among other matters, with disclosure of interests by directors and limitations on dealing in the Bank's shares by directors and senior officers.

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

Directors are required to have shareholdings in the Bank. Under the Constitution, a director's qualification shareholding is 500 shares.

Disclosure Policy

St.George is committed to timely disclosure to the market of relevant information about St.George to ensure that all its legal disclosure obligations are met. This is reflected in St.George's Disclosure Policy which provides that all material information required to be notified to the market by ASX's Listing Rules is to be immediately notified to the investor community via the ASX without preferential access to any individual or group. The General Counsel and Secretary is primarily responsible for communicating with the ASX. The Policy also sets out guidelines relating to the announcement of future earnings or financial performance, meetings with investors and analysts, shareholder enquiries and inadvertent disclosure of information.

Procedures are in place to ensure that all information that could potentially require disclosure is promptly reported through to the Managing Director via relevant senior executives for assessment by the Managing Director with the Chief Financial Officer and General Counsel and Secretary. Compliance with the Disclosure Policy is monitored on a quarterly basis by the Board's Audit and Compliance Committee and the Policy is reviewed annually by that Committee.

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

All media enquiries relating to market disclosure are coordinated by the Chief Financial Officer, with only certain nominated senior staff authorised to make media comments.

Risk Management

The consolidated entity in its daily operations is exposed to credit risk, liquidity risk, market risk and operational risk (including fraud, theft and property damage). These risks are managed through a number of specialised committees, which are responsible for policy setting, monitoring and analysing risk.

Credit Risk

Credit Risk is the potential for loss arising from a debtor or counterparty failing to meet their financial contractual obligations. This risk is inherent in the consolidated entity's lending activities as well as transactions involving derivatives and foreign exchange.

Credit risk is managed principally through embedded controls upon the individual lending divisions and business managers who are responsible for the lending. Lending is carried out within the parameters of lending policies (covering approvals, documentation and management), which have been developed having regard to statistical data and historical risk experience.

To maintain the quality of the lending portfolio, prudential standards and lending policies have been established throughout the consolidated entity. Certain core practices are followed in all lending situations.

Credit processes are structured so that loan origination, approval, documentation preparation, settlement and account monitoring and control are segregated to different individuals or areas. Credit must be evaluated against established credit policies and within authorities and be structured, particularly in terms of security, to be prudent for the risk incurred.

The Group Credit division assesses credit which is beyond the lending authorities of business divisions and/or outside normal Group Credit policies or guidelines. This division assesses specific provision requirements where loan default has occurred and also controls the Loans Management Unit which manages large impaired assets with the aim of achieving the optimum result from such assets.

Through its credit inspection function, Group Credit tests internal controls and adherence to credit policies and procedures which are standard throughout the Group and contained in credit manuals administered by Group Credit.

The consolidated entity applies standard credit risk assessment criteria to all extensions of credit from credit scoring systems for basic retail products to complete credit assessment for commercial and trade related transactions.

Standard risk grading methodologies for commercial lending are set at the transaction level and will drive pricing, provisioning and all risk associated components. The retail matrix is aimed at debt serviceability and security cover.

The portfolio maintenance function within Group Credit monitors and refines proprietary risk grading systems to ensure ongoing predictability.

Group Credit regularly reports to the Management Credit Committee and the Board Risk Management Committee on the status of large impaired assets, arrears and trend analysis, compliance reports, portfolio analysis and all approvals above $10 million.

Liquidity Risk

Liquidity Risk refers to the inability to meet financial commitments when they fall due. Liquidity risk arises from mismatches in the cash flows from financial transactions.

Liquidity is managed based upon policies and strategies determined by the Bank's Asset and Liability Committee (ALCO). This includes:

- maintaining a core of high quality and readily liquefiable securities;
- sourcing the majority of funds from the retail sector and committed medium term wholesale facilities;
- keeping diversified surplus sources of funding
- being able to closely monitor liquidity flows and quickly identify any anomalies.

The consolidated entity meets the APRA prudential requirements for liquidity.

Market Risk

a) Funding Risk

Funding Risk is the risk of over reliance on a particular funding source. The risks associated with such a concentration include volatility in funding costs or funding availability.

To minimise funding risk the consolidated entity has a policy of raising wholesale funds from well diversified sources which encompass both international and domestic capital markets.

b) 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, 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 ALCO.

The "gap position" between when assets, liabilities and synthetic instruments are contractually due to reprice are managed 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.

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. This is measured and reported by a segregated and independent body. 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 limit structures which are reported to the Board Risk Management Committee monthly.

The consolidated entity uses an internal model accredited by APRA for the calculation of VaR. For the unique risks relating to options, a contingent loss matrix, developed according to the specifications of Prudential Statement C3 ("PSC3"), issued by APRA, is used to generate delta-equivalent cash flows for use in the VaR model. Both models use a 99 per cent confidence interval and a one day holding period.

Stress testing and back-testing are conducted to ensure that the model is a viable predictor of actual trading losses. The daily market risk measurement for the financial year is shown graphically below.

Operational Risk

Operational risk is the risk attributable to the daily operations of the Bank which may result in financial or other loss. Particular areas where operational risk may arise include failure to comply with laws, regulations and internal policies, fraud or error and systems failures.

Operational risk is managed by the Bank through the documentation of procedures, disaster recovery and back up systems, extensive staff training programs, regular procedural reviews by internal audit and insurance.

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.

Swaps

A swap is an agreement between two parties to exchange obligations periodically based on an underlying financial asset, reference rate or index.

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.

Business Continuity and Planning

St.George's Business Recovery Policy

As part of St.George's strategy to build its franchise as a successful broad based financial services provider, the Bank has embraced Business Continuity Management to ensure it can respond to and recover from major incidents.

Business Continuity Management is seen as a significant step in ensuring the survival of St.George. By documenting a co-ordinated implementation response to an event of major damage or denial of service, Business Recovery Plans are being developed to facilitate the recovery of critical business processes and services supported at key Head Office locations.

With the implementation of such plans, St.George is putting in place strategies that will become an ongoing part of the Bank's risk management mind set.

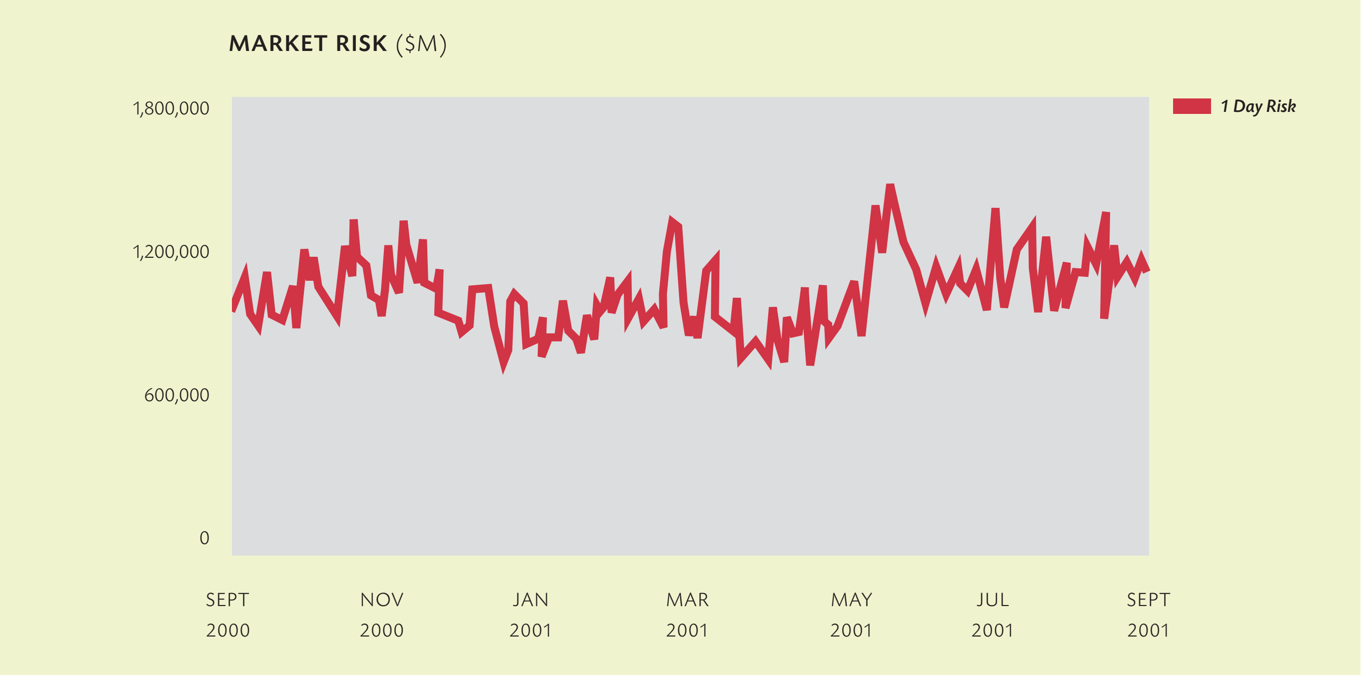


Table of Contents

This Concise Financial Report has been derived from the Group's 2001 Full Financial Report.

This Concise Financial Report cannot be expected to provide as full an understanding of the consolidated entity's financial performance, financial position and financing and investing activities as the Group's 2001 Full Financial Report.

The directors present their report together with the Concise Financial Report of the consolidated entity, being St.George Bank Limited (the Bank) and its controlled entities, for the year ended 30 September 2001.

Directors

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

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each of the directors of the Bank during the financial year are set out in the Corporate Governance Statement on pages 36 and 37. This information is to be regarded as incorporated into this report.

Principal Activities of the Consolidated Entity

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

Personal and Small Business Banking (PSBB)

PSBB is responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits, small business banking, general and life insurance. 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)

IBB is responsible for liquidity requirements, wholesale funding, treasury market activities including foreign exchange, money market and equities, relationship banking, international banking services, securitisation, structured investments, lending, leasing, hire purchase and dealer finance, corporate and business banking and commercial property lending.

BankSA

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

Investment Services

Investment Services provides funds management and administration, financial planning, investment advice and private banking services.

Consolidated Profit

The net profit of the consolidated entity for the financial year after income tax, Outside Equity Interests (OEI), significant items and before preference dividends was $405 million (2000: $354 million). The net profit available to ordinary shareholders was $336 million (2000: $286 million).

Dividends

Information regarding dividends paid or declared by the consolidated entity since the end of the previous financial year is included in Note 3.

Review of Operations

A review of the operations of the consolidated entity is contained in the 'Report from the Executive Chairman' on pages 4 to 6 and the 'Financial Review' on pages 27 to 30 and these are to be regarded as incorporated into this report.

State of Affairs

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

Best Bank Redesign

The Best Bank program involving the implementation of 1,000 ideas was substantially completed by October 2001 with 930 ideas implemented. The redesign program has been extremely successful and delivered benefits significantly above the original targets set for the program. The ideas remaining to be implemented will provide minor benefits to the results during the 2002 financial year. Consulting firm Aston Associates, assisted St.George with the development of the redesign program.

The ideas implemented have delivered a strong pre-tax contribution of $80 million this year, an increase of $10 million over the original target of $70 million. The ongoing pre-tax annualised benefits have also been revised upwards by $25 million from $120 million to a new target of $145 million.

Best Bank has improved business processes and aided in the transformation of the consolidated entity from a service culture to a customer sales and service organisation. Resources are now realigned with the financial needs of specific customers and market opportunities. These results are reflected in the improvements achieved in efficiency and revenue ratios.

Capital Management Initiatives

The Bank successfully completed a number of initiatives designed to fine-tune the level and composition of capital, as noted below:

– Primary Structured Yield Product Exchangeable for Stock Receipts (Primary STRYPES)

These instruments were issued in June 1998 to assist in the acquisition of SEALCORP. The Primary STRYPES entitled the holder to a semi-annual distribution until August 2001 at which time they converted to ordinary shares. On 14 August 2001 the Primary STRYPES converted into 18,440,000 ordinary shares, as stipulated by the terms of the offering memorandum.

– Securitisation

The Bank securitised a total of $3.3 billion of housing loans in February and September 2001 through the Crusade Program. The total value of securitised receivables outstanding at 30 September 2001 was $5,070 million. The consolidated entity is committed to utilising securitisation as an effective capital management tool and alternative funding source.

– Preferred Resetting Yield Marketable Equity Securities (PRYMES)

The Bank issued three million PRYMES, at $100 each, in February 2001. The issue netted $291 million of Tier 1 capital. These securities attract a fully franked dividend of 6.36%pa for the first five years after which the Bank has the option to reset the rate.

– Share buy-back

In March 2001, the Bank completed an off-market buy-back of 22.8 million ordinary shares with a value of $376 million. The buy-back was mainly funded through the issue of three million PRYMES above.

– Conversion of Converting Preference Shares (CPS)

On 29 March 2001, the Bank converted $360 million of convertible preference shares into 28.2 million ordinary shares. The holders of these securities were paid a pro-rata dividend of 44.8 cents for the period 30 November 2000 to 29 March 2001.

Environmental Regulation

The operations of the consolidated entity and its controlled entities are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Events Subsequent to Balance Date

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

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

Other than the matter discussed 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 the affairs of the consolidated entity, in future financial years.

Likely Developments

Details of likely developments in the operations of the consolidated entity in subsequent financial years are contained in the 'Report from the Executive Chairman' on pages 4 to 6 and are to be regarded as incorporated into this report.

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

Directors' and Executives' Emoluments

Directors

The Bank's Constitution provides that the directors shall be paid such remuneration as is determined by general meeting. An amount, not exceeding the aggregate amount determined by shareholders, is divided between the directors as they agree. The latest determination was at the Annual General Meeting held on 3 February 1998 where shareholders approved the aggregate remuneration for directors of $800,000 per year. The Bank's Constitution makes provision for the maximum retirement allowance which the Board may approve for a director by reference to the maximum amount permitted to be paid under the Corporations Act 2001.

Executives

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

(i) Reward Philosophy and Structure

The Bank's executive remuneration philosophy aims to motivate and reward the executive team for sustained improvements in the performance of the consolidated entity. A total reward framework, recommended by the Board's Nomination and Remuneration Committee and approved by the Board, provides for competitive performance based pay through a combination of fixed remuneration, at risk remuneration and long-term share or option based incentives.

The incentive programs, which are providing an increasing proportion of total executive reward potential, are designed to enhance the consolidated entity's performance orientation and promote cohesive executive effort towards improved shareholder value. The incentives include annual cash incentives where allocation is contingent upon the achievement of consolidated entity, individual and/or business unit targets.

The Board's Nomination and Remuneration Committee reviews and approves base remuneration for the Managing Director and the executive team as well as incentive design and incentive program payments, based on independent market advice. The total remuneration potential for each executive is set to reflect competitive market practice for that position. The proportion of remuneration at risk within the total compensation varies with the level and nature of the positions.

(ii) Fixed Remuneration

Fixed remuneration is provided on a total cost-to-company basis. The amount of fixed remuneration is established through reference to independent market research.

Historically, movements in this fixed component of executive remuneration have provided the basis of pay competitiveness for the consolidated entity. The Board has endorsed a strategy to substitute progressively annual pay increases with incentives as a significant part of total reward where the market allows.

(iii) At Risk Remuneration

The executive team, comprising the Managing Director, the Managing Director's direct reports and other executives approved by the Board, may participate in an annual cash incentive program. Pool creation and allocation is contingent on the achievement of pre-agreed financial and strategic goals at the consolidated entity, business unit and individual levels. Payments are reviewed by the Board's Nomination and Remuneration Committee and approved by the Board based on a review of results. The Managing Director does not participate in the committee's deliberations on his or her own remuneration.

(iv) Long-term Incentives

Long-term incentives are provided through the Executive Option Plan (Option Plan) and the Executive Performance Share Plan (Performance Plan), both approved by shareholders on 3 February 1998. In keeping with the Bank's executive remuneration philosophy, an allocation of awards under the performance plan will be made in December 2001 to up to 152 key executives. The exercise conditions will call for substantial growth in the Group's earnings per share (EPS) over the next three years and will deliver rewards to executives that will pitch their total remuneration (in aggregate) at the 75th percentile of comparable positions provided that the requisite EPS growth is achieved. An annualised reward incentive of up to 40 per cent of annual remuneration may be delivered if these demanding targets are met.

Allocations of shares and options are reviewed by the Nomination and Remuneration Committee.

(v) Managing Director's Remuneration

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

The Board considers that the total remuneration of the Managing Director should include long-term incentive rewards aligned to the performance of the consolidated entity and the interests of shareholders. The Option Plan facilitates the provision of long-term incentive rewards.

Remuneration of Directors

Details of the nature and amount of each element of the emoluments of each director of the Bank and each of the five named executive officers of the Bank and the consolidated entity receiving the highest emolument are set out below.

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

Name of Director	Directors' Fee Cash	Directors' Fee Shares[a]	Fixed Remuneration[b]	At Risk Remuneration[d]	Other Benefits[e]	Superannuation[f]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
F J Conroy	156	20	35[c]	-	-	14	225
J J Mallick	100	20	-	-	-	10	130
E A O'Neal (deceased)	-	-	865	800	37	-	1,702
L F Bleasel	84	-	-	-	-	7	91
J S Curtis	44	40	-	-	-	7	91
G Ettinger	74	10	-	-	-	7	91
P D R Isherwood	84	-	-	-	-	7	91
G J Reaney	24	60	-	-	-	7	91
J M Thame	84	-	-	-	-	7	91
	650	150	900	800	37	66	2,603

(a) During the year, 11,440 shares were acquired on market and allocated to five non-executive directors under the Non-Executive Directors' Share Purchase Plan. In consideration for the shares acquired on their behalf, non-executive directors forgo directors' fees equivalent to the purchase price of the shares less brokerage, stamp duty and a discount equal to that available under the Bank's Dividend Reinvestment Plan when operational.

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

(c) Paid to Mr Conroy in his capacity as Executive Chairman from 18 September 2001 to 30 September 2001.

(d) At Risk Remuneration is subject to annual review. The amount payable is dependent upon the corporate performance assessed against a balance of financial and non-financial measures.

(e) Travel and accommodation benefit.

(f) SGC applicable to non-executive directors under 70 years of age. Company contributions including the SGC are included in the fixed remuneration of the Managing Director.

Remuneration of Executive Officers[a]

Details of the nature and amount of each element of the emolument of each of the five most highly remunerated executive officers of the Bank and its controlled entities who held office during the year are detailed below.

Name and Position	Fixed Remuneration[b] $'000	At Risk Remuneration[c] $'000	Other Benefits $'000	Total Remuneration $'000
W Ott Group Executive Personal and Small Business Banking	500	400	68[d]	968
G Bartlett Group Executive Institutional and Business Banking	465	380	-	845
R Cawsey Group Executive Investment Services	450	280	1[d]	731
S McKerihan Chief Financial Officer Finance and Risk Management	500	230	-	730
J Loebenstein Group Executive Information Technology	425	180	-	605

(a) The executive officers named above are the five highest paid members of the Executive Committee who are not members of the Board. Details of emoluments of the five most highly remunerated executive officers are identical for the Bank and the consolidated entity.

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

(c) At Risk Remuneration is subject to annual review. The amount payable is dependent upon corporate, divisional and individual performance assessed against a balance of financial and non-financial measures.

(d) Travel and accommodation benefit.

Share Options

No options have been granted over any other securities or interests of the Bank or the consolidated entity. As at 30 September 2001, there are 3,175,000 unissued ordinary shares under option. No options have been granted since the end of the financial year.

Directors' Shareholdings

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

	Fully Paid Ordinary Shares	PRYMES	Options over Ordinary Shares
F J Conroy	10,033	63	-
J J Mallick	8,837	43	-
E A O'Neal (deceased)	25,272	-	2,100,000[a]
L F Bleasel	23,233	427	-
J S Curtis	9,814	-	-
G Ettinger	25,710	53	-
P D R Isherwood	14,596	-	-
G J Reaney	35,301	-	-
J M Thame	150,000	63	-

(a) Refer Directors' and Executives' Emoluments in this report for further information.

Directors' Interests

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

	Name of Registered Scheme	Units Held
G Ettinger	Advance Imputation Fund	22,732
J M Thame	Advance Imputation Fund	27,981

Indemnification and Insurance of Directors and Officers

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

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

Directors' and Officers' Insurance

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

Rounding of Amounts

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

Signed in accordance with a resolution of the directors.

F J Conroy
Executive Chairman

J J Mallick
Deputy Chairman

Signed at Kogarah, New South Wales
7 November 2001

STATEMENT OF FINANCIAL PERFORMANCE

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2001

		CONSOLIDATED	
		2001	2000
	NOTE	$M	$M
Interest income		**3,311**	3,194
Less: Interest expense		**2,076**	2,022
Net interest income		**1,235**	1,172
Less: Bad and doubtful debts		**77**	50
Net interest income after bad and doubtful debts		**1,158**	1,122
Other income	2	**690**	660
Total ordinary income (net of interest expense and bad and doubtful debts)		**1,848**	1,782
Less: Operating expenses			
– staff		**507**	518
– computer and equipment		**164**	159
– occupancy		**116**	111
– other		**298**	350
Total operating expenses	2	**1,085**	1,138
Share of net loss of associates accounted for using the equity method		**3**	-
Profit from ordinary activities before goodwill amortisation and income tax		**760**	644
Goodwill amortisation		**99**	101
Profit from ordinary activities before income tax		**661**	543
Income tax expense	2	**255**	189
Net profit		**406**	354
Net profit attributable to outside equity interests		**1**	-
Net profit attributable to members of the Bank		**405**	354
Non Owner Changes in Equity			
Net increase in asset revaluation and realisation reserve		**3**	23
Net increase in claims equalisation reserve		**3**	1
		6	24
Total change in equity other than those resulting from transactions with owners as owners		**411**	378
Dividends per ordinary share (cents)	3	**65**	55
Basic earnings per share (cents)	4	**72.1**	61.8
Diluted earnings per share (cents)	4	**72.6**	61.5

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

Discussion and Analysis

The net profit of the consolidated entity for the financial year after income tax, Outside Equity Interests (OEI), goodwill amortisation, significant items and before preference dividends was $405 million (September 2000: $354 million). The net profit available to ordinary shareholders was $336 million (September 2000: $286 million).

Return on average ordinary equity (before goodwill amortisation and significant items) increased to 16.56% (September 2000: 13.86%).

Basic earnings per ordinary share increased to 72.1 cents (September 2000: 61.8 cents).

Net Interest Income for the year was $1,235 million (September 2000: $1,172 million) an increase of 5.4 per cent.

Other income before significant items, has grown 23.6 per cent to $682 million from $552 million in the prior year. This was due to increased product fee income as a result of new and revised fees introduced during the course of the Group Redesign and strong growth in the consolidated entity's managed funds businesses.

Total operating expenses (before goodwill and significant items) were $1,027 million for the year ended 30 September 2001 (September 2000: $1,003 million) an increase of 2.4 per cent. After excluding the impact of non-recoverable GST of $24 million, operating expenses before goodwill ammortisation and significant items remained stable against the prior year.

The charge for bad and doubtful debts was $77 million (September 2000: $50 million). This expense was impacted by an additional provision of $17.5 million on one of the Bank's larger exposures.

The effective tax rate for 30 September 2001 was 38.6 per cent, notwithstanding a reduction in the company tax rate to 34 per cent. The higher rate was due to the tax effect on the write-down of a strategic investment, and the restatement of deferred tax balances to reflect the change in the company tax rate.

The expense to income ratio, excluding goodwill amortisation and significant items fell to 53.6 per cent from 58.2 per cent last year.

STATEMENT OF FINANCIAL POSITION

CONCISE FINANCIAL REPORT AS AT 30 SEPTEMBER 2001

		CONSOLIDATED	
		2001	2000
	NOTE	$M	$M
ASSETS			
Cash and liquid assets		**438**	499
Due from other financial institutions		**458**	148
Trading securities		**4,224**	3,930
Investment securities		**463**	1,219
Loans and other receivables		**39,699**	39,454
Bank acceptances of customers		**1,170**	607
Investments in controlled entities		**-**	-
Investments in associated companies		**123**	149
Other investments		**93**	97
Property, plant and equipment		**534**	564
Goodwill		**1,409**	1,485
Other assets		**2,193**	1,458
TOTAL ASSETS		**50,804**	49,610
LIABILITIES			
Deposits and other borrowings		**35,539**	35,047
Due to other financial institutions		**790**	1,038
Bank acceptances		**1,170**	607
Provision for dividends		**179**	153
Income tax liability		**265**	313
Other provisions		**91**	138
Bonds and notes		**7,776**	7,369
Loan capital		**769**	979
Bills payable and other liabilities		**599**	325
TOTAL LIABILITIES		**47,178**	45,969
NET ASSETS		**3,626**	3,641
SHAREHOLDERS' EQUITY			
Share capital	5	**3,127**	3,174
Reserves		**59**	53
Retained profits	6	**102**	77
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE BANK		**3,288**	3,304
Outside equity interests in controlled entities		**338**	337
TOTAL SHAREHOLDERS' EQUITY		**3,626**	3,641

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

Discussion and Analysis

Total assets were $50.8 billion at 30 September 2001 (September 2000: $49.6 billion), an increase of 2.4%. The following items impacted total assets:

- The securitisation of $3.3 billion in residential lending receivables through the Crusade Program;
- Strong growth in the utilisation of bank acceptances by commercial banking customers; and
- Marketing campaigns conducted during the year focussing on the residential and personal lending markets, providing strong growth in these areas.

Total liabilities increased by 2.6 per cent to $47.2 billion (September 2000: $46.0 billion). Significantly, retail funding experienced strong growth during the year.

The improvement has resulted from a focus on the development of the consolidated entity's retail funding products, specifically the 'directsaver' account from the 'dragondirect' internet channel and Portfolio Cash Management Account (Portfolio CMA). The directsaver, introduced in August 2000, has $1.9 billion in deposit funds within 50,000 customer accounts, while balances invested with the Portfolio CMA have grown 83% to over $2.4 billion.

Shareholders' equity remained stable at $3.6 billion.

STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2001	2000
	$M	$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**3,329**	3,192
Interest paid	**(2,136)**	(1,973)
Dividends received	**1**	1
Other income received	**839**	631
Operating expenses paid	**(1,119)**	(944)
Income taxes paid	**(243)**	(157)
Net (payments)/proceeds from the sale and purchase of trading securities	**(442)**	549
Net cash provided by operating activities	**229**	1,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Scottish Pacific	**-**	(27)
Restructuring costs	**(43)**	(45)
Net decrease in balances due from other financial institutions	**(310)**	216
Net proceeds/(payments) from sale of investment securities	**769**	(944)
Net increase in loans and other receivables	**(310)**	(3,450)
Payments for shares	**(58)**	(155)
Proceeds from sale of shares	**18**	2
Proceeds from sale of Advance Property Fund units	**156**	-
Payments for other investments	**-**	(13)
Payments of research and development costs	**(9)**	(6)
Payments for property, plant and equipment	**(52)**	(57)
Proceeds from sale of property, plant and equipment	**5**	10
Net increase in other assets	**(44)**	(76)
Net cash provided by/(used in) investing activities	**122**	(4,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	**551**	2,411
Proceeds from other borrowings	**21,398**	20,391
Repayment of other borrowings	**(21,260)**	(18,738)
Proceeds from loan capital	**-**	1,070
Repayment of loan capital	**(198)**	(1,097)
Net (decrease) in other liabilities	**(70)**	(818)
Share buyback	**(376)**	(81)
Proceeds from issue of shares	**27**	7
Net proceeds from the issue of PRYMES	**291**	-
Dividends paid	**(341)**	(303)
Net cash provided by financing activities	**22**	2,842
Net increase/(decrease) in cash and cash equivalents held	**373**	(404)
Cash and cash equivalents held at the beginning of the financial year	**(352)**	52
Cash and cash equivalents held at the end of the financial year	**21**	(352)

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

Discussion and Analysis

Net cash provided by operating activities was $229 million. This was due to cash received for non interest income largely offsetting cash payments for income taxes and increases in trading securities.

Net cash provided by investing activities of $122 million was mainly generated from sales of investment securities and Advance Property Fund units.

Financing activities during the year were largely neutral, resulting in a net positive cashflow of $22 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

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

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's Full Financial Report. The accounting policies are consistent with those of the previous year, except as noted below:

Reclassification of Financial Information

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

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items, refer Note 2. These items are no longer identified separately on the face of the Statement of Financial Performance.

The reconciliation of opening to closing retained profits has been transferred from the Statement of Financial Performance and is now presented in Note 6.

Accounting for Investments in Associates

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

Revaluation of Non-Current Assets

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

Earnings per Share

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

Earnings per share information for the year ended 30 September 2000 has been recalculated in accordance with the revised standard to ensure comparability with the current financial year. The impact of the restatement was to alter the diluted earnings per share information only (refer Note 4).

NOTE 2 INDIVIDUALLY SIGNIFICANT ITEMS

		CONSOLIDATED	
		2001	2000
		$M	$M
Other income before individually significant items		**682**	552
Individually Significant Items			
Write-back of excess provision	(i)	**8**	-
Profit on sale of businesses		**-**	85
Unrealised gain on revaluation of Advance Property Fund units		**-**	23
		8	108
Total other income		**690**	660
Operating expense before individually significant items		**1,027**	1,003
Individually Significant Items			
Write-down of investment in WealthPoint Limited	(ii)	**22**	-
Write-down of investments in SMS Management and Technology Limited	(iii)	**6**	-
Write-down of other external investments	(iv)	**30**	-
Goodwill write-off		**-**	13
Redesign restructure costs		**-**	115
Write off of investment in Research and Development (R&D) syndicates		**-**	7
		58	135
Total operating expenses		**1,085**	1,138
Income tax expense before individually significant items		**265**	219
Individually Significant Items			
Income tax expense on write-back of excess provision	(i)	**2**	-
Income tax benefit on write-down of SMS Management and Technology Limited	(iii)	**(2)**	-
Income tax benefit on write-down of other external investments	(iv)	**(10)**	-
Capital gains tax on the sale of businesses		**-**	2
Capital gains tax on revaluation of Advance Property Fund units		**-**	8
Income tax benefit on redesign restructure costs		**-**	(40)
		(10)	(30)
Total income tax expense		**255**	189
SUMMARY			
Expenses from individually significant items		**(50)**	(27)
Tax benefit attributable to individually significant items		**(10)**	(30)
Net (expense)/revenue after tax from individually significant items		**(40)**	3

Discussion – September 2001

(i) With the Group Redesign substantially completed, a review of the provision has revealed that an excess of $5 million existed at 30 September 2001. This excess has been written back, with an associated income tax expense of $2 million.

During the year, the wind up of the research and development syndicates was substantially completed. As at 30 September 2001, the excess provision related to this project stood at $3 million and has been written back, with no tax effect.

(ii) On 2 August 2001 the consolidated entity made an offer to acquire the shares and options of WealthPoint it did not already own. WealthPoint shareholders approved the scheme of arrangement on 17 October 2001. The transaction was finalised on 5 November 2001.

After allowing for the impact of completing this transaction, the weighted average cost of the consolidated entity's investment in WealthPoint is 98 cents per share. The directors have taken the position that 86 cents per share represents the appropriate carrying value of the investment. Therefore the investment in WealthPoint as at 30 September 2001 has been written-down by $22 million, with no income tax effect, to 86 cents per share. The carrying value of the investment in WealthPoint will be approximately $138 million following the completion of the transaction. The decision to acquire the remaining capital in WealthPoint enables the alignment of WealthPoint's financial goals to the strategic direction of the consolidated entity.

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

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

Discussion – September 2000

Discussion regarding comparative significant items is included in the full financial report. These items were classified as abnormal in the prior year, a full explanation is also included in the prior year Concise Financial Report.

NOTE 3 DIVIDENDS PROVIDED FOR OR PAID

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

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

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

It is anticipated that the balance of the consolidated franking account will be $40 million (2000: $nil) after adjusting for:
(i) franking credits that will arise from the payment of income tax payable as at the end of the year; and
(ii) franking debits that will arise from the payment of dividends proposed as at the end of the year; and
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(iv) franking credits that the consolidated entity may be prevented from distributing in the subsequent financial year.

NOTE 4 EARNINGS PER ORDINARY SHARE

	CONSOLIDATED	
	2001	2000
	Cents	Cents
Earnings per share		
Basic	**72.1**	61.8
Diluted	**72.6**	61.5
Alternative earnings per share(1)		
Basic	**101.9**	83.0
Diluted	**101.6**	80.5
Weighted average number of shares		
Basic	**466,174,701**	462,992,218
Diluted	**479,037,854**	515,723,641

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

NOTE 5 SHARE CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	2001	2000	**2001**	2000
	$M	$M	**No. of shares**	No. of shares
Issued and paid-up capital:				
483,828,232 Ordinary shares, fully paid (2000: 455,439,731)	**2,821**	2,659		
Fully paid non-redeemable, non-cumulative converting preference shares (2000: 24,007,327)	**-**	360		
3,000,000 Preferred resetting yield marketable equity securities (2000: Nil)	**291**	-		
Unissued allotted capital (2000: 18,440,000 shares)	**-**	140		
General reserve	**15**	15		
	3,127	3,174		
Movements in ordinary share capital:				
Balance at 30 September 2000	**2,659**	2,734	**455,439,731**	461,849,093
Shares bought back	**(376)**	(81)	**(22,790,119)**	(8,000,000)
Conversion of non-redeemable, non-cumulative converting preference shares	**360**	-	**28,168,842**	-
Conversion of unissued allotted capital	**140**	-	**18,440,000**	-
Ordinary shares issued	**39**	6	**4,569,778**	1,590,638
Share issue costs	**(1)**	-	**-**	-
Balance at 30 September 2001	**2,821**	2,659	**483,828,232**	455,439,731
Issued and uncalled capital:				
10,968 Borrowers' shares unpaid (2000: 15,063)				
364,930 Depositors' shares unpaid (2000: 450,772)				

NOTE 6 RETAINED PROFITS

	CONSOLIDATED	
	2001	2000
	$M	$M
Net profit after income tax attributable to members of the Bank	**405**	354
Retained profits at the beginning of the financial year	**77**	40
Total available for appropriation	**482**	394
Dividends	**377**	316
Transfer to reserve	**3**	1
Retained profits at the end of the financial year	**102**	77

NOTE 7 SEGMENTAL REPORTING

Industry Segments

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

The consolidated entity operates predominantly in Australia.

NOTE 8 EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of WealthPoint

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

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

DIRECTORS' DECLARATION

CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2001

In the opinion of the directors of St.George Bank Limited the accompanying Concise Financial Report of the consolidated entity, comprising St.George Bank Limited and its controlled entities for the year ended 30 September 2001, set out on pages 46 to 53:

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Accounting Standard AASB 1039 Concise Financial Reports for and on behalf of the Board of Directors and in accordance with a resolution of the directors.

F J Conroy
Executive Chairman

J J Mallick
Deputy Chairman

Dated at Kogarah, New South Wales, 7 November 2001

INDEPENDENT AUDIT REPORT ON CONCISE FINANCIAL REPORT TO THE SHAREHOLDERS OF ST.GEORGE BANK LIMITED

SCOPE

We have audited the Concise Financial Report of St.George Bank Limited and its controlled entities for the year ended 30 September 2001, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 8, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows, set out on pages 46 to 53 and the above Directors' Declaration in order to express an opinion on them to the members of the Company. The Company's directors are responsible for the Concise Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Full Financial Report of St.George Bank Limited and its controlled entities for the year ended 30 September 2001. Our audit report for the Full Financial Report was signed on 7 November 2001, and was not subject to any qualification.

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

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

AUDIT OPINION

In our opinion the Concise Financial Report of St.George Bank Limited and its controlled entities for the year ended 30 September 2001 complies with AASB 1039 Concise Financial Reports.

KPMG

KPMG

J F Teer
Partner

45 Clarence Street,
Sydney, New South Wales, 7 November 2001

Capital Adequacy

Under Australian Prudential Regulation Authority's (APRA) risk based framework, Statement of Financial Position exposures are assessed on potential risk of borrower and counterparty default. This credit risk is divided into three broad types of counterparty, being governments, banks and other counterparties, with individual exposures weighted according to four categories of risk weighting (0, 20, 50 and 100 per cent). In addition to counterparty credit risk, limited recognition is given to underlying collaterals and guarantees. Effective from 1 January 1998, APRA requires Australian banks to hold sufficient levels of capital to cover the market risk of their trading books. Market risk is the risk of loss arising from the movements in market price in both on and off balance sheet positions.

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

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

	CONSOLIDATED	
	2001	2000
	$M	$M
Qualifying Capital		
Tier 1		
Share capital	**3,127**	3,174
Reserves	**665**	497
Retained profits	**102**	77
Less : Goodwill and other APRA adjustments	**(1,515)**	(1,574)
Total tier 1 capital	**2,379**	2,174
Tier 2		
Asset revaluations	**34**	24
Subordinated debt	**734**	951
General provisions for doubtful debts (not tax effected)	**133**	132
Total tier 2 capital	**901**	1,107
Less: Deductions	**(40)**	(40)
Total qualifying capital	**3,240**	3,241
Risk Weighted Assets	**29,226**	28,102

Capital Adequacy Ratio	**%**	%
Tier 1	**8.1**	7.7
Tier 2	**3.1**	3.9
Less deductions	**(0.1)**	(0.1)
Total Capital Ratio	**11.1**	11.5

Information regarding shareholdings

(i) Distribution of Shareholdings as at 17 October 2001

(a) Ordinary Shares

Range of Shareholdings	Number of Shareholdings	Number of Ordinary Shares	Percentage of Total
1-1,000	55,700	25,953,806	5.36
1,001-5,000	44,746	100,565,552	20.79
5,001-10,000	7,414	51,760,924	10.70
10,001-100,000	4,866	103,702,299	21.43
100,001 and over	175	201,845,651	41.72
TOTAL	**112,901**	**483,828,232**	**100.00**

There were 1,664 shareholders who held less than a marketable parcel of ordinary shares which equates to a market value of less than $500 based on the market price as at 17 October 2001.

(b) PRYMES

Range of Shareholdings	Number of Shareholdings	Number of Preference Shares	Percentage of Total
1-1,000	17,515	1,603,629	53.46
1,001-5,000	175	348,197	11.61
5,001-10,000	11	79,306	2.64
10,001-100,000	13	335,127	11.17
100,001 and over	4	633,741	21.12
TOTAL	**17,718**	**3,000,000**	**100.00**

(ii) Limitation on Share Ownership

The Constitution of the Bank imposes a prohibition on the ownership of more than ten per cent (10%) of the issued shares in the Bank. For a period of ten (10) years commencing 1 July 1992, an amendment to the Constitution relating to the ten per cent (10%) shareholding limitation, requires a majority that together holds at least ninety per cent (90%) of ordinary shares on issue at that time and comprises at least seventy five per cent (75%) of ordinary shareholders voting in favour of the amendment whether in person or by proxy.

(iii) Listings

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

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

(iv) Substantial Shareholder

	Number of Shares
By notice dated 3 July 2001, National Australia Bank Limited advised that it or its associates then held relevant interests in the following ordinary shares of the Bank:	45,391,512
By notice dated 12 October 2001, Commonwealth Bank of Australia Limited advised that it or its associates then held relevant interests in the following ordinary shares of the Bank:	41,434,726

(v) Top Twenty (20) Shareholders as at 17 October 2001

(a) Ordinary Shares

Shareholder	Number of Ordinary Shares Held	Percentage of Shares Held %
Citicorp Nominees Pty Limited	44,100,383	9.11
National Nominees Limited	20,857,122	4.31
Westpac Custodian Nominees Limited	16,621,656	3.44
Chase Manhattan Nominees Limited	15,237,473	3.15
ANZ Nominees Limited	9,435,191	1.95
Merrill Lynch (Australia) Nominees Pty Ltd	9,390,008	1.94
Queensland Investment Corporation	6,831,521	1.41
ING Life Limited	6,476,147	1.34
Permanent Trustee Company Limited	5,804,894	1.20
AMP Life Limited	4,397,825	0.91
RBC Global Services Australia Nominees Pty Limited	3,649,171	0.75
Cogent Nominees Pty Limited	3,318,467	0.69
NRMA Nominees Pty Limited	2,864,127	0.59
Zurich Australia Limited	2,773,256	0.57
National Australia Bank Ltd	2,681,375	0.55
Government Superannuation Office	2,203,003	0.46
Commonwealth Custodial Services Limited	2,045,567	0.42
ARGO Investments Limited	1,859,736	0.38
CSS Board	1,564,983	0.32
Australian Foundation Investment Company Limited	1,443,661	0.30

The top twenty ordinary shareholders held 33.79 per cent of all ordinary shares issued.

(b) PRYMES

Shareholder	Number of PRYMES Held	Percentage of PRYMES Held %
AMP Life Limited	218,541	7.28
Commonwealth Custodial Services Limited	155,000	5.17
Invia Custodian Pty Limited	150,200	5.01
The National Mutual Life Association of Australasia Limited	110,000	3.67
Tower Trust Limited	68,986	2.30
Questor Financial Services Limited	38,398	1.28
ANZ Executors & Trustee Company Limited	36,524	1.22
Challenger Life Limited	36,309	1.21
Westpac Custodian Nominees Limited	27,737	0.92
JP Morgan Custodial Services Pty Ltd	24,439	0.81
The University of Melbourne	20,000	0.67
RBC Global Services Australia Nominees Pty Limited	18,750	0.63
Permanent Trustee Company Limited	17,300	0.58
Albert Investments Pty Ltd	15,000	0.50
Berrimilla Pty Ltd	14,950	0.50
Perpetual Trustee Company Ltd	13,661	0.46
National Nominees Limited	11,293	0.38
Bigbal Pty Ltd	10,000	0.33
Votraint No 1019 Pty Ltd	9,000	0.30
Lang Securities Pty Ltd	7,674	0.26

The top twenty PRYMES holders held 33.48 per cent of all PRYMES issued.

(vi) Domicile of Shareholdings as at 17 October 2001

(a) Ordinary Shareholdings

Locality	Number of Shareholdings	Total Number of Shares Held
Australian Capital Territory	3,988	8,088,282
New South Wales	63,342	285,185,956
Northern Territory	224	284,702
Queensland	8,423	25,129,258
South Australia	8,737	16,988,783
Tasmania	742	1,610,387
Victoria	23,967	138,931,059
Western Australia	2,672	5,690,795
DOMESTIC TOTAL	112,095	481,909,222
OVERSEAS TOTAL	806	1,919,010
TOTAL	112,901	483,828,232

(b) PRYMES

Locality	Number of Shareholdings	Total Number of Shares Held
Australian Capital Territory	630	68,653
New South Wales	9,806	1,488,346
Northern Territory	13	1,198
Queensland	1,687	242,549
South Australia	1,151	223,978
Tasmania	126	15,536
Victoria	3,790	854,048
Western Australia	500	101,402
DOMESTIC TOTAL	17,703	2,995,710
OVERSEAS TOTAL	15	4,290
TOTAL	17,718	3,000,000

Shareholder Information

Classes of Shares on Issue

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

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

Voting Rights

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

(a) each ordinary shareholder entitled to vote may either vote in person, by proxy, by attorney, or, where a body corporate, by representative;

(b) on a show of hands, each ordinary shareholder present in person, by proxy, attorney or representative has one vote;

(c) on a poll, each ordinary shareholder present in person, by proxy, representative or attorney shall have one vote for every ordinary share held by that shareholder. In the case of joint holdings, only one joint holder may vote and if both joint holders attend the meeting, only the first named in the register of shareholders may vote.

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

Voting by Proxy

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

Corporate shareholders may:

- appoint a representative; or
- appoint a proxy;

to represent them at meetings.

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

Limitation on Share Ownership

The Bank's Constitution restricts individual shareholdings by persons (together with their associates) to no more than 10 per cent of the issued shares in the Bank. The Financial Sector (Shareholdings) Act also contains shareholding limitations.

Australian Stock Exchange Listing

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

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

In the United States, the Bank's ordinary shares may be traded in the form of American Depository Receipts issued through the Bank of New York. Further enquiries should be directed to the Bank of New York.

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

Investor Information on the Internet

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

Annual Report not Required

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

Shareholders wishing to receive a copy of the 2001 Full Financial Report should make their request to the Bank's share registry on 1800 804 457.

History of Share Issues and Dividends

HISTORY OF ORDINARY SHARES ISSUED

Date of Issue	Details	Shares Issued	Issue/DRP Price ($)
	Balance at 1 October 1996	208,086,928	
03/01/97	Dividend Reinvestment Plan	4,141,135	7.41
29/01/97	Advance Bank Australia Limited Issue (i)	228,247,787	7.88
02/07/97	Dividend Reinvestment Plan	7,614,805	7.59
05/01/98	Dividend Reinvestment Plan	7,306,897	7.99
25/05/98	Employee Reward Share Plan	644,729	10.40
02/07/98	Dividend Reinvestment Plan	5,806,812	9.83
Nov 99 – Dec 99	Share Buy-Back (Cancelled Shares)	(8,000,000)	10.12(ii)
14/01/00	Employee Reward Share Plan	602,441	11.12
Oct 99 – Sep 00	Exercise of Employee Options	835,000	Various
Oct 99 – Sep 00	Exercise of Employee Awards	153,197	Various
28/03/01	Share Buy-Back (Cancelled Shares)	(22,790,119)	16.50
29/03/01	Conversion of Preference Shares	28,168,842	
Jan 01	Employee Reward Share Plan	479,534	13.90
29/06/01	Dividend Reinvestment Plan	732,044	15.52
Aug 01	Primary STRYPES Receipts Exchange	18,440,000	13.9861
Oct 00 – Sep 01	Exercise of Employee Options	3,110,000	Various
Oct 00 – Sep 01	Exercise of Employee Awards	248,200	Various
	Balance at 30 September 2001	483,828,232	

(i) Issue to shareholders of Advance Bank Australia Limited upon acquisition of that bank.
(ii) Average price of shares purchased.

HISTORY OF ORDINARY DIVIDENDS

Date Paid	Type	Franking	Rate (cents)	DRP ($)
03/01/97	Final	36%	26	7.41
02/07/97	Interim	36%	26	7.59
05/01/98	Final	36%	26	7.99
02/07/98	Interim	36%	26	9.83
18/12/98	Final	36%	26	N/A
01/07/99	Interim	36%	26	N/A
17/12/99	Final	36%	26	N/A
03/07/00	Interim	34%	26	N/A
15/12/00	Final	34%	29	N/A
29/06/01	Interim	34%	31	15.52
14/12/01	Final	30%	34	TBA

HISTORY OF CONVERTING PREFERENCE SHARES

Date	Details
28/05/96	Initial issue of 24,007,327 shares. Issue price $15.00.
28/11/96 to 28/05/00	Half-Yearly Base Dividends of 67.5 cents, franked at 36%
28/11/00	Half-Yearly Base Dividend of 67.5 cents, franked at 34%
29/03/01	Final Base Dividend of 44.75 cents, franked at 34%
29/03/01	Conversion: 1 ordinary share for each converting preference share plus 0.1734 of an ordinary share for each converting preference share held.

HISTORY OF PRYMES

Date	Details
21/02/01	Initial issue of 3,000,000 PRYMES. Issue price $100.00.
20/08/01	Half-Yearly Dividend of $3.14, fully franked at 30%