SUNCORP

Suncorp-Metway Ltd

and controlled entities

ABN 66 010 831 722

HALF-YEAR RESULTS

ended 31 December 2004

BANKING INSURANCE INVESTMENT

Suncorp-Metway Ltd
and controlled entities

ABN 66 010 831 722

ANNOUNCEMENT OF
CONSOLIDATED FINANCIAL RESULTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

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BANKING INSURANCE INVESTMENT

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Suncorp-Metway Ltd

Half-Year Results 2005

- Net profit up 47% to a record $413 million.
- Cash EPS up 42% to 80.4 cents.
- Cash ROE up from 15.7% to 20.1%.
- Underlying profit up 29% to $468 million.
- Dividend increased by 12 cents to 42 cents per share, fully franked.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Profit Overview					
Banking	220	194	177	168	24.3
General Insurance	341	250	215	161	58.6
Wealth Management	42	30	36	24	16.7
Other	5	37	6	5	(16.7)
Profit before tax and goodwill	608	511	434	358	40.1
Goodwill amortisation	(31)	(30)	(30)	(32)	3.3
Tax	(164)	(144)	(123)	(97)	33.3
Net profit	**413**	**337**	**281**	**229**	**47.0**

Outlook for full year 2005

- **Banking** – High-teens percentage increase in profit before tax.
- **General Insurance** – ITR to exceed long term range of 11-14%.
- **Wealth Management** – Underlying profit to increase in the order of 10%.
- **Group** – Substantial increase in underlying profits.

Review of operations

Except where otherwise stated, all figures relate to the half-year ended 31 December 2004, comparatives are for the half-year ended 31 December 2003, and life insurance policy owners' interests are excluded.

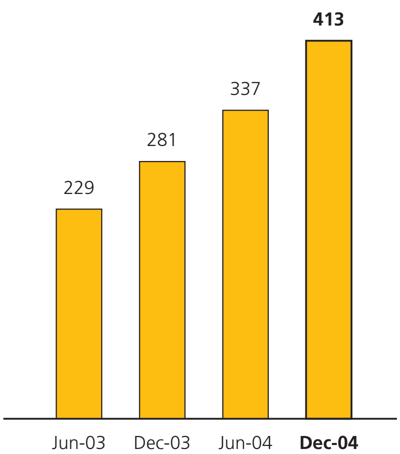
Group Overview

- Suncorp has reported a 47% increase in net profit to a record $413 million for the six months to December.
- Dividend increased 40% to 42 cents per share, fully franked. This is equivalent to a payout ratio of 57.0%.
- Earnings per share on a cash basis, fully diluted, increased 41.8% to a record 80.4 cents.
- Return on equity, on a cash basis, fully diluted, increased to 20.1% for the half year.
- Underlying profit for the group increased by 28.9% to $468 million, demonstrating the strong operating performance of the business.
- Profits increased substantially across all divisions, reflecting the favourable business environment, operational improvements across the group, and significant progress in implementation of the Company's diversified financial services strategy.
- The **Banking** division delivered record results, reporting a 24.3% increase in profit before tax to $220 million. The profit was driven by a resilient lending performance, good growth in retail deposits, higher net interest margins and excellent credit quality.
- In **General Insurance**, pre-tax profits grew by 58.6% to $341 million. This was a record half-year result for the division, driven by strong premium growth, improved claims outcomes and increased investment income.
- The Insurance Trading Result (ITR), which is the underwriting result plus investment income on insurance provisions and the clearest indicator of performance in the underwritten general insurance business, increased by 46.9% to $213 million. This equals an insurance margin of 17.8% of net earned premium, which is the strongest margin outcome achieved since 2000.
- **Wealth Management** profits before tax increased 16.7% to $42 million, driven by the strong investment climate and improved sales. Funds under management increased by 17.5% to $12 billion.
- Income tax expense increased by 33.3% to $164 million, due to higher taxable income.

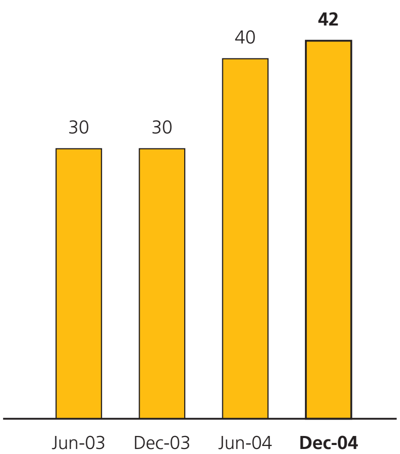
Financial Position

- At the end of December, the group had total assets of $43.0 billion, up 13.3% on the prior December. Liabilities totalled $38.8 billion, up 13.4%, leaving equity at $4.3 billion, up 12.2%.
- The group's capital position remains strong, with a capital adequacy ratio of 10.44% in the Bank, an MCR multiple of 1.95 in the General Insurer, and strong capital reserves in the Life Company.
- The Adjusted Common Equity (ACE) ratio in the Bank increased to 5.59%, from 4.83% at June due to a transaction during the half-year in which the General Insurer raised $200 million in subordinated debt and then paid that to the Bank in the form of a special dividend, thereby creating ACE in the bank.
- The group's credit ratings remained stable over the period. Standard & Poor's has an A long term counterparty credit rating on the Company. Moodys is at A2 and Fitch at A reflecting the financial strength of the group.

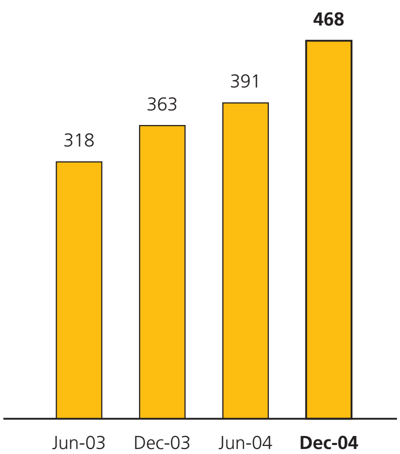
Operating profit after tax
Half-year, $m



Dividend
Half-year, cents per share



Underlying profit
Half-year, $m



Review of operations (continued)

Operational highlights

The strong financial results for the year reflect a number of important operational improvements in the period as follows:

- In **Banking**, despite a slowing home lending market, the Company has managed to consolidate the strong improvement in home loan sales achieved in the June half, and is now substantially outperforming the market. Home loan receivables at December were at $18.5 billion, up 18.8% from the prior December, compared with 14.9% growth for the home lending market as a whole.
- These results show the successful implementation of a series of improvements put in place in 2004. In particular, simplified lending processes and increased service standards have improved customer experience leading to a significant lift in customer retention. In addition, broker distribution networks were strengthened and expanded, leading to significant inflows of new business via this channel.
- In Business Banking, the relationship banking model has delivered growth of 19.7% in assets, which was more than double market growth of 8.7% in the 12 months to December. Commercial lending grew by 23%, with good growth in interstate markets due to a more sophisticated broker distribution model, and by successfully developing specialist status in key market segments.
- The Company has successfully grown its Corporate book through participation in carefully selected syndications, and while property markets have cooled, our acknowledged expertise in development finance and property investment enabled us to maintain solid rates of asset growth and continued low bad debts.
- A major highlight of the banking division during the period was the on-going success of the Company's new initiatives to grow retail deposits. The high interest bearing Everyday Options (EDO) Account has attracted approximately $1.5 billion since its launch in March last year. The number of new deposit accounts being opened each month has grown by more than 20% since last January, while account closures have reduced by 25%. Plans are now well advanced to launch a new EDO account directed at business customers.
- In **General Insurance**, the six months to December was a period of important cultural transition, as a new sales and growth emphasis was embedded in the business after an extended focus on business integration and cost reduction following the GIO acquisition in 2001.
- New business initiatives implemented to lift growth are starting to have an impact. Key activities include the relaunch of the GIO brand in NSW, implementation of sales management and reporting tools, training for call centre and branch staff, and introduction of sales incentives for front line sales staff. End-to-end marketing is being reviewed, and improvements have been introduced to sales processes.
- Retention initiatives included creation of centralised teams specialised in 'saving' cancelled business, outbound call centre campaigns with offerings focussed on particular segments with a high propensity to cancel, and creation of a tiered customer service model for our SME sales force to focus on high value 'at risk' customers.
- A new 'risk engine' was successfully put in place in Motor business during the half-year and is currently being extended to Home, and later Commercial insurance. The risk engine allows for much more sophisticated pricing techniques, leading to improved risk selection and higher insurance profitability. The risk engine has also had a demonstrable impact in improving conversion rates in SUN motor for our target customer segments.
- Customer service initiatives delivered during the half-year include customer charters and business specific initiatives such as payment of motor 'total losses' within 24 hours and delivery of commercial insurance quotes within 48 hours.
- Another highlight of the period was the continued improvement in personal injury claims costs due to the impact of tort law reforms. The reforms have now brought stability back to the market in key segments such as public liability, enabling consumers to source cover at appropriate prices. The reforms also have led to continued price reductions in CTP markets in line with improvements in claims experience.
- The insurance business operated by the Royal Automobile Club of Tasmania (RACTI) was successfully acquired in March, and the business contributed $18 million to GWP in the December half. RACTI sells personal lines insurance (motor, home and boat products).
- In **Wealth Management**, a highlight was the strength of investment returns achieved by the investments team. Strong active returns were recorded in the Australian equity and fixed interest portfolios for the half-year. The Suncorp Balanced Fund, our flagship diversified portfolio, has achieved 1st quartile returns over 1, 3 and 5 years as measured by Intech in their Growth Funds survey.
- Strong new business sales (up 21.5% on previous corresponding period) continued the trend experienced in the last quarter of the 2003/04 financial year, reflecting a returned confidence in equity markets. The value of sales increased by 32% in comparison with the corresponding period, mainly due to the higher volume of gross sales, but also contributing was a sharp increase in Financial Planners' productivity. The Easy Invest product (a new 'wrap' platform service introduced in the 2004 financial year) led to higher margins on sales of Suncorp products.
- Funds under management grew 17.5% to reach $12 billion at December 2004, benefiting from net inflows of $246 million for the period, as well as strong investment income earnings for the period.

Review of operations (continued)

Strategy update

Last year, the group identified a number of 'strategic levers' critical to the business which will move us towards our vision of being Australia's most desirable financial services company.

During the first half of the current year, significant organisational focus was turned on the implementation of the three key levers which differentiate Suncorp from other players in the Australian financial services landscape. Those were:

- Developing a highly performing team. Suncorp has a strong culture of delivery and teamwork. The revised leadership framework has been embedded in the organisation providing clear accountability and responsibility. At the same time, extensive training programs have been carried out through the organisation. For example, during the December half, 95% of Suncorp's retail banking customer facing staff went through extensive training to lift sales and service standards, resulting in significant improvements in sales productivity. Branch product sales have increased by 45% over the past 12 months.
- Clear customer focus, delivering high standards of customer experience. Suncorp's starting point is developing a thorough understanding of customer needs, then designing products and services that clearly meet the requirements of targeted customer segments. A raft of new programs has been established to drive better customer experience. For example, in General Insurance, improvements in call centre processes have meant that an estimated 90% of inquiries are being dealt with at the first point of contact. We also identified fast, effective problem resolution as an important factor in delivering a favourable customer experience, so new programs have been put in place in retail banking. Early results from pilot programs indicate that more than 96% of problems are now being resolved inside 24 hours. These programs are leading to further improvements in customer satisfaction, with our retail banking business now ranking above all of the five major banks.
- Delivering group synergies. Suncorp's diversified financial services business model provides significant revenue and cost advantages. Cross-sell targets have been embedded in the business, cross-group forums have been established to enable opportunities to be identified, and new products are being designed and put into production. For example, a package for customers buying a car which combines a personal loan, car insurance, CTP and consumer credit insurance is now on the market. A similar home loan package for first home buyers is planned for release next month, along with a Small Business package later in the year. We are already seeing evidence of success. Over the past six months, the proportion of new direct personal loan customers who take out Personal Loan Consumer Credit insurance has been lifted from 40% to 68%. Sales of home insurance to Queensland direct home loan customers has grown by 12% since June.

Outlook

In **Banking**, while we anticipate the economy will continue to perform well, we expect credit growth to slow in some of the key sectors in which we operate, particularly the property development and investment segments. In addition, margin pressure will persist as a result of the highly competitive environment. However, we remain confident that we will outperform the market in the current period. For the full year, we would expect profit before tax to increase by a percentage in the high teens, up from our previous expectations of an increase greater than single digits.

In **General Insurance**, the results for the first half were excellent, with the Insurance Trading margin at 17.8%, well above our long term expected range of 11-14%. While we see no signs of deterioration in industry fundamentals, we would not expect to see the strong claims experience of the first half continue indefinitely. Investment market returns also are expected to moderate in the current period.

Nevertheless, we remain confident that the improvements that are being made to the business will help us to grow net earned premium by 6-9% for the full year, despite rate reductions in some classes, particularly Queensland CTP.

We continue to expect that over the longer term, the sustainable insurance trading result for the Company would be between 11-14%. However, given the strength of the first half result, we would expect the full year profit this year to be above the 11-14% range, subject to there being no unusual claims events or incidence of severe storms.

In **Wealth Management**, equity market returns are unlikely to match the strong first half performance. Underlying earnings, however, should show an improvement in the order of 10% for the full year.

At a group level, we would expect that, given the many improvements that have been made to the business and the strong first half performance, we should be able to show a substantial increase in underlying earnings.

Contribution to profit by division for the half-year ended 31 December 2004

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Banking					
Net interest income	377	339	317	297	18.9
Non-interest income (1)	82	87	90	85	(8.9)
Operating expenses	(221)	(208)	(206)	(191)	7.3
Bad debts	(18)	(24)	(24)	(23)	(25.0)
Contribution before tax	220	194	177	168	24.3
General Insurance					
Gross written premium	1,255	1,251	1,179	1,153	6.4
Net earned premium (2)	1,197	1,108	1,076	1,009	11.2
Net incurred claims	(892)	(819)	(718)	(785)	24.2
Operating expenses (2)	(250)	(244)	(236)	(211)	5.9
Investment income on insurance provisions	158	125	23	116	587.0
Insurance trading result	213	170	145	129	46.9
Managed schemes net income	11	10	10	(7)	10.0
Joint venture income	11	9	10	5	10.0
Investment income on shareholder funds	118	71	59	28	100.0
Profit on sale of property	-	-	-	16	n/a
Contribution before tax and capital funding	353	260	224	171	57.6
Subordinated debt expense - capital funding	(12)	(10)	(9)	(10)	33.3
Contribution before tax	341	250	215	161	58.6
Wealth Management					
Contribution from Life Company	36	27	30	19	20.0
Contribution from Funds Management	6	3	6	5	-
Contribution before tax	42	30	36	24	16.7
Other					
Sale of investment in Cashcard Australia Ltd	-	31	-	-	n/a
Other (3)	5	6	6	5	(16.7)
Contribution before tax	5	37	6	5	(16.7)
Total operating profit before tax and amortisation of goodwill	608	511	434	358	40.1
Amortisation of goodwill	(31)	(30)	(30)	(32)	3.3
Income tax	(164)	(144)	(123)	(97)	33.3
Total operating profit after income tax and amortisation of goodwill	**413**	**337**	**281**	**229**	**47.0**
Underlying profit (4)	**468**	**391**	**363**	**318**	**28.9**

Notes:

(1) Non-interest income is comprised of fee income, net of broker commissions and interchange fees paid, net profit on trading and investment securities, net profits on derivative and other financial instruments and income on profit share loans.

(2) Net of certain statutory fees and charges 'grossed-up' in income and expenses in the Consolidated Financial Report.

(3) Other is primarily made up of the results of the property management activities of LJ Hooker.

(4) Underlying profit is comprised of operating profit before tax; amortisation of goodwill; investment income on shareholder funds in General Insurance, joint ventures and Wealth Management; investment income on capital and retained earnings (statutory funds) and one-off items.

Reconciliation of underlying profit to operating profit

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Total operating profit before tax and amortisation of goodwill	608	511	434	358	40.1
General Insurance investment income on shareholder funds	(118)	(71)	(59)	(28)	100.0
Share of General Insurance investment income in joint venture shareholder funds	(6)	(4)	(2)	-	200.0
Wealth Management investment income in Life Company	(15)	(13)	(10)	(4)	50.0
Wealth Management investment income in Funds Management	(1)	(1)	-	(1)	n/a
One-off items	-	(31)	-	(7)	n/a
Underlying profit	**468**	**391**	**363**	**318**	**28.9**

Statement of assets and liabilities
Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Assets					
Cash and liquid assets	816	696	764	841	6.8
Receivables due from other financial institutions	18	163	56	68	(67.9)
Trading securities	3,429	2,549	2,997	3,174	14.4
Investment securities	5,486	5,167	5,427	4,804	1.1
Investments in associates	99	100	96	83	3.1
Loans, advances and other receivables	31,057	28,744	26,637	24,426	16.6
Property, plant and equipment	179	184	204	217	(12.3)
Unlisted investment in life insurance statutory funds	214	185	181	156	18.2
Deferred tax assets	136	149	136	165	-
Intangible assets	953	984	1,008	1,038	(5.5)
Other financial assets [(1)]	633	587	456	462	38.8
Total assets	43,020	39,508	37,962	35,434	13.3
Liabilities					
Deposits and short term borrowings	27,742	24,290	22,584	21,579	22.8
Payables due to other financial institutions	39	70	22	26	77.3
Payables	900	851	1,527	1,242	(41.1)
Current tax liabilities	103	104	73	134	41.1
Provisions	121	119	88	104	37.5
Deferred tax liabilities	203	169	133	115	52.6
Outstanding claims and unearned premium provisions	5,366	5,176	5,100	5,062	5.2
Bonds, notes and long term borrowings	3,323	3,926	3,864	2,710	(14.0)
Subordinated notes	962	805	775	815	24.1
Total liabilities	38,759	35,510	34,166	31,787	13.4
Net assets	**4,261**	**3,998**	**3,796**	**3,647**	**12.2**
Equity					
Contributed equity - ordinary shares	2,725	2,654	2,622	2,587	3.9
Contributed equity - preference shares	244	244	244	244	-
Reserves	26	24	22	22	18.2
Retained profits	1,260	1,070	902	787	39.7
Total parent entity interest	4,255	3,992	3,790	3,640	12.3
Outside equity interests	6	6	6	7	-
Total equity	**4,261**	**3,998**	**3,796**	**3,647**	**12.2**

Notes:

(1) Other financial assets is mainly made up of accrued interest, prepayments and unrealised gains on derivative hedging positions.

Refer to Appendix 2 for a reconciliation of the group's Statement of Assets and Liabilities with the individual segments' assets and liabilities.

Ratios and statistics for the half-year ended 31 December 2004

Excluding Life Insurance Policy Owners' Interests

		Half-Year Ended				
		Dec-04	Jun-04	Dec-03	Jun-03	Dec-04 vs Dec-03 %
Performance ratios						
Earnings per share						
Basic	(cents)	75.1	61.5	51.3	41.9	46.4
Diluted	(cents)	75.0	61.4	51.2	41.8	46.5
Cash earnings per share						
Basic	(cents)	80.5	67.0	56.7	47.8	42.0
Diluted	(cents)	80.4	66.9	56.7	47.8	41.8
Return on average shareholders' equity						
Basic	(%)	20.7	18.1	15.6	13.4	32.7
Diluted	(%)	19.7	17.3	14.9	12.8	32.2
Cash return on average shareholders' equity						
Basic	(%)	21.0	18.7	16.5	14.8	27.3
Diluted	(%)	20.1	17.8	15.7	14.0	28.0
Return on average total assets	(%)	1.99	1.75	1.52	1.35	30.9
Insurance trading ratio	(%)	17.8	15.3	13.5	12.8	31.9
Shareholder summary						
Dividend per ordinary share	(cents)	42.0	40.0	30.0	30.0	40.0
Dividend per preference share	($)	3.18	3.10	3.17	3.15	0.3
Payout ratio						
Basic	(%)	57.0	66.1	59.9	73.0	(4.8)
Diluted	(%)	57.2	66.6	60.4	73.3	(5.3)
Weighted average number of shares						
Basic	(million)	539.7	535.4	532.5	529.4	1.4
Diluted	(million)	540.1	536.0	533.0	529.9	1.3
Number of shares at end of period						
Basic	(million)	542.0	536.6	534.1	530.8	1.5
Diluted	(million)	543.5	540.8	538.7	536.2	0.9
Net tangible asset backing per share						
Basic	($)	5.64	5.15	4.75	4.44	18.7
Diluted	($)	6.11	5.65	5.21	4.91	17.3
Share price at end of period	($)	17.38	14.20	12.39	11.60	40.3
Productivity						
Group efficiency ratio	(%)	23.4	24.6	26.1	24.5	(10.3)
Financial position						
Total assets	($ million)	43,020	39,508	37,962	35,434	13.3
Capital						
Bank capital adequacy ratio	(%)	10.44	10.26	10.17	10.66	2.7
Bank Adjusted Common Equity ratio	(%)	5.59	4.83	4.52	4.26	23.7
General Insurance minimum capital ratio coverage	(times)	1.95	1.74	1.49	1.47	26.7

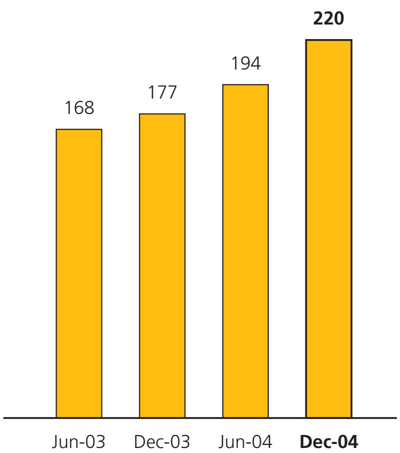
Refer Appendix 3 for definitions.
Refer Appendix 4 for details of Earnings per share and Return on average shareholders' equity calculations.

Segment information – Banking

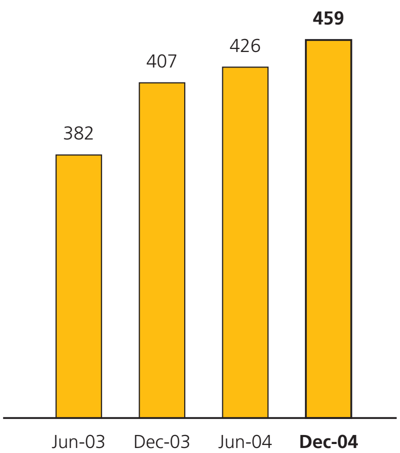
Overview

- The Banking division reported a record pre-tax profit of $220 million for the half-year, up 24.3% from the prior December half, driven by robust lending growth, increased net interest margins and continued strong credit quality.
- Compared with the June half, profits increased by 13.4%.
- Return on equity for the half-year was at 17.2%, up from 16.3% in the prior December half.
- The Company's lending growth continued to exceed the banking sector as a whole in the period to December, despite a general slowdown in industry credit growth. Total receivables, including securitised assets, rose by 17.5% compared with the prior December, reaching $32.5 billion. The increase was well above total industry lending growth of 12.5%. In the six months from June to December, total lending growth for the industry slowed to approximately 5.9%, however in that period, Suncorp's total lending increased by 7.2%.
- The strength of the lending performance was evident across the different categories of business. Home lending receivables, including securitised assets, grew by 18.8% to $18.5 billion during the 12 months to December, compared with industry home lending growth of 14.9%, and business lending rose by 19.7% to $13.5 billion, compared with system growth of 8.7%. The growth in lending balances demonstrates the effectiveness of initiatives aimed at lifting retention rates and increased new lending.
- A feature of the period was the continued growth in retail deposits, which increased by 14.6%. This was primarily driven by the new high interest Everyday Options transaction and savings account.
- Net interest margins increased to 2.31% during the period, rising seven basis points compared with the prior December, and one basis point from the June figure. Managing the mix of business towards higher margin lending, reducing discounted introductory product sales and increasing retail funding contributed to the strong margin performance.
- Net interest income increased by a healthy 18.9% to $377 million for the half-year, compared with the prior corresponding period.
- Non-interest income was down 8.9% to $82 million in the half, primarily due to increases in broker commissions in line with higher lending volumes via the broker channel.
- Banking expenses, at $221 million for the half-year, increased by 7.3%, due mainly to additional staff expenses. However, expense growth was kept well below the pace of revenue growth, leading to a reduction in the cost to income ratio to 48.1%, which is amongst the lowest in the industry.
- Credit quality remains very sound, with the bad debt charge for the period falling to $18 million, equal to just 0.08% of risk weighted assets. Total non-performing loans, including impaired assets and past due loans, continued to fall, dropping 9% to $121 million, equal to just 0.4% of gross loans. Total provisions increased 14% to $153 million, equal to 251% of impaired assets.
- The capital adequacy ratio increased to 10.44% at December, which is within the group's target range of 10-10.5%. The Adjusted Common Equity ratio increased to a healthy 5.59% at December, from 4.83% at June. This was mainly due to the receipt of a $200 million special dividend from the General Insurance subsidiary, following a $200 million subordinated debt issue in the General Insurer.

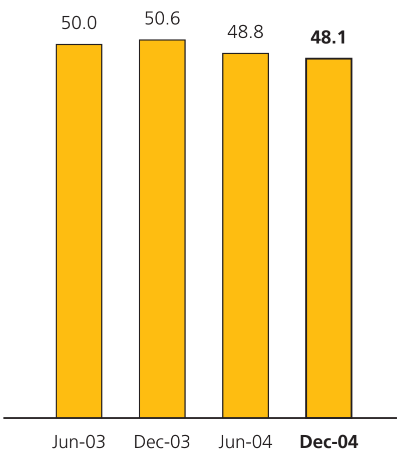
Contribution to profit
Half-year, $m



Total banking income
Half-year, $m



Cost to income ratio
Half-year, %



	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Profit contribution – Banking					
Net interest income					
Interest revenue	1,135	1,024	926	855	22.6
Interest expense	(758)	(685)	(609)	(558)	24.5
	377	339	317	297	18.9
Net banking fee income					
Banking fee and commission revenue	111	103	112	100	(0.9)
Banking fee and commission expense	(38)	(33)	(28)	(26)	35.7
	73	70	84	74	(13.1)
Other operating revenue					
Net profits on trading and investment securities	2	-	-	-	n/a
Net profits on derivative and other financial instruments	6	4	6	5	-
Other income	1	13	-	6	n/a
	9	17	6	11	50.0
Non-interest income	82	87	90	85	(8.9)
Total income from ordinary banking activities	459	426	407	382	12.8
Operating expenses					
Staff expenses	(126)	(122)	(118)	(111)	6.8
Occupancy expenses	(12)	(12)	(11)	(10)	9.1
Computer and depreciation expenses	(24)	(22)	(23)	(24)	4.3
Communication expenses	(16)	(16)	(17)	(17)	(5.9)
Advertising and promotion expenses	(10)	(13)	(11)	(9)	(9.1)
Other operating expenses [1]	(33)	(23)	(26)	(20)	26.9
	(221)	(208)	(206)	(191)	7.3
Contribution to profit from banking activities before bad and doubtful debts	238	218	201	191	18.4
Bad and doubtful debts expense	(18)	(24)	(24)	(23)	(25.0)
Contribution to profit before tax from banking activities	**220**	**194**	**177**	**168**	**24.3**
Cash return on equity (%) [2]	**17.2**	**17.3**	**16.3**	**16.4**	**5.5**

Notes:

[1] Other operating expenses is primarily made up of financial, legal, motor vehicle and travel and accommodation expenses.

[2] Refer Appendix 3 for definitions.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Assets and liabilities – Banking					
Assets					
Cash and liquid assets	496	324	522	448	(5.0)
Receivables due from other financial institutions	18	163	56	68	(67.9)
Trading securities	3,429	2,549	2,997	3,174	14.4
Investment securities	2,065	2,065	2,067	2,067	(0.1)
Loans, advances and other receivables	30,044	28,015	25,891	23,685	16.0
Property, plant and equipment	177	182	203	215	(12.8)
Deferred tax assets	135	147	135	100	-
Intangible assets	21	22	23	23	(8.7)
Other financial assets [1]	423	426	332	282	27.4
Total assets	36,808	33,893	32,226	30,062	14.2
Liabilities					
Deposits and short term borrowings	27,812	24,684	23,054	22,016	20.6
Payables due to other financial institutions	39	70	22	26	77.3
Payables	699	612	954	1,055	(26.7)
Current tax liabilities	104	104	73	75	42.5
Provisions	119	116	83	87	43.4
Deferred tax liabilities	203	169	133	55	52.6
Bonds, notes and long term borrowings	3,323	3,926	3,864	2,710	(14.0)
Subordinated notes	763	805	775	815	(1.5)
Total liabilities	33,062	30,486	28,958	26,839	14.2
Net assets	**3,746**	**3,407**	**3,268**	**3,223**	**14.6**

Notes:

[1] Other financial assets is mainly made up of accrued interest, prepayments and unrealised gains on derivative hedging positions.

	Half-Year Ended			
	Dec-04 %	Jun-04 %	Dec-03 %	Jun-03 %
Banking statistics				
Cost to income ratio	48.1	48.8	50.6	50.0
Cost to average total banking assets ratio	1.26	1.30	1.34	1.34
Capital adequacy ratio	10.44	10.26	10.17	10.66
Return on average risk weighted assets ratio	1.45	1.41	1.39	1.43
Net interest margin	2.31	2.30	2.24	2.28
Net interest spread	2.03	2.06	2.02	2.07

Refer Appendix 3 for definitions.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %	Dec-04 vs Jun-04 %
Asset growth						
Housing loans	18,465	17,238	15,548	14,547	18.8	7.1
Consumer receivables	582	543	485	477	20.0	7.2
Retail loans	19,047	17,781	16,033	15,024	18.8	7.1
Commercial loans	3,087	2,743	2,509	2,068	23.0	12.5
Development finance	2,683	2,381	2,072	1,475	29.5	12.7
Property investment	3,233	2,920	2,761	2,523	17.1	10.7
Lease finance	2,035	1,918	1,825	1,774	11.5	6.1
Agribusiness	2,458	2,279	2,111	2,075	16.4	7.9
Business loans	13,496	12,241	11,278	9,915	19.7	10.3
Structured finance	8	8	8	18	-	-
Other receivables [1]	43	87	80	102	(46.3)	(50.6)
Total lending	32,594	30,117	27,399	25,059	19.0	8.2
Provision for impairment	(153)	(142)	(134)	(121)	14.2	7.7
	32,441	29,975	27,265	24,938	19.0	8.2
Intragroup receivables	64	354	400	397	(84.0)	(81.9)
Total loans, advances and other receivables including securitised balances	32,505	30,329	27,665	25,335	17.5	7.2
Less: Securitised loan balances (housing)	(2,461)	(2,314)	(1,774)	(1,650)	38.7	6.4
Loans, advances and other receivables	**30,044**	**28,015**	**25,891**	**23,685**	**16.0**	**7.2**
Gross banking loans, advances and other receivables	**30,133**	**27,803**	**25,625**	**23,409**	**17.6**	**8.4**
Risk weighted assets	**22,054**	**20,152**	**18,629**	**16,829**	**18.4**	**9.4**
Geographical breakdown - total lending						
Queensland	19,871	18,589	17,189	16,146	15.6	6.9
New South Wales	7,182	6,483	5,969	4,702	20.3	10.8
Victoria	4,326	3,927	3,365	3,553	28.6	10.2
Western Australia	1,027	848	696	596	47.6	21.1
South Australia and other	188	270	180	62	4.4	(30.4)
Total lending	**32,594**	**30,117**	**27,399**	**25,059**	**19.0**	**8.2**

Notes:

(1) Other receivables is primarily made up of trade finance and foreign exchange advances.

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %	Dec-04 vs Jun-04 %
Disbursements						
By segment						
Housing	3,213	3,340	3,105	2,574	3.5	(3.8)
Consumer	109	131	92	78	18.5	(16.8)
Business	4,586	3,600	4,549	3,089	0.8	27.4
Total	**7,908**	**7,071**	**7,746**	**5,741**	**2.1**	**11.8**
Geographical breakdown						
Queensland	4,583	4,089	4,501	3,198	1.8	12.1
New South Wales	1,938	1,610	2,045	1,370	(5.2)	20.4
Victoria	967	998	940	981	2.9	(3.1)
Western Australia	377	316	214	136	76.2	19.3
South Australia and other	43	58	46	56	(6.5)	(25.9)
Total	**7,908**	**7,071**	**7,746**	**5,741**	**2.1**	**11.8**

Asset growth (continued)

Total lending

Total receivables, including securitised assets, rose by 17.5% to $32.5 billion over the 12 months to December, compared with overall industry credit growth of 12.5%. In the six months to December, asset growth slowed to a more sedate 7.2% (14.4% annualised), reflecting the general slowdown in the housing market following increases in official interest rates at the end of 2003. However, this was still above industry lending growth in the period of approximately 11.8% annualised.

Lending was underpinned by the generally strong domestic economic environment, featuring healthy growth, low unemployment, low inflation and stable interest rates. Building on that solid foundation, the group made improvements in the distribution network, product mix and service levels, enabling the group to outperform the market.

The overall geographical diversity of the portfolio continues to improve, with lending outside Queensland growing by 24.6% to $12.7 billion, and now accounting for 39% of total lending. Growth was particularly strong in Western Australia and Victoria, reflecting the benefits of initiatives in those states, and reducing the concentration risk of the total book.

Disbursements, or new lending, rebounded in the December half, following a slowdown in the June half last year. Overall disbursements increased by 2% to $7.9 billion compared with December 2003, and were up 12% on June 2004, primarily due to increased business lending in Queensland and NSW.

Housing lending

The home loan portfolio, including securitised assets, totalled $18.5 billion at December, up 18.8% compared with December 2003, which was well above industry lending growth of 14.9%. In the six months from June to December, housing lending across the banking sector slowed to a more sustainable pace of approximately 12.5% annualised. Suncorp continued to outperform the banking system in the period, with home lending increasing by a healthy 7.1% (14.2% annualised).

After growing by 32% in the 12 months to June 2004, disbursements slowed in the six months to December, reducing by 4% in keeping with the general cooling in the housing market. The overall level of home loan sales however remains strong, at $3.2 billion, enabling asset growth rates to be maintained at a healthy rate.

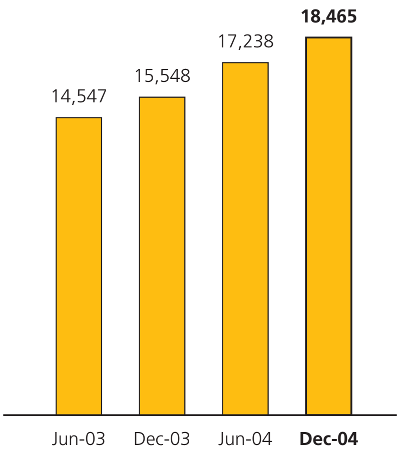
The growth in assets in the December half was felt across the housing portfolio. In Queensland, home lending receivables increased by 6% compared with June. Outside Queensland, assets grew by 8% with particularly strong growth in Western Australia, South Australia and the ACT. Assets outside Queensland now account for approximately 36% of the book.

This good performance in housing, despite the clear market slowdown, has been achieved through initiatives aimed at simplifying lending practices to make it easier for customers, improving service standards and lifting retention rates. The success of these initiatives is evident in increased customer satisfaction ratings and significantly reduced run-off rates.

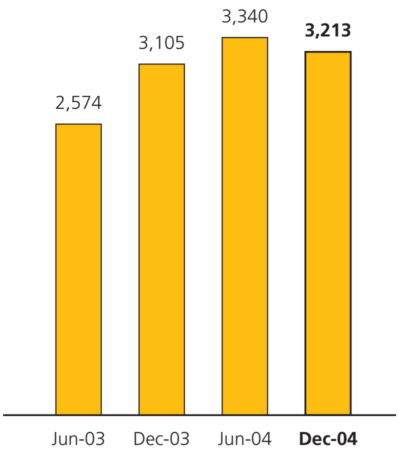
The broker distribution network also has been successfully expanded. Assets generated through the channel now amount to approximately 37% of the housing portfolio, up from 31% at December 2003. The rapid growth in the broker channel which has occurred in recent years slowed in the December half, in line with the market. After growing 22% between December 2003 and June 2004, broker disbursements fell 10% to approximately $1.5 billion in the six months to December 2004. New lending via direct channels has remained fairly stable, growing by 2% in the six months to December 2004 (compared with the June half), to $1.7 billion.

In Queensland, direct channels remain the principal distribution mechanism, accounting for 70% of disbursements. Interstate, the reverse is the case, with brokers generating 80% of disbursements.

Housing lending assets
Half-year, $m



Housing lending disbursements
Half-year, $m



Asset growth (continued)

Housing lending (continued)

The mix of new lending between owner-occupied and investment housing has also shifted in the December half, with a decline in disbursements for investment purposes. At $800 million, investment loan sales were down 12% compared with the June half. Owner-occupied disbursements, which constitute approximately 75% of new housing loans, were stable over the six months compared with the June half, and are up 17% compared with the prior December.

'Low doc' lending has been a successful product for the Company, with assets increasing to almost $2 billion, from $1.3 billion at December 2003 and $1.8 billion at June 2004. The Company's low doc product is very conservatively structured, with a maximum loan to valuation ratio (LVR) of 80% and with all loans over 60% LVR mortgage insured. Credit quality in the low doc portfolio therefore is very strong, and the product is offered at a higher margin rate of lending.

Consumer lending

Consumer lending, made up principally of personal loans, credit card receivables and margin lending, grew by 20% to $582 million in receivables at December, compared with the previous corresponding period. While the segment remains a relatively small part of the portfolio, the strong growth mainly reflects the success of the Clear Options credit card and increased margin lending. Clear Options balances increased to $70 million at December 2004, compared with $26 million at December 2003. The improved climate in equities markets contributed to strong growth in margin lending balances, which grew by 35% to $224 million.

Business lending

Business lending assets grew to $13.5 billion at December, up 20% on the prior December, compared with system growth of 8.7%. Favourable economic conditions and high business confidence, particularly in Queensland, underpinned business lending, and Suncorp outperformed the market through the success of its relationship model and acknowledged expertise in segments such as property, small business lending and agribusiness. While property markets cooled over the 12 months to December, lending growth remained satisfactory. Cautious expansion into new areas such as corporate lending also provided good growth off a small base.

Commercial lending is predominantly made up of lending to small to medium sized enterprises, but also includes some corporate lending. The segment continues to grow well above industry growth rates, increasing to $3.1 billion at December, up 23% on the prior December and 12.5% on June.

Growth has been strong in Queensland and in other states. In markets outside Queensland, the Company has identified brokers as the primary distribution network, and has implemented a strategy of developing strong relationships and high service standards for key brokers to develop long term business partnerships.

Within Queensland, distribution has continued to be primarily via the group's extensive network and strong brand position. We also have identified certain industries where we have developed specialist status, such as in management rights, pubs and clubs, and we are leveraging that positioning.

The Corporate book (predominantly customers with turnovers of $10 million to $100 million) has been growing well, with a focus on developing high quality exposures to investment grade corporate clients, typically via participation in quality loan syndications. While still relatively small, the Corporate book grew to $1.05 billion at December, which is up from $822 million at June.

Development finance. Lending growth in development finance slowed as anticipated in the December six months reflecting the moderation in property markets, but underlying activity remained resilient. After growing by 61% in the year to June 2004, the portfolio growth eased to 29.5% in the 12 months to December, and in the final six months to December, the growth rate was an annualised 25%, which remains very healthy. Credit quality continues to be excellent and interest margins have held up well.

The portfolio continues to be widely diversified geographically, with approximately 40% of assets in NSW, 39% in Queensland and 13% in Victoria. In the six months to December, strongest growth was in Queensland, where assets increased by 53% compared with the prior December, driven by population growth and economic expansion. Growth was also strong in Victoria and Western Australia, while assets in NSW increased by 4.2%, reflecting the slowdown in development activity in that state.

Property investment, which includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects, grew by 17% compared with the prior December. Retail shopping centres account for approximately one-third of the portfolio, commercial offices account for one-third, with the remainder made up of industrial premises. Again, the portfolio is well diversified geographically, with more than 40% of assets outside of Queensland. In the six months to December, solid growth was recorded in Queensland, NSW and Western Australia. Asset quality is very high and the outlook remains positive due to good economic growth.

Leasing assets rose by 11.5% to $2.0 billion. This division continues to grow steadily with a focus on low risk, high volume equipment and vehicle leasing on the eastern seaboard. The majority of leasing business is referred via third party brokers with whom we continue to build a strong reputation. The strong performance was driven by good growth in car sales during the year. The Company also expanded into so-called 'yellow goods' such as construction equipment and forklifts, leading to solid growth.

Agribusiness receivables grew by 16% to $2.5 billion compared with December 2003. While drought persists in some areas, conditions have generally improved. Commodity prices have also been strong in key segments such as sugar and beef, although cotton and citrus are facing some specific difficulties. Overall credit quality continues to improve, with low losses and further reductions in impaired assets during the period.

Securitisation of loans

Outstanding securitised assets totalled $2.5 billion at the end of December 2004, up from $2.3 billion at June 2004, due to a $700 million securitisation issue in September 2004 offset by run-off.

The impact of the additional securitisation program undertaken in the half-year was to reduce net interest income by $2.4 million, and increase fee income by $1.9 million. The Company plans one domestic and one offshore securitisation issue each year, subject to balance sheet growth and market conditions.

The Company is currently completing a $2 billion securitisation via the APOLLO Series 2005-1E Trust. The transaction, which is our third offshore issue and the largest to date, is due to settle on 2 March 2005. It includes low doc loans for the first time, representing approximately 9.8% of the total transaction.

Funding and deposits

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Retail funding					
Australian retail deposits					
Transaction	4,134	3,146	2,646	2,353	56.2
Investment	3,741	3,556	3,751	3,451	(0.3)
Term	4,202	4,479	4,142	3,662	1.4
Core retail deposits	12,077	11,181	10,539	9,466	14.6
Retail treasury	2,360	2,241	2,718	3,663	(13.2)
Total retail funding	14,437	13,422	13,257	13,129	8.9
Wholesale funding					
Australian wholesale funding	9,427	8,969	6,948	5,417	35.7
Overseas funding sources					
Subordinated debt program (USD)	317	360	331	371	(4.2)
Asian debt instrument program	-	-	-	132	n/a
Euro commercial paper market	3,313	2,749	3,243	2,764	2.2
Euro medium term note market	4,404	3,915	3,914	3,729	12.5
	8,034	7,024	7,488	6,996	7.3
Total wholesale funding	17,461	15,993	14,436	12,413	21.0
Total funding	**31,898**	**29,415**	**27,693**	**25,542**	**15.2**
Total funding is represented by:					
Deposits and short term borrowings	25,585	24,684	23,054	22,016	11.0
Bonds, notes and long term borrowings	5,550	3,926	3,864	2,711	43.6
Subordinated debt	763	805	775	815	(1.5)
Total	**31,898**	**29,415**	**27,693**	**25,542**	**15.2**
Retail funding as a percentage of total funding	**45%**	**46%**	**48%**	**51%**	**(6.2)**

Funding and deposits (continued)

Retail funding

Strong growth in retail deposits was a highlight of the Bank's performance in the December half, with total retail funding increasing by 8.9% compared with the previous corresponding period, to $14.4 billion. On an underlying basis, core retail deposits, excluding Treasury, grew by 14.6% to $12.1 billion, which was well above industry retail deposit growth of 8.9% for the 12 months and reached an annualised rate of 16% in the six months to December.

The major growth was seen in Transaction deposits, which grew 56% to $4.1 billion. This category includes Personal Transaction, Savings accounts and small business deposits. The high interest bearing Everyday Options transaction account, which provides customers a core transaction account and sub accounts for savings or money management, has been very successful in attracting new retail deposits at rates which remain lower than wholesale funding costs. The account has attracted approximately $1.5 billion, up from $488 million at June.

Wholesale funding

In September 2004, Suncorp Metway Insurance Limited undertook a successful subordinated debt issue raising $200 million, split between fixed and floating tranches. The proceeds were upstreamed to the Bank via a special dividend. This is the first time the group has raised funds through the General Insurance arm. A total of 20 Australian based investors participated in the transaction. The quality and diversity of the book was very strong, ensuring a strong pricing outcome.

In October 2004, Suncorp undertook a Euro 500 million five year floating rate note issue (equivalent to A$860 million) which replicates our last visit to the European markets in October 2003. The objectives for this benchmark transaction were to provide additional investor diversification and to lengthen the weighted average term and dispersion of the balance sheet. This was achieved with the book allocation going to 41 investors from 14 countries with some 40% of the deal going to new investors. Private placements and wholesale short term issuance (domestic and offshore) continued to be used to balance liquidity and funding requirements around benchmark transactions.

Net interest income

Net interest income rose by 18.9% to $377 million for the half-year, driven by solid lending growth and increased net interest margins.

Compared with the prior December, net interest margins rose seven basis points to 2.31%, reflecting the Company's focus on maintaining pricing disciplines. Average lending rates increased to 7.15% for the six months, compared with 6.79% at the prior December.

The strength of average lending rates flowed through to margin via a small increase in spreads, which rose by one basis point to 2.03%, but mainly through an increase in the value of the free funds on the balance sheet, which increased by six basis points to 0.28%.

Other factors which contributed to the strong margin performance included:

- A shift in the mix of the lending book towards higher margin products, with slower growth in lower margin housing offset by good growth in higher margin business lending products. Within the housing book, sales of discounted introductory products reduced by more than 75% compared with the six months to December 2003.
- Good growth in retail deposits rather than more expensive wholesale funds, which helped to keep in check the average interest rate on liabilities in a competitive environment. The rate was at 4.93% at December 2004, compared with 4.52% at the prior December, and increased by only four basis points from the June half.
- A positive impact from favourable movements in the yield curve. This has led to a seven basis points reduction in the average gap between the 90 day funding benchmark and the cash rate from the December 2003 half to the December 2004 half.

Net banking fee income

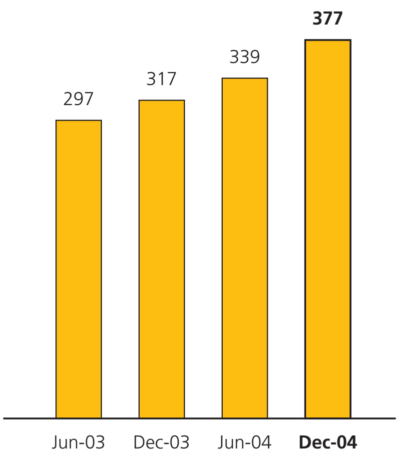
Bank fee income for the half-year, at $73 million, was down 13.1% on the same period in 2003, but up 4.3% on the June half.

The movement from the prior corresponding period was mainly a result of reductions in net lending fees, due to an increase in broker commissions paid, which are netted off against this line. Broker commissions increased from $13 million in the six months to December 2003, to $18 million in the period under review, due to the increase in assets generated via the broker channel. The growth in business volumes also led to increases in valuation fees paid.

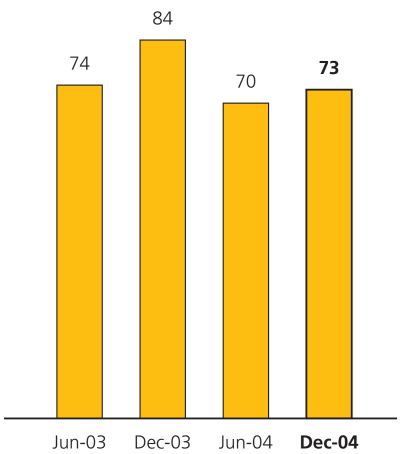
Fee income also was affected by increases in retention rates, which led to lower break fees, and by competition in the market around discounts in loan establishment fees.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Net banking fee income					
Lending fees revenue	44	35	43	36	2.3
Lending fees expense	(23)	(19)	(15)	(13)	53.3
Net lending fees	21	16	28	23	(25.0)
Transaction fees	43	43	43	42	-
Securitisation fees	8	10	11	7	(27.3)
Interchange fees	1	1	2	2	(50.0)
	73	**70**	**84**	**74**	**(13.1)**

Net interest income
Half-year, $m



Net fee income
Half-year, $m



Operating expenses

Operating expenses increased by 7.3% to $221 million for the half, due mainly to higher staff-related costs, including increases in performance-based remuneration. Other major categories remained fairly stable.

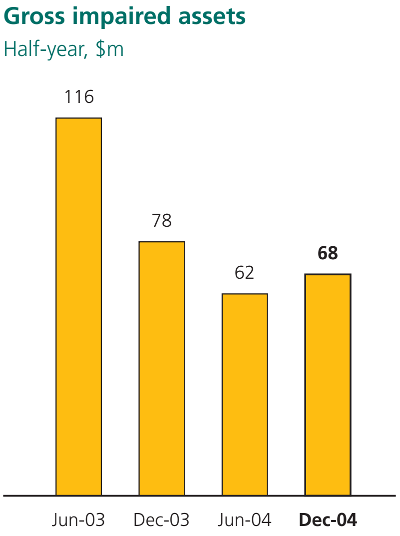
Importantly, the rate of cost growth was lower than the 12.8% increase in operating revenue, leading to a reduction in the cost to income ratio to 48.1% for the year. At that level, the ratio is in line with major bank competitors and well below other regional banks, demonstrating the cost efficiencies available from the group's diversified financial services business model.

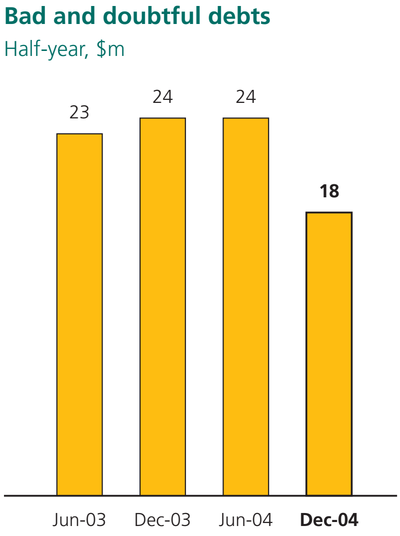
Bad and doubtful debts

The charge for bad and doubtful debts was $18 million for the half, down from $24 million in the December half of 2003. As a proportion of average loans, advances and other receivables, the bad debt charge amounts to just six basis points for the half, demonstrating the high credit quality of the portfolio. The bulk of the bad debt charge ($12 million) was the normal increase in the general provision due to growth in the book.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Charge for bad and doubtful debts					
General provision for impairment	12	9	10	6	20.0
Specific provision for impairment	4	11	11	8	(63.6)
Bad debts written off	4	6	4	11	-
Bad debts recovered	(2)	(2)	(1)	(2)	100.0
	18	**24**	**24**	**23**	**(25.0)**

Approximately 57% of total lending is made up of low risk housing loans, and the portfolio has very low exposure to large corporate lending or unsecured consumer finance. The bulk of lending, including housing, development finance, property investment, agribusiness and commercial lending is secured by land and buildings at conservative valuations.





Impaired assets

Credit quality remains very sound, with gross impaired assets totalling $68 million, equivalent to just 0.23% of gross loans, advances and other receivables. Past 90 day due loans were at $53 million, taking total non-performing loans to $121 million, down from $133 million in the prior December half. As a proportion of gross loans, non-performing loans represent just 0.40%.

Of the $68 million in impaired assets, agribusiness remains the biggest segment at $32 million, although this has reduced from $46 million in the prior June half as conditions in rural industries have improved. It is important to note that the majority of the Company's loan book is secured by hard assets and property. Therefore, while a loan may become non-performing, it typically does not result in a bad debt charge due to the strength of the security position underpinning the loan.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Gross balances of non-accrual loans					
with specific provisions set aside	32	32	48	51	(33.3)
without specific provisions set aside	36	30	30	65	20.0
Gross impaired assets	68	62	78	116	(12.8)
Interest reserved	(7)	(8)	(10)	(13)	(30.0)
Net balances	61	54	68	103	(10.3)
Specific provision for impairment	(18)	(19)	(20)	(17)	(10.0)
Net impaired assets	43	35	48	86	(10.4)
Size of gross impaired assets					
Less than one million	25	25	34	38	(26.5)
Greater than one million but less than ten million	32	27	44	78	(27.3)
Greater than ten million	11	10	-	-	n/a
	68	62	78	116	(12.8)
Past due loans not shown as impaired assets					
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the contribution to profit.					
The value of past due loans is	53	67	55	71	(3.6)
Gross non-performing loans	121	129	133	187	(9.0)
Interest income foregone on impaired assets					
Net interest charged but not recognised as revenue in the contribution to profit during the half-year was	4	4	4	5	0.0
Interest income on impaired assets recognised in the Statement of Operating Profit					
Net interest charged and recognised as revenue in the contribution to profit during the half-year was	1	3	4	4	(75.0)
Analysis of movements in gross impaired assets					
Balance at the beginning of the half-year	62	78	116	146	(46.6)
Recognition of new impaired assets and increases in previously recognised impaired assets	30	22	26	32	15.4
Impaired assets written off during the half-year	(5)	(12)	(8)	(7)	(37.5)
Impaired assets which have been restated as performing assets or repaid	(19)	(26)	(56)	(55)	(66.1)
Balance at the end of the half-year	68	62	78	116	(12.8)
	%	%	%	%	
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.23	0.22	0.30	0.50	(23.3)
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.40	0.46	0.52	0.80	(23.1)

Impaired assets (continued)

Industry breakdown shown below is based on the source of credit risk whereas the asset growth table on page 14 is based on the nature of the loan.

Industry breakdown of impaired assets and specific provisions as at 31 December 2004 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m
Agribusiness	2,274	32	15
Construction and development	3,061	9	1
Financial services	346	-	-
Hospitality	828	3	-
Manufacturing	403	1	-
Professional services	601	2	-
Property investment	3,757	11	-
Real estate mortgage	19,095	-	-
Personal	582	1	1
Government and public authorities	2	-	-
Other commercial and industrial	1,645	9	1
	32,594	**68**	**18**

Industry breakdown of impaired assets and specific provisions as at 30 June 2004 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m
Agribusiness	2,083	46	16
Construction and development	2,743	2	-
Financial services	332	-	-
Hospitality	711	1	1
Manufacturing	408	2	-
Professional services	586	1	-
Property investment	3,414	1	1
Real estate mortgage	17,842	1	-
Personal	543	-	-
Government and public authorities	2	-	-
Other commercial and industrial	1,453	8	1
	30,117	**62**	**19**

Impaired assets (continued)

Industry breakdown of impaired assets and specific provisions as at 31 December 2003 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m
Agribusiness	1,968	46	13
Construction and development	2,500	6	1
Financial services	376	-	-
Hospitality	723	4	1
Manufacturing	393	7	-
Professional services	542	1	1
Property investment	3,007	5	2
Real estate mortgage	16,074	2	-
Personal	485	-	-
Government and public authorities	2	-	-
Other commercial and industrial	1,329	7	2
	27,399	**78**	**20**

Industry breakdown of impaired assets and specific provisions as at 30 June 2003 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m
Agribusiness	1,921	62	7
Construction and development	1,947	7	1
Financial services	156	-	-
Hospitality	643	14	1
Manufacturing	379	3	2
Professional services	543	2	1
Property investment	2,677	11	3
Real estate mortgage	15,028	1	1
Personal	477	-	-
Government and public authorities	2	-	-
Other commercial and industrial	1,286	16	1
	25,059	**116**	**17**

Provision for impairment

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
General provision					
Balance at the beginning of the period	123	114	104	98	18.3
Charge against contribution to profit	12	9	10	6	20.0
Balance at the end of the period	135	123	114	104	18.4
Specific provision					
Balance at the beginning of the period	19	20	17	16	11.8
Charge against contribution to profit – new and increased provisions	6	15	14	9	(57.1)
Write back of provisions no longer required	(2)	(4)	(3)	(1)	(33.3)
Bad debts written-off	(5)	(12)	(8)	(7)	(37.5)
Balance at the end of the period	18	19	20	17	(10.0)
Total provision for impairment – Banking activities	**153**	**142**	**134**	**121**	**14.2**

	%	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
Specific provision	29.5	35.2	29.4	16.5
Total provision	250.8	263.0	197.1	117.5
General provision for impairment expressed as a percentage of risk weighted assets, including off balance sheet positions	0.58	0.58	0.58	0.58

Provisioning levels remain prudent given the low loss history of the portfolio. The general provision was increased by $12 million during the half, to $135 million, maintaining the provision at 0.58% of risk weighted assets. Unlike major bank competitors, the general provision is only partially tax-effected. If it were fully tax effected, the provision would increase by $24 million to $159 million, which would be equal to 0.68% of risk weighted assets.

The specific provision reduced by $1 million to $18 million, equal to 0.08% of risk weighted assets, confirming the strong credit quality of the portfolio and high security position.

Total provisions are equivalent to a conservative 251% of gross impaired assets less interest reserved, up from 197% at December 2003.

Average banking assets and liabilities

	Half-Year Ended Dec-04			Half-Year Ended Jun-04		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Trading securities	3,028	83	5.44	2,733	75	5.52
Gross loans, advances and other receivables	28,921	1,043	7.15	26,595	942	7.12
Other interest earning assets	380	9	4.70	309	7	4.56
Total interest earning assets	32,329	1,135	6.96	29,637	1,024	6.95
Non-interest earning assets						
Provision for impairment	(146)			(135)		
Property, plant and equipment	175			191		
Other financial assets	2,352			2,395		
Total non-interest earning assets	2,381			2,451		
Total assets	34,710			32,088		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	26,263	637	4.81	23,298	549	4.74
Bonds, notes and long term borrowings	3,688	102	5.49	4,300	118	5.52
Subordinated notes [1]	568	19	6.64	546	18	6.63
Total interest bearing liabilities	30,519	758	4.93	28,144	685	4.89
Non-interest bearing liabilities						
Other liabilities	656			634		
Total non-interest bearing liabilities	656			634		
Total liabilities	31,175			28,778		
Net assets	3,535			3,310		
Analysis of interest margin and spread						
Interest earning assets	32,329	1,135	6.96	29,637	1,024	6.95
Interest bearing liabilities	30,519	758	4.93	28,144	685	4.89
Net interest spread			2.03			2.06
Net interest margin	32,329	377	2.31	29,637	339	2.30

Notes:

[1] Excludes the subordinated debt notionally allocated to General Insurance as capital funding and the associated interest cost charged to General Insurance.

	Half-Year Ended Dec-03			Half-Year Ended Jun-03		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Average banking assets and liabilities (continued)						
Assets						
Interest earning assets						
Trading securities	2,918	70	4.77	2,752	65	4.76
Gross loans, advances and other receivables	24,801	847	6.79	23,256	783	6.79
Other interest earning assets	426	9	4.20	304	7	4.64
Total interest earning assets	28,145	926	6.54	26,312	855	6.55
Non-interest earning assets						
Provision for impairment	(127)			(115)		
Property, plant and equipment	209			223		
Other financial assets	2,279			2,249		
Total non-interest earning assets	2,361			2,357		
Total assets	**30,506**			**28,669**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	21,987	471	4.26	21,690	468	4.35
Bonds, notes and long term borrowings	4,270	121	5.64	2,939	76	5.21
Subordinated notes [(1)]	532	17	6.36	488	14	5.79
Total interest bearing liabilities	26,789	609	4.52	25,117	558	4.48
Non-interest bearing liabilities						
Other liabilities	511			378		
Total non-interest bearing liabilities	511			378		
Total liabilities	**27,300**			**25,495**		
Net assets	**3,206**			**3,174**		
Analysis of interest margin and spread						
Interest earning assets	28,145	926	6.54	26,312	855	6.55
Interest bearing liabilities	26,789	609	4.52	25,117	558	4.48
Net interest spread			2.02			2.07
Net interest margin	28,145	317	2.24	26,312	297	2.28

Notes:

(1) Excludes the subordinated debt notionally allocated to General Insurance as capital funding and the associated interest cost charged to General Insurance.

Changes in net interest income: Volume and rate analysis

The tables below allocate changes in net interest income between changes in volume and changes in rate over the four half years. Volume variances have been calculated by multiplying the average of both half years' average interest rates by the movement in average asset and liability balances. Rate variances have been calculated by multiplying the average asset and liability balances by the change in average interest rates, and includes differences arising from different numbers of days in the periods.

	Half-Year Dec-04 v Jun-04 Changes due to:			Half-Year Jun-04 v Dec-03 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	8	-	8	(5)	10	5
Gross loans, advances and other receivables	84	17	101	62	33	95
Other interest earning assets	2	-	2	(3)	1	(2)
Change in interest income	94	17	111	54	44	98
Interest bearing liabilities						
Deposits and short term borrowings	71	17	88	29	49	78
Bonds, notes and long term borrowings	(17)	1	(16)	1	(4)	(3)
Subordinated notes	1	-	1	-	1	1
Change in interest expense	55	18	73	30	46	76
Change in net interest income	**39**	**(1)**	**38**	**24**	**(2)**	**22**

	Half-Year Dec-03 v Jun-03 Changes due to:			Half-Year Jun-03 v Dec-02 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	4	1	5	19	(2)	17
Gross loans, advances and other receivables	53	11	64	33	(20)	13
Other interest earning assets	3	(1)	2	(4)	-	(4)
Change in interest income	60	11	71	48	(22)	26
Interest bearing liabilities						
Deposits and short term borrowings	6	(3)	3	39	(8)	31
Bonds, notes and long term borrowings	36	9	45	(4)	1	(3)
Subordinated notes	2	1	3	-	(4)	(4)
Change in interest expense	44	7	51	35	(11)	24
Change in net interest income	**16**	**4**	**20**	**13**	**(11)**	**2**

Segment information – General Insurance

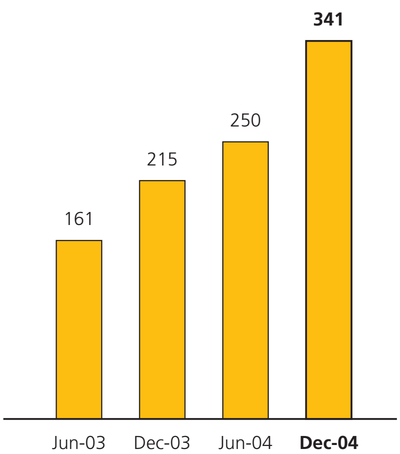
Overview

- General Insurance pre-tax profit rose by 59% to $341 million, driven by good growth in premium revenue, favourable claims outcomes and improved investment returns.
- The Insurance Trading Result increased by 47% to $213 million, equal to a margin of 17.8% on earned premium.
- The cash return on equity for the General Insurance division increased to 22.5%, up from 15.3% at December 2003.
- Gross written premium (GWP) rose by 6.4% to $1.26 billion due mainly to growth in risks during the period. Premium rates increased marginally in some classes, and were reduced in other segments in line with improvements in claims experience. Compared with the preceding June half, GWP was flat, reflecting seasonality in renewal patterns. This is particularly the case in commercial business and workers' compensation, with renewals generally occurring in June, leading to an uplift in revenues.
- Net earned premium (NEP) increased by 11.2% to $1.2 billion as rate increases in prior periods flowed through to earned premium. A reduction in reinsurance expense due to changes in the program also contributed to the rise in NEP.
- Net claims expense, excluding discount rate movements, increased by 6.5% to $840 million, in line with increases in business volumes. Improved claims experience was seen in most segments of the portfolio, although the incidence of storms in this period and the prior corresponding period was unusually high. Storm-related costs, net of reinsurance, were marginally higher in the half-year compared with the prior corresponding period. Tort law reforms continue to have a positive impact on personal injury claims costs. This, and other improvements in claims management, led to significant releases from outstanding claims provisions, partially offset by increases in risk margins.
- These factors led to a reduction in the underlying loss ratio, excluding discount rate impacts, from 73.3% to 70.2%.
- Operating efficiency continued to improve during the period, with the operating expense ratio reducing to a low 8.7% from 10.3% at the prior December. Growth in the business led to increases in acquisition costs, which rose by 16.8% to $146 million. Total operating expenses increased 5.9% to $250 million at December, but the total expense ratio fell to 20.9%.
- The underwriting profit, excluding discount rate adjustments, increased 110% to $107 million, up from $51 million in the prior corresponding period, and the combined operating ratio decreased from 95.2% to a low 91.1%.
- Investment income on insurance provisions, again excluding discount rate adjustments, increased 12.8% to $106 million. This was due mainly to increases in funds under management.
- After consistent earnings contributions from the managed schemes division and the motoring club joint ventures, General Insurance operational earnings rose by 42% to $235 million for the six months.
- A major contributor to the bottom line profit increase was a doubling in investment returns on shareholder funds, from $59 million to $118 million. The improvement was mainly due to the strength of the domestic equities markets, which experienced a 17.2% increase in the S&P/ASX 200 Accumulation Index during the half-year. Approximately 42% of shareholder funds are invested in Australian equities.

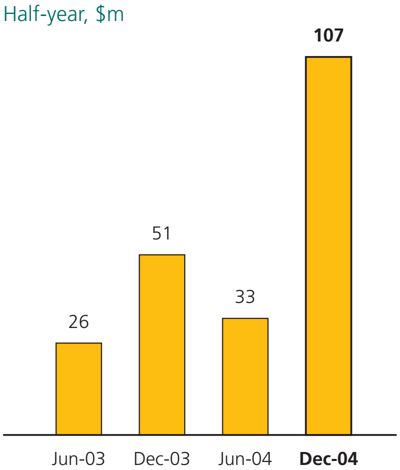
Profit contribution – General Insurance excluding discount rate adjustment

The following table presents the General Insurance profit contribution after excluding the impact of movements in interest rates within the trading result, to provide a clearer indication of underlying performance.

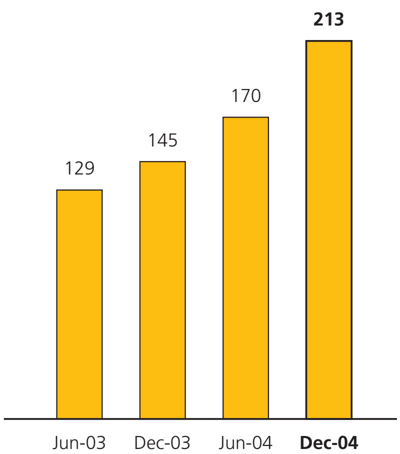
Contribution to profit
Half-year, $m



Underwriting result (excluding discount rate adjustment)
Half-year, $m



Insurance trading result
Half-year, $m



Profit contribution – General Insurance excluding discount rate adjustment (continued)

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Gross written premiums	1,255	1,251	1,179	1,153	6.4
Gross unearned premium movement	1	(58)	(31)	(73)	(103.2)
Gross earned premiums	1,256	1,193	1,148	1,080	9.4
Outwards reinsurance expense	(59)	(85)	(72)	(71)	(18.1)
Net earned premium	1,197	1,108	1,076	1,009	11.2
Net incurred claims					
Claims expense	(1,012)	(962)	(918)	(902)	10.2
Reinsurance and other recoveries revenue	172	131	129	130	33.3
	(840)	(831)	(789)	(772)	6.5
Total operating expenses					
Acquisition costs [(1)]	(146)	(142)	(125)	(117)	16.8
Operating expenses	(104)	(102)	(111)	(94)	(6.3)
	(250)	(244)	(236)	(211)	5.9
Underwriting result	107	33	51	26	109.8
Investment revenue – insurance provisions					
Interest, dividends, rent and other	125	120	116	113	7.8
Realised and unrealised gains/(losses) on investments	(19)	17	(22)	(10)	(13.6)
	106	137	94	103	12.8
Insurance trading result	213	170	145	129	46.9
Managed schemes net contribution	11	10	10	(7)	10.0
Joint venture income	11	9	10	5	10.0
General Insurance operational earnings	235	189	165	127	42.4
Investment revenue – shareholder funds					
Interest, dividends, rent and other	64	36	26	29	146.2
Realised and unrealised gains/(losses) on investments	61	42	32	13	90.6
Other revenue [(2)]	4	3	10	(5)	(60.0)
Other expenses [(3)]	(11)	(10)	(9)	(9)	22.2
	118	71	59	28	100.0
Profit on sale of property	-	-	-	16	n/a
Contribution to profit from General Insurance activities before tax and capital funding	353	260	224	171	57.6
Subordinated debt expense – capital funding	(12)	(10)	(9)	(10)	33.3
Contribution to profit from General Insurance activities before tax	**341**	**250**	**215**	**161**	**58.6**
Cash return on equity (%) [(4)]	**22.5**	**17.1**	**15.3**	**12.0**	**47.1**
Contribution to profit from General Insurance activities before tax	**341**	**250**	**215**	**161**	**58.6**
General Insurance investment income on shareholder funds	(118)	(71)	(59)	(28)	100.0
Share of General Insurance investment income in joint venture shareholder funds	(6)	(4)	(2)	-	200.0
One-off items	-	-	-	(8)	n/a
Underlying profit	**217**	**175**	**154**	**125**	**40.9**

Notes:

(1) Net of certain statutory fees and charges included in income and expenses in the Consolidated Financial Report.

(2) Other revenue consists mainly of allocated service fee revenue.

(3) Other expenses is primarily made up of investment management expenses.

(4) Refer Appendix 3 for definition.

Profit contribution – General Insurance including discount rate adjustment

The following table restates the profit contribution by including the impact of movements in interest rates, in accordance with statutory accounting formats.

In the accounts, movements in market interest rates, which are outside the Company's control, have a significant effect on three lines of the profit and loss statement - outstanding claims, investment income on insurance provisions, and the underwriting profit.

Because outstanding claims, to be paid in future periods, are discounted to present value using market interest rates, movements in these interest rates affect claims expense in any period. This, in turn, can therefore distort the underwriting profit.

However, the funds held in reserve to pay outstanding claims, that is the insurance provisions, are invested in fixed interest securities matched to the duration of expected claims. Therefore movements in market rates affect investment income on claims reserves by an amount which is approximately equal to the impact of movements in discount rates on claims liabilities. This is called 'immunisation', and it means that movements in market interest rates wash through the profit and loss statement and do not distort the insurance trading result, which adds investment returns on insurance provisions to the underwriting profit.

To eliminate these movements, and gain a better understanding of the underlying claims and underwriting performance, we have produced the table on page 29, which removes the impact of changes in discount rates. The adjustment assumes perfect matching of assets and liabilities. During the six months to December, discount rates reduced, and therefore there was a $52 million increase in claims expense and an offsetting increase in investment income on insurance provisions. The following table includes the impact of those movements.

Net incurred claims therefore increases to $892 million and the underwriting profit reduces to $55 million for the six months. Investment income on insurance provisions increases to $158 million, but you will note that the insurance trading result remains unchanged at $213 million.

Profit contribution – General Insurance including discount rate adjustment
(continued)

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Gross written premiums	1,255	1,251	1,179	1,153	6.4
Gross unearned premium movement	1	(58)	(31)	(73)	(103.2)
Gross earned premiums	1,256	1,193	1,148	1,080	9.4
Outwards reinsurance expense	(59)	(85)	(72)	(71)	(18.1)
Net earned premium	1,197	1,108	1,076	1,009	11.2
Net incurred claims					
Claims expense	(1,064)	(950)	(847)	(915)	25.6
Reinsurance and other recoveries revenue	172	131	129	130	33.3
	(892)	(819)	(718)	(785)	24.2
Total operating expenses					
Acquisition costs [1]	(146)	(142)	(125)	(117)	16.8
Operating expenses	(104)	(102)	(111)	(94)	(6.3)
	(250)	(244)	(236)	(211)	5.9
Underwriting result	55	45	122	13	(54.9)
Investment revenue – insurance provisions					
Interest, dividends, rent and other	125	120	116	113	7.8
Realised gains/(losses) on investments	3	(2)	(69)	6	(104.3)
Unrealised gains/(losses) on investments	30	7	(24)	(3)	(225.0)
	158	125	23	116	587.0
Insurance trading result	213	170	145	129	46.9
Managed schemes net contribution	11	10	10	(7)	10.0
Joint venture income	11	9	10	5	10.0
General Insurance operational earnings	235	189	165	127	42.4
Investment revenue – shareholder funds					
Interest, dividends, rent and other	64	32	22	27	190.9
Realised gains/(losses) on investments	(16)	-	(1)	(29)	Large
Unrealised gains/(losses) on investments	77	42	33	42	133.3
Other revenue [2]	4	3	10	(5)	(60.0)
Other expenses [3]	(11)	(6)	(5)	(7)	120.0
	118	71	59	28	100.0
Profit on sale of property	-	-	-	16	n/a
Contribution to profit from General Insurance activities before tax and capital funding	353	260	224	171	57.6
Subordinated debt expense – capital funding	(12)	(10)	(9)	(10)	33.3
Contribution to profit from General Insurance activities before tax	**341**	**250**	**215**	**161**	**58.6**
Cash return on equity (%) [4]	**22.5**	**17.1**	**15.3**	**12.0**	**47.1**

Notes:

(1) Net of certain statutory fees and charges included in income and expenses in the Consolidated Financial Report.
(2) Other revenue consists mainly of allocated service fee revenue.
(3) Other expenses is primarily made up of investment management expenses.
(4) Refer Appendix 3 for definition.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Assets and liabilities – General Insurance					
Assets					
Cash and liquid assets	270	382	248	411	8.9
Investment securities	5,449	5,114	5,375	4,758	1.4
Investments in associates	98	100	96	83	2.1
Reinsurance and other recoveries – outstanding claims	415	388	495	481	(16.2)
Other receivables	700	805	610	761	14.8
Deferred tax assets	1	1	1	55	-
Intangible assets	833	859	879	904	(5.2)
Other financial assets (1)	287	278	247	251	16.2
Total assets	8,053	7,927	7,951	7,704	1.3
Liabilities					
Interest bearing liabilities	23	33	23	21	-
Payables	300	475	629	397	(52.3)
Current income tax liabilities	1	-	-	50	n/a
Provisions	2	2	4	15	(50.0)
Deferred tax liabilities	-	-	-	55	n/a
Outstanding claims provision (2)	4,044	3,854	3,849	3,816	5.1
Unearned premiums provision (2)	1,322	1,322	1,251	1,226	5.7
Subordinated notes	199	-	-	-	n/a
Total liabilities	5,891	5,686	5,756	5,580	2.3
Net assets	**2,162**	**2,241**	**2,195**	**2,124**	**(1.5)**

Notes:

(1) Other financial assets is primarily made up of accrued interest and deferred acquisition costs.

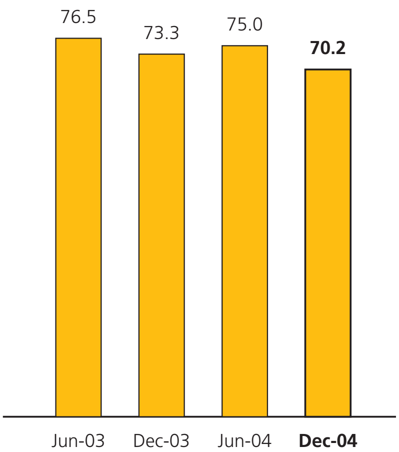
(2) Reconciling items such as timing differences and premium debtors arise between insurance provisions and investment assets.

		Half-Year Ended		
	Dec-04 %	Jun-04 %	Dec-03 %	Jun-03 %
General Insurance ratios				
Excluding discount rate adjustment				
Acquisition expense ratio	12.2	12.8	11.6	11.6
Operating expense ratio	8.7	9.2	10.3	9.3
Total expense ratio	20.9	22.0	21.9	20.9
Loss ratio	70.2	75.0	73.3	76.5
Combined operating ratio	91.1	97.0	95.2	97.4
Insurance trading ratio	17.8	15.3	13.5	12.8
Including discount rate adjustment				
Loss ratio	74.5	73.9	66.7	77.8
Combined operating ratio	95.4	95.9	88.6	98.7

Refer Appendix 3 for ratio definitions. These ratios relate to the group's insurance trading operations and do not include other revenues in the General Insurance profit contribution, such as income from Managed Scheme business or the equity accounted contribution from the group's 50% interest in motoring club insurance joint ventures.

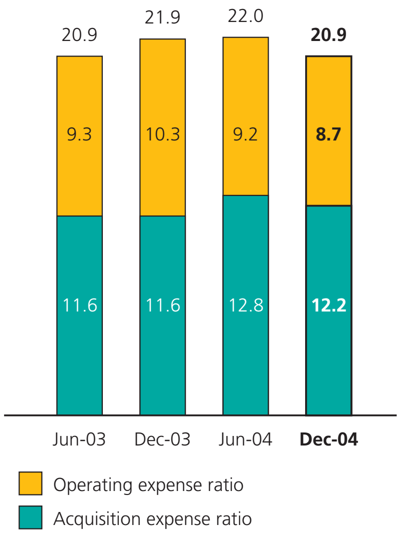
General Insurance ratios (continued)

Loss ratio (1)
Half-year, %

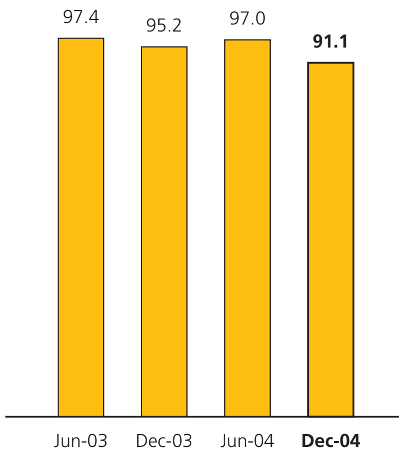


(1) Excluding discount rate adjustment

Expense ratio (1)
Half-year, %



Combined operating ratio (1)
Half-year, %



Profit overview

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Gross written premium by product					
Compulsory third party	271	294	286	275	(5.2)
Home	256	237	227	216	12.8
Motor	350	331	332	324	5.4
Commercial	291	294	253	249	15.0
Workers' compensation	76	89	62	80	22.6
Other	11	6	19	9	(42.1)
	1,255	**1,251**	**1,179**	**1,153**	**6.4**

Premium

Gross written premium (GWP) increased by 6.4% to $1.26 billion during the half-year, compared with the prior corresponding period. The increase in GWP was partly driven by the acquisition of the RACTI insurance business in Tasmania in March 2004, which added $18 million to premium for the six months to December. This included some ex-GIO business renewed under the RACTI brand.

Excluding RACTI, the rise in GWP was 4.9%, driven mainly by increases in risks in force, with business volumes growing by approximately 3% compared with December 2003. Price increases during the half have been modest, following significant repricing over the past two years. Average premium size per risk increased in some classes as rate increases from the prior year flowed through to renewals. In some segments, particularly personal injury classes, prices have reduced in line with improvements in claims experience. Generally, while the market remains highly competitive, pricing remains rational, with all insurers focused on delivering consistent underwriting profits.

A series of new business initiatives have been implemented to lift growth. Key activities include the relaunch of the GIO brand in NSW, implementation of sales management and reporting tools, additional sales training for call centre and branch staff, and introduction of sales incentives to front line sales people. End-to-end marketing is being reviewed, and improvements delivered in the way we develop sales offers, processes, targeting marketing campaigns and tracking of outcomes.

The GWP figures display some seasonality, with December figures remaining fairly flat compared to the prior June, but June consistently showing an increase over December. This is mainly due to the June renewal patterns in commercial insurance and workers' compensation which leads to the boost in June half GWP.

Outward reinsurance expense reduced by 18% to $59 million during the half, due to changes in reinsurance arrangements. In particular, the Company terminated a Quota Share agreement in relation to Sydney household insurance, instead opting to retain the risk. This led to a $9 million reduction in reinsurance expense.

Gross written premium by product (continued)

Premium (continued)

Other changes to the program which also contributed to a decrease in the overall expense were the replacement of the Commercial Property Surplus Treaties with a Per Risk cover and some underlying covers which were not required or were rolled into other protections.

Net earned premium (NEP) rose 11.2% to $1.20 billion, with the increase due to a combination of growth in risks and as price increases from prior periods flowed through as earned premium. Excluding the impact of the cancellation of the quota share arrangement described above, and the addition of a $16 million NEP contribution from RACTI, NEP was up by 8.9% on the prior December half.

Compulsory third party

The Company underwrites compulsory third party (CTP) insurance in Queensland and NSW as a participant in statutory schemes. Gross written premium decreased by 5.2% for the six months to 31 December 2004.

This principally reflected lower average premiums in Queensland for the period. Consumer prices in Queensland were reduced by 9% in the 12 months to December 2004, as the benefits of Tort Law reforms were shared with consumers. The reforms, in particular the introduction of the Civil Liabilities Act, which took effect from December 2002, have significantly reduced estimated claims costs, and restored stability to the Queensland CTP scheme.

The scheme is now operating effectively, with healthy competition between insurers ensuring the scheme remains affordable for consumers, while also delivering appropriate returns for scheme participants. Further reductions in prices are expected in the current half, in line with continued improvements in claims experience.

Suncorp increased risks in force by 4.4% over the 12 months to December, retaining a market share of 53-54%.

In the NSW scheme, conditions remain generally favourable. While we have reduced consumer prices over the 12 months to December, this is reflecting the benefits of legislative reforms on claims costs. GIO increased risks in force by 4% over the period, with market share of risks increasing to approximately 8.1%. The quality of the book has further improved during the half-year with the retention rate of preferred risks increasing, and retention rate of non-preferred risks decreasing. This underlines the effectiveness of our cross-sell program to GIO comprehensive motor risks.

Despite reductions in GWP, net earned premium for CTP increased over the period due to increases in rates in prior periods.

Home

Gross written premium was $256 million for the half year, up 12.8% on the prior corresponding period due to the inclusion of the RACTI business, and through growth in the on-going book of business. Compared to June, the total book, including RACTI, grew by an annualised 16%. This was due to an increase in average premiums resulting from increases in sums insured and as rate increases in the prior year have flowed through the renewing book. Overall risks in-force have increased by 5% from December 2003, mainly due to the inclusion of the RACTI business. While conditions in home insurance remain competitive, insurers are remaining disciplined and there are no signs of irrational price competition emerging.

Motor

Gross written premium in Motor increased to $350 million, up 5.4% on December 2003. This was due to growth in in-force risks and the inclusion of RACTI. Excluding RACTI, GWP grew by 2.4%.

Risks in-force grew by 8.8% in the period, including RACTI (3.8% excluding RACTI). Growth in the June to December half has accelerated, with the new pricing engine enabling better pricing and conversion of our target segments. In Queensland we have grown our share of registered vehicles, with GIO share being retained.

Commercial insurance

In commercial insurance, gross written premium increased 15% over the prior corresponding period, to $291 million. This was due to a combination of increases in SME packages, growth in non-packaged business, and rate increases. Growth in the number of SME packages since December 2003 was 5.4%, significantly higher than market growth.

Competitive conditions intensified in the December six months, and pockets of the market are now experiencing significant pricing pressure, such as in Corporate Property, and in broker distributed business. Nevertheless, on the whole, pricing remains rational and the Company's strong direct distribution model provides a competitive advantage in the current environment.

New initiatives such as a scheme to provide professional indemnity cover for architects in Victoria has been very successful, leading to good growth in premium.

Workers' compensation

Suncorp, through its GIO subsidiary, underwrites workers' compensation insurance in Western Australia, ACT and Tasmania. Total gross written premium for the three regions increased 23% over the prior corresponding period to $76 million. Prices have decreased approximately 5-10% due to softening markets and competitive forces particularly in Western Australia. Our wages in-force have grown approximately 8.4% compared with the prior December, and market shares have increased in WA and the ACT, while remaining stable in Tasmania.

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Gross written premium by state					
Queensland	568	553	519	503	9.4
New South Wales	394	392	400	357	(1.5)
Victoria	130	131	126	111	3.2
Western Australia	94	97	77	85	22.1
Other	69	78	57	97	21.1
	1,255	**1,251**	**1,179**	**1,153**	**6.4**

The above table sets out premium by state, showing that the Company's portfolio is broadly diversified geographically. Approximately 55% of premium is sourced outside of Queensland.

Outward reinsurance expense

Outward reinsurance expense for the half-year was $59 million, a decrease of 18% over the prior corresponding period. This was largely due to the decision made to cancel a Sydney Householders Quota Share Treaty as at 30 June 2004 and restructure commercial property cover.

The largest element of the group's reinsurance program covers the home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire and earthquake. In the event of a catastrophe, the program provided cover for specific events generating claims of more than $50 million, up to a limit of $1.7 billion for each catastrophe event. Reinsurance security was enhanced with the 2004/05 program, with an increase in the overall level of AA- or higher rated reinsurers on the program. Over 85% of long tail business and 65% of short tail business is protected by reinsurers rated 'A+' or better.

Claims expense

Net claims expense increased 6.5% to $840 million, excluding discount rate adjustments. This increase was well below the rate of growth in NEP, leading to a reduction in the loss ratio to 70.2% from 73.3% at the prior period.

A number of factors affected claims expense:

- Inclusion of RACTI from 1 April 2004 (and thus not included in the prior corresponding period) has contributed $11 million to claims expense.
- General growth in earned premiums, plus the cessation of the Sydney Householders Quota Share Reinsurance Treaty, led to an increase in net claims.
- Storm related costs were abnormally high in the period, and slightly higher than the prior corresponding period.
- Claims experience in long tail insurance, particularly personal injury classes, showed favourable trends in the period, with claims frequency and average claims costs reducing. This flowed through into the valuation of outstanding claims at December, leading to a number of valuation adjustments across the portfolio.
- Our claims experience over the half-year clearly indicates that there are genuine benefits flowing from the various reforms undertaken by Governments and this has been reflected in our valuations. However, this is a long tail business and our experience is that these benefits can diminish over time for a variety of reasons. Due to this uncertainty surrounding the future claims development, a decision was taken to increase risk margins by $70 million, lifting them to a total 26% of the central estimate and raising the probability of sufficiency to approximately 93-94%.

The net impact of these last two factors was to reduce claims expense by approximately $62 million. Of this, approximately $30 million to $35 million would normally be recurring in future periods as long as superimposed inflation remains in check.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Outstanding claims and unearned premiums provisions					
Expected future claims payments – undiscounted	4,783	4,614	4,625	4,481	3.4
Discounting to present value	(739)	(760)	(776)	(665)	(4.8)
Outstanding claims provision	4,044	3,854	3,849	3,816	5.1
Unearned premiums provision	1,322	1,322	1,251	1,226	5.7
	5,366	**5,176**	**5,100**	**5,042**	**5.2**

The undiscounted value of outstanding claims increased 3.4% over the year to $4.8 billion, mostly reflecting the increase in business written.

Outstanding claims and unearned premiums provisions (continued)

Whilst the valuations of outstanding claims for individual products have moved to different degrees, the portfolio as a whole has been stable, reflecting the benefits of a diversified business. Outside of the actual claims experience in the period, there have been no material changes in assumptions underpinning the valuations or risk margins.

The discount to present value fell at December, mainly due to movements in discount rates, which reduced from 5.63% at June 2004 to 5.20% at December. Outstanding claims on long tail business are discounted to their present values by reference to the yield curve derived from Commonwealth Government bonds. Changes to the discount amount are caused by movements in the yield curve, the size of the outstanding claims base, and the duration of outstanding claims. As noted earlier, movements in discount rates have a minimal impact on the profit and loss statement due to offsetting movements in investment income on insurance provisions.

Operating expenses

Total operating expenses were kept under control with increases mainly recorded in acquisition related costs. Acquisition costs grew 16.8% from December 2003 as a result of increases in gross earned premiums combined with additional broker sourced business. Operating expenses fell 6.3% from December 2003 partially due to tight expense management. There has also been a small reduction in overheads allocated to General Insurance following the completion of the GIO integration efforts and refinements to allocation models.

Total operating expenses increased 6% from December 2003, equal to an expense ratio of 20.9% of net earned premiums, down from 21.9% in December 2003. The operating expense ratio, excluding acquisition costs, reduced to a low 8.7%, demonstrating the on-going efficiency of the General Insurance division. Importantly, the Company continues to reinvest judiciously for the future.

Investment income on insurance provisions

Excluding movements in interest rates, which are immunised in the profit and loss statement, investment income on insurance provisions increased by 12.8% to $106 million. This was due to an increase in the size of the insurance provisions, due to growth in the insurance business. Yields generally were stable over the period.

The insurance provisions portfolio returned 3.90% over the 6 months to 31 December 2004, outperforming the benchmark return of 3.77% for the six month period.

Insurance trading result

The insurance trading result increased 47% to $213 million, equivalent to an insurance trading margin of 17.8%, up from a margin of 13.5% in prior corresponding period and well above our long term expectations. The margin has continued to improve consistently since June 2001, reflecting improvements in the general insurance operating environment and increased operating efficiency through the integration of GIO.

Managed schemes

The managed schemes business consists largely of three operations:

- The NSW Government self-insurance schemes known as Treasury Managed Fund. GIO administers the fund, which provides the property insurance, motor insurance, personal injury insurance and workers' compensation needs for the NSW State Government.
- Non-underwritten workers' compensation business in NSW.
- The Self Insurance Solutions business, in which we manage self-insurance schemes, predominantly workers' compensation, for other corporations.

Profit from managed schemes has been maintained since 31 December 2003 despite the decision to strategically exit the Workers' Compensation Law Department and Self Insurance Solutions businesses. The reduction in revenue and increase in expenses in relation to these exits were more than offset by an increase in our core underlying performance for Treasury Managed Fund and NSW Workcover. This improvement has been due to better control and monitoring procedures which have led to increased performance fees and higher incentive fees for the Treasury Managed Fund.

The Treasury Managed Fund contract is up for renewal as at July 2005, and is expected to be shared amongst a range of insurers. However, the profit impact is expected to be minimal.

Joint venture income

Suncorp operates insurance joint ventures with motoring clubs in Queensland and South Australia. The joint venture contribution for the six months to 31 December 2004 was $11 million, up slightly from the prior period result of $10 million due to improved operating performance and increased investment returns.

Investment income on Shareholder Funds

Investment income on shareholder funds doubled to $118 million in the half, compared with the prior corresponding period. The increase was mainly due to improvements in equity market returns. For the 6 months to 31 December 2004, the shareholder's Australian equity portfolio returned 18.15%, outperforming the benchmark S&P/ASX 200 Accumulation Index return of 17.16% through successful stock selection.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	1,114	1,120	1,065	1,024
Fixed interest	3,099	3,002	2,895	2,878
Australian equities	-	-	(2)	-
Overseas equities	-	2	-	-
Property	77	69	94	96
Infrastructure	-	4	3	4
	4,290	**4,197**	**4,055**	**4,002**
Shareholder funds				
Cash and short term deposits	221	431	663	316
Fixed interest	522	203	-	150
Australian equities	614	520	543	644
Overseas equities	103	114	-	-
Property	13	-	-	-
	1,473	**1,268**	**1,206**	**1,110**

The dollar amounts of investment allocations shown here are different to the balances in the General Insurance balance sheet on page 32, because the numbers in the balance sheet relate to the tangible investment assets. The balance in insurance provisions shown in the balance sheet differs from the sum of outstanding claims provision and unearned premium provision on page 35 mainly because the balances in the balance sheet exclude such items as recoveries relating to outstanding claims and premium debtors. The balance of shareholder funds shown here excludes goodwill relating to the acquisition of GIO and the investments in associates.

	Dec-04 %	Jun-04 %	Dec-03 %	Jun-03 %
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	26	27	26	26
Fixed interest	72	71	72	72
Property	2	2	2	2
	100	**100**	**100**	**100**
Shareholder funds				
Cash and short term deposits	15	34	55	28
Fixed interest	35	16	-	14
Australian equities	42	41	45	58
Overseas equities	7	9	-	-
Property	1	-	-	-
	100	**100**	**100**	**100**

Profit contribution by class of business – short tail and long tail

The tables show the profit excluding discount rate impacts and levies and charges.

Short tail

The short tail business, including home, motor and the non liability part of the commercial book, reported an insurance trading profit of $77 million for the 6 months to 31 December 2004, up from $41 million in the prior corresponding period. This is equal to a margin of 10.4%. The improvement was due a combination of increased premium revenue, following repricing over the past 12 months, and good claims experience in commercial classes, where there were few large property claims. Storm losses were abnormally high during the period, and marginally higher than the prior corresponding period.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Product summary					
Gross written premium	802	770	748	716	7.2
Net earned premium	741	674	653	627	13.5
Net claims incurred	(503)	(475)	(469)	(394)	7.2
Acquisition costs	(108)	(107)	(93)	(77)	16.1
Operating expenses	(67)	(64)	(71)	(78)	(5.6)
Total operating expenses	(175)	(171)	(164)	(155)	6.7
Underwriting result	63	28	20	78	215.0
Investment revenue - insurance provisions	14	47	21	31	(33.3)
Insurance trading result	77	75	41	109	87.8
	%	%	%	%	
Ratios					
Acquisition expense ratio	14.6	15.9	14.2	12.3	2.8
Operating expense ratio	9.0	9.5	10.9	12.4	(17.4)
Total expense ratio	23.6	25.4	25.1	24.7	(6.0)
Loss ratio	67.9	70.5	71.8	62.8	(5.4)
Combined operating ratio	91.5	95.9	96.9	87.5	(5.6)
Insurance trading ratio	10.4	11.1	6.3	17.4	65.1

Short tail includes miscellaneous products such as products in run-off.

Profit contribution by class of business – short tail and long tail (continued)

Long tail

Long tail business includes CTP, underwritten workers' compensation and liability classes. The insurance trading result in long tail business increased from $104 million in the prior December half to $136 million in the six months to December 2004, equal to a trading margin of 29.8%. The improvement in profit was largely due to reduced claims expense, with improved claims experience leading to the release of profits from outstanding claims reserves. The positive impact on the profit was partly offset by increases in risk margins in the portfolio.

	Half-Year Ended				
	Dec-04	Jun-04	Dec-03	Jun-03	Dec-04 vs Dec-03
	$m	$m	$m	$m	%
Product summary					
Gross written premium	454	481	431	437	5.3
Net earned premium	457	434	423	382	8.0
Net claims incurred	(337)	(356)	(320)	(378)	5.3
Acquisition costs	(38)	(35)	(33)	(28)	15.2
Operating expenses	(38)	(38)	(39)	(28)	(2.6)
Total operating expenses	(76)	(73)	(72)	(56)	5.6
Underwriting result	44	5	31	(52)	41.9
Investment revenue - insurance provisions	92	90	73	72	26.0
Insurance trading result	136	95	104	20	30.8
	%	%	%	%	
Ratios					
Acquisition expense ratio	8.3	8.1	7.8	7.3	6.4
Operating expense ratio	8.3	8.8	9.2	7.3	(9.8)
Total expense ratio	16.6	16.9	17.0	14.6	(2.4)
Loss ratio	73.7	82.0	75.7	99.0	(2.6)
Combined operating ratio	90.3	98.9	92.7	113.6	(2.6)
Insurance trading ratio	29.8	21.9	24.6	5.2	21.1

Long tail includes CTP, commercial liability, and workers' compensation.

Profit contribution by class of business – commercial and personal lines

Commercial lines

Commercial lines (including workers' compensation) insurance profit of $43 million remained relatively stable over the prior corresponding period although the trading margin fell from 14.5% to 12.7%. The reduction in profitability was mainly due to increased claims expense in liability and workers' compensation. While tort reforms and other legislative changes continue to deliver improved claims experience, the impact of these reforms in these classes was lower in the half-year to December than in previous periods, when they led to releases from outstanding claims reserves.

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Product summary					
Gross written premium	367	383	316	328	16.1
Net earned premium	339	302	289	274	17.3
Net claims incurred	(227)	(173)	(182)	(177)	24.7
Acquisition costs	(64)	(65)	(50)	(43)	28.0
Operating expenses	(33)	(23)	(36)	(34)	(8.3)
Total operating expenses	(97)	(88)	(86)	(77)	12.8
Underwriting result	15	41	21	20	(28.6)
Investment revenue - insurance provisions	28	25	21	25	33.3
Insurance trading result	43	66	42	45	2.4
	%	%	%	%	
Ratios					
Acquisition expense ratio	18.9	21.5	17.3	15.7	9.2
Operating expense ratio	9.7	7.6	12.5	12.4	(22.4)
Total expense ratio	28.6	29.1	29.8	28.1	(4.0)
Loss ratio	67.0	57.3	63.0	64.6	6.3
Combined operating ratio	95.6	86.4	92.8	92.7	3.0
Insurance trading ratio	12.7	21.9	14.5	16.4	(12.4)

Commercial lines includes workers' compensation.

Profit contribution by class of business – commercial and personal lines

Personal lines

Personal lines, which includes home, motor and CTP, reported a 65% increase in insurance trading result to $170 million, equal to a margin of 19.8%. This was primarily due to solid growth in net earned premium and improvements in claims experience, leading to releases of profits from outstanding claims reserves, particularly in long tail classes.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Product summary					
Gross written premium	889	868	863	825	3.0
Net earned premium	858	806	787	735	9.0
Net claims incurred	(613)	(658)	(607)	(595)	1.0
Acquisition costs	(82)	(77)	(75)	(62)	9.3
Operating expenses	(71)	(79)	(75)	(72)	(5.3)
Total operating expenses	(153)	(156)	(150)	(134)	2.0
Underwriting result	92	(8)	30	6	206.7
Investment revenue - insurance provisions	78	112	73	78	6.8
Insurance trading result	170	104	103	84	65.0
	%	%	%	%	
Ratios					
Acquisition expense ratio	9.6	9.6	9.5	8.4	1.1
Operating expense ratio	8.3	9.8	9.5	9.8	(12.6)
Total expense ratio	17.9	19.4	19.0	18.2	(5.8)
Loss ratio	71.4	81.6	77.1	81.0	(7.4)
Combined operating ratio	89.3	101.0	96.1	99.2	(7.1)
Insurance trading ratio	19.8	12.9	13.1	11.4	51.1

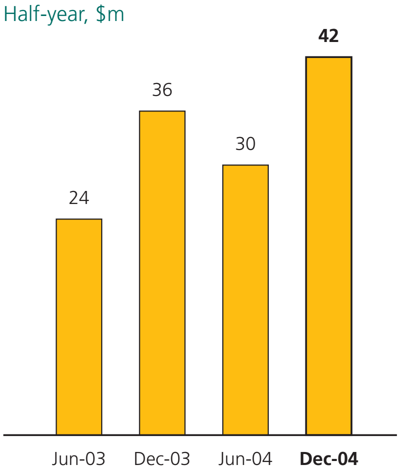
Personal lines includes home, motor, CTP and miscellaneous products such as products in run-off.

Segment Information – Wealth Management

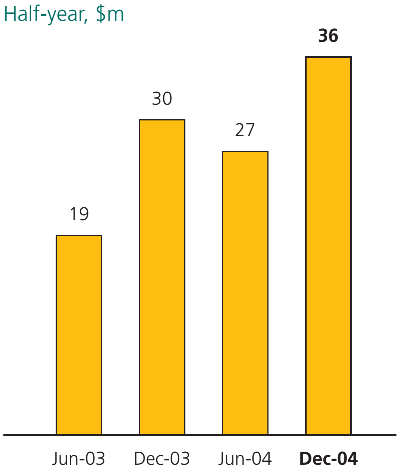
Overview

- The Wealth Management division recorded profit before tax of $42 million in the half-year to December 2004, an increase of 17% from $36 million in the prior corresponding period.
- A continued improvement in investment earnings, as well as higher planned profits drove the increase.
- After a decline in the June half of 2004, new business sales turned around in the six months to December 2004 as investor confidence continued to improve. Compared with the December 2003 half-year sales of $297 million, sales were up 21.5% to $361 million.
- The value of new business has increased by 32% compared with the December 2003 half-year, with increases in the value of risk business, unit linked allocated pension business and retail unit trust business. This improvement is mainly the result of the increased sales volumes.
- The embedded value of the Life Company increased by 6% to $466 million in the half-year to December 2004 when compared to the $439 million reported at June 2004. This is mainly the result of strong investment performance and increased retained earnings, offset by reduced long term assumptions on investment earnings and a reduction in the value of the Shareholder Fund due to a transfer of capital up to the Group.
- Funds under management totalled $12 billion at December 2004, up from $11 billion at June 2004. Funds benefited from a net inflow of $246 million in the half-year to December, compared with a net outflow of $60 million in the previous corresponding period. Improved investment income also contributed to the growth in funds under management.
- The Wealth Management division profits can be viewed in two parts: Life Company profits and earnings from Funds Management operations.
- The **Life Company** made a profit before tax of $36 million in the six months to December 2004, compared to $30 million in the previous corresponding period. The increase in earnings was due to increased investment returns, higher planned profits and a rise in the value of subsidiaries.
- **Funds Management** recorded a pre-tax profit of $6 million in the period, in line with the prior corresponding period.

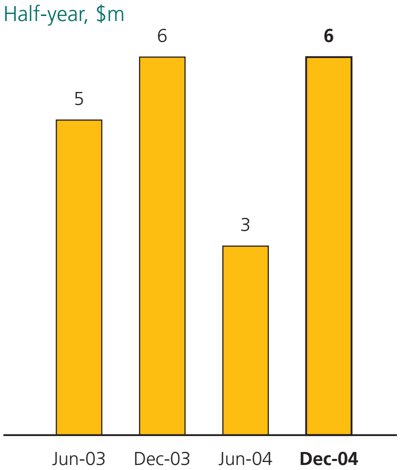
Wealth Management operating profit before tax
Half-year, $m



Life Company operating profit before tax
Half-year, $m



Funds Management operating profit before tax
Half-year, $m



	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Profit contribution – Wealth Management excluding Life Insurance policy owners' interests					
Life Company					
Shareholder's share of Statutory Funds					
Planned profit margins	16	13	13	16	23.1
Experience (losses)/profits	1	-	4	(2)	(75.0)
Investment income on capital and retained earnings (Statutory Funds)	12	9	8	4	50.0
Group interest in earnings of life insurance Statutory Funds	29	22	25	18	16.0
Shareholder Fund					
Investment income	3	4	2	-	50.0
Revaluation of subsidiaries	2	1	2	-	-
Other revenue	9	7	8	9	12.5
Operating expenses	(7)	(7)	(7)	(8)	-
Contribution to profit before tax from activities in the Life Company	36	27	30	19	20.0
Funds Management					
Investment income	1	1	-	1	n/a
Fee income funds management	24	21	23	22	4.3
Other expenses funds management	(19)	(19)	(17)	(18)	11.8
Contribution to profit before tax from Funds Management activities	6	3	6	5	-
Contribution to profit before tax from Wealth Management activities	**42**	**30**	**36**	**24**	**16.7**
Cash return on equity (%)	**27.7**	**21.3**	**28.5**	**21.9**	**(2.8)**
Reconciliation of underlying profit to contribution to profit before tax					
Contribution to profit before tax from Wealth Management activities	**42**	**30**	**36**	**24**	**16.7**
Less investment earnings:					
Life Company					
Shareholder's share of Statutory Fund	(12)	(9)	(8)	(4)	50.0
Shareholder Funds	(3)	(4)	(2)	-	50.0
Funds Management	(1)	(1)	-	(1)	n/a
	(16)	(14)	(10)	(5)	60.0
Underlying profit	**26**	**16**	**26**	**19**	**-**
Reconciliation of contribution to profit before tax including policy owners' interests to contribution to profit before tax excluding policy owners' interests					
Contribution to profit from ordinary Wealth Management activities before income tax	122	77	74	16	64.9
Profit attributable to outside equity interests	(49)	(25)	(19)	-	157.9
Income tax attributable to policy owners	(31)	(22)	(19)	8	63.2
Contribution to profit from ordinary Wealth Management activities before tax excluding policy owners' interests	**42**	**30**	**36**	**24**	**16.7**

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Assets and liabilities – Wealth Management excluding Life Insurance policy owners' interests					
Assets					
Cash and liquid assets	19	22	22	16	(13.6)
Investments	40	48	45	30	(11.1)
Excess of net market value of interests in subsidiaries over their recognised net amounts	17	15	14	12	21.4
Loans, advances and other receivables	15	40	12	31	25.0
Unlisted investment in life insurance Statutory Funds	214	185	181	156	18.2
Other assets	4	-	1	-	300.0
Total assets	309	310	275	245	12.4
Liabilities					
Deposits and short term borrowings	15	19	14	9	7.1
Accounts payable and other liabilities	8	8	7	10	14.3
Provisions	-	7	-	-	n/a
Deferred tax liability	-	-	-	5	n/a
Total liabilities	23	34	21	24	9.5
Net assets					
Net assets Life Company - Shareholder Fund	38	65	43	40	(11.6)
Net assets Life Company - Statutory Funds	214	185	181	156	18.2
Net assets Fund Management	34	26	30	25	13.3
Total net assets	**286**	**276**	**254**	**221**	**12.6**

Profit overview

Life Company

Life Company activities are conducted through Suncorp Life and Superannuation Limited (SLSL). SLSL maintains three funds: a Capital Guaranteed Statutory Fund, a Unit Linked Statutory Fund and a Shareholder Fund.

Capital Guaranteed Statutory Fund includes participating and non-participating life insurance business. Profits on participating business are shared between life insurance policy owners and shareholder, with 80% allocated to policyholders, and 20% to shareholder. Profits on non-participating business are all allocated to the shareholder.

Unit Linked Statutory Fund consists of non-participating business only, with all profits attributable to the shareholder. Profits emerge from management fees, following allocation of investment gains (or losses) to investors.

Shareholder Fund maintains shareholder assets that are outside the life insurance Statutory Funds with all profit attributable to the shareholder.

All profits from Life Company activities in the contribution to profit are attributable to the shareholder. That is, the statutory profits attributable to the life insurance policy owners have been excluded. The shareholder profits represent 100% of non-participating profits and 20% of participating profits from the Capital Guaranteed Statutory Fund, 100% of profits from the Unit Linked Statutory Fund and 100% of profits from the Shareholder Fund.

Sources of profit for the Statutory Funds are investment earnings on capital and retained profits, planned margins and experience profits. In the six months to December 2004, the shareholder's interest in profits from these sources increased 16% to $29 million, compared to the previous corresponding period.

Sources of profit for the Shareholder Fund consist of earnings on Shareholder Fund investments, revaluations of investments in subsidiaries (embedded value) and management fees. These other revenues amounted to $7 million for the six months to December 2004 compared with $5 million for the prior December period.

The profit contribution from the funds is outlined in the following.

Profit overview (continued)

Planned profits

Planned profits of $16 million in the six months to December 2004 were up from $13 million in the prior December half. The increase in planned profits was largely due to improved profitability of personal risk products and higher long-term investment earnings assumptions applied to various investment asset classes.

The assumed earning rates for each asset class are determined with reference to government bond yields. The bond yield at the start of this period increased compared to the prior period, hence planned profits were higher.

Experience profits

Experience profits were $1 million in the six months to December 2004, compared with $4 million in the prior corresponding period.

Under Margin on Services (MoS) accounting, losses on new business are incurred in the year the business is written, while returns on profitable business are spread over future periods. However, if circumstances change, for example favourable assumption changes are made or new business is written on more profitable terms, then these previously booked losses can be reversed. During the previous corresponding period profitable new investment business written allowed for the reversal of associated losses, resulting in an increase in experience profits. No reversal was made during the six months to December 2004.

Statutory Funds investment income

Investment income on capital and retained earnings in the Statutory Funds of $12 million was 50% higher than in the corresponding period, mainly due to the performance of equity markets. Investment returns exceeded benchmarks in most asset classes.

Shareholder fund investment income and other revenue

Shareholder fund income includes investment income, revaluation of subsidiaries and other revenues including management fees and commission.

Other revenues were $9 million in December 2004, up from $8 million previously.

Changes to the market value of Life Company investment subsidiaries must be brought to account under current accounting standards. The market value is based on the embedded value, which includes the net assets of the entity and present value of future profits from inforce business. The Life Company has a subsidiary that operates the customer service activities of the retail unit trusts business. Higher investment earnings and a net inflow of unit trust business, due to increased returns in equity markets and improved profitability, resulted in an increase of the embedded value of $2 million in the six months to December 2004. In the corresponding prior period, the embedded value also increased by $2 million.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
New business sales					
Risk sales					
Personal risk products	5	4	6	6	(16.7)
Group life & CCI	13	1	3	1	333.3
Total risk sales	18	5	9	7	100.0
Superannuation, Investment and External Product Sales	343	241	288	263	19.1
Total sales new business	**361**	**246**	**297**	**270**	**21.5**

Total new business sales increased 21.5% to $361 million in the half-year. This reflects a return of confidence in equity markets, continuing the trend experienced in the last quarter of the previous financial year. A large portion of the increase in Group life sales for December 2004 was due to a major Group life client increasing the level of cover required for its members.

Mainly due to the higher volume of gross sales, the value of sales increased by 32% in comparison with the corresponding period. Also contributing was a sharp increase in internal Financial Planners' productivity. Term business, income protection business and unit linked allocated pension all showed increased value. The Easy Invest product (a new 'wrap' platform service introduced in the 2003/04 financial year) further supports the growth of higher margins in Suncorp products.

Value of new sales

The table below shows the value, to shareholders, of new business written over the half-year to December 2004. The values are based on:

- Margin on Services (MoS) value of profit margins (taking the shareholders' 20% share for participating products) for Statutory Fund business;
- Embedded value (i.e. discounted value of expected shareholder profits and associated imputation credits) for Unit Trust business, written outside the Statutory Funds.

The writing of profitable business will benefit future planned profits.

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Statutory Funds new business: Present value of MoS profit margins [(1)]	8.4	7.9	7.2	8.1	16.7
Unit Trust/IDPS new business embedded value [(2)(3)]	1.2	0.8	0.1	-	Large

Notes:

(1) Excludes Group Life. Discount rates used were between 4.25% and 10.50% (Jun-04: between 5.00% and 11.00% Dec-03: between 4.50% and 10.75%; and Jun-03: between 4.00% and 10.25%).

(2) IDPS (Investor Directed Portfolio Service) refers to the Easy Invest product.

(3) Discount rate used was 11.83% pa (Jun-04: 12.45%; Dec-03: 12.55%; and Jun-03: 11.45%).

Embedded value

A valuation of the shareholders' interests in the Statutory Funds, Shareholder Fund, and subsidiaries was undertaken as at 31 December 2004. The embedded value increased by 6% to $466 million (using 11% discount factor) in the half-year to December 2004 when compared to the $439 million reported at June 2004 (12% discount factor), or by 20% when compared to the December 2003 valuation of $389 million (12% discount factor). Ignoring the effects of discounting, the increase in embedded value is mainly the result of strong investment performance, increased retained earnings offset by reduced long term investment earning assumptions and a reduction in the value of the Shareholder Fund due to a transfer of capital up to the group.

	Discount Rate		
	11.0% $m	12.0% $m	13.0% $m
Embedded value at 31 December 2004			
Shareholder Fund excluding subsidiaries			
Value of profits/net assets	30	29	29
Value of imputation credits at 70% full value	4	4	4
Statutory Funds			
Value of profits/net assets	352	338	326
Value of imputation credits at 70% full value	60	57	54
Subsidiaries			
Value of profits/net assets	16	16	16
Value of imputation credits at 70% full value	4	4	4
Total December 2004	**466**	**448**	**433**
Total June 2004	**457**	**439**	**422**
Total December 2003	**407**	**389**	**374**

	Opening balance Jul-04 $m	Net inflows $m	Investment income & Other [1] $m	Closing balance Dec-04 $m
Funds under administration				
Statutory life and superannuation	3,395	15	221	3,631
Statutory life and superannuation - external	402	77	52	531
Life company products	3,797	92	273	4,162
Retail unit trust products/IDPS platform	498	50	45	593
Total Life Company	**4,295**	**142**	**318**	**4,755**

Notes:

[1] Investment income and Other include expenses and tax.

Funds under administration for the Life Company includes funds placed with internal and external fund managers.

Funds under administration totalled $4.8 billion at December 2004, up from $4.3 billion at June 2004, benefiting from strong investment income as well as net inflows of $142 million for the year. The increase in total funds under administration reflected increased gross inflows and greater retention of customer accounts.

Portfolio allocation of investments – Wealth Management

Funds under administration for statutory life and superannuation total $3.6 billion. The investment allocation of these funds is noted below.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Allocation of investments held against:				
Statutory Funds				
Equities	1,804	1,545	1,276	1,197
Interest bearing securities	1,226	1,243	1,371	1,417
Property	577	571	542	535
[1] [2]	**3,607**	**3,359**	**3,189**	**3,149**
Shareholder net assets in Statutory Funds				
Equities	105	87	74	66
Interest bearing securities	75	70	78	69
Property	34	28	29	22
[1]	**214**	**185**	**181**	**156**
Shareholder Fund				
Equities	22	32	30	14
Interest bearing securities	1	2	2	3
Property	1	1	1	1
[2]	**24**	**36**	**32**	**18**

Notes:

[1] Statutory Funds allocation includes shareholder net assets.

[2] The allocation of Statutory Funds and Shareholder Fund investments agrees to the funds under administration for 'Statutory life and superannuation' as shown above.

Funds management activities

The funds management group conducts investment management and other fiduciary activities as trustee, custodian or manager for various investment and superannuation funds and wholesale and retail unit trusts.

Approximately $4.2 billion in funds are managed for the Life Company, $5.7 billion in funds are managed on behalf of the General Insurance division and a further $2.1 billion in funds are managed on behalf of external parties.

Funds Management profit was $6 million at December 2004, which compares with $6 million in the previous corresponding period. The profit in the December 2003 period includes the sale of commercial interests, and consequently does not represent a direct comparison. This first half profit of $6 million has benefited from an increase in management fee income as a result of higher funds under management.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Funds under management					
General Insurance	5,743	5,467	5,261	5,107	9.2
Life Company - Shareholder Funds	24	36	32	18	(25.0)
Life Company - Statutory Funds	3,607	3,359	3,189	3,149	13.1
Life Company - Retail unit trusts/IDPS platform	563	498	471	439	19.5
Other managed funds [(1)]	2,082	1,676	1,277	1,232	63.0
	12,019	**11,036**	**10,230**	**9,945**	**17.5**

Notes:

(1) The most significant other managed funds are RACQ Insurance, Queensland Local Government Super, Sunsuper World Equity Fund, and Sunsuper Cash Management funds.

	Opening balance Jul-04 $m	Inflows $m	Out-flows [(1)] $m	Invest-ment income $m	Closing balance Dec-04 $m
Funds under management					
General Insurance	5,467	1,218	1,223	281	5,743
Statutory life and superannuation [(2)]	3,395	465	509	280	3,631
Retail unit trusts/IDPS platform	498	73	45	37	563
Life Company	3,893	538	554	317	4,194
External wholesale	1,676	660	393	139	2,082
Total	**11,036**	**2,416**	**2,170**	**737**	**12,019**

Notes:

(1) Outflows include expenses and tax.

(2) Asset switches between sub-funds have not been netted off.

Funds under management of the Life Company exclude funds under administration invested in external Fund Managers.

Group funds under management totalled $12 billion at December 2004, up from $11 billion in June 2004, and $10 billion in December 2003. Funds benefited from a net inflow of $246 million compared to a net outflow of $60 million in the prior December half. Investment income was up 114%, adding to the increase in funds under management.

Group investment performance

The majority of the markets in which the funds management area invests, with the exception of unhedged offshore equity markets, recorded positive investment returns in the six months to December 2004. The Suncorp Balanced Fund, the flagship diversified portfolio, achieved 1st quartile returns over 1, 3 and 5 years as measured by the Intech Growth Funds survey. The six-month return for the balanced fund was 9.0% (net of fees).

As noted above investment income was up 114% on the previous corresponding period largely on the back of strong domestic equities and listed property markets that had gross returns of 17.2% and 16.5% respectively. Active investment management in the wholesale equities trust added an additional 1.0% to the gross market return.

Group capital

Group capital position

During the half-year to December, the major capital initiative undertaken was a $200 million issue of subordinated debt in the General Insurance subsidiary, which took place in September, with the proceeds then paid to the Bank by way of a special dividend. The purpose of the issue was to fund anticipated growth in the Bank.

By issuing the subordinated debt in the General Insurer, a prudent amount of gearing was introduced into the General Insurance subsidiary for the first time. The transaction had no impact on the solvency of the General Insurer, which saw its minimum capital ratio rise to 1.95 times at December, due to increases in the capital base arising from growth in profits and technical provisions.

On payment to the Bank parent, the special dividend qualified as Tier 1 capital in the Bank, increasing the regulatory capital ratio to 10.44%, despite strong growth in risk weighted assets. The Adjusted Common Equity ratio increased to 5.59% from 4.83% at June.

The Company has a strong capital position and significant franking credits on the balance sheet. As foreshadowed at the last results presentation, we are considering ways to transfer the value of these franking credits to shareholders, and we would expect to make an announcement in this regard during the next six months.

Group capital table

The Suncorp group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the group has the Bank as the holding company for subsidiaries operating the General Insurance and Wealth Management businesses. To assist in understanding the regulatory capital position within the group the following table (including consolidation entries) demonstrates the distribution of capital.

	as at 31 December 2004					
	Banking $m	GI $m	WM $m	Other $m	Consol $m	Total $m
Tier 1						
Ordinary share capital	2,725	-	-	-	-	2,725
Preference share capital	244	-	-	-	-	244
Funding provided by holding company	-	1,395	46	26	(1,467)	-
Preconversion reserve	13	-	-	-	-	13
Retained profits [1]	710	570	235	7	(496)	1,026
Technical provisions in excess of liability valuation	-	326	-	-	-	326
Excluded assets	(1)	-	(12)	-	-	(13)
Less goodwill	(1,229)	(833)	-	-	1,109	(953)
Less other intangible assets	(62)	-	-	-	-	(62)
Total Tier 1 capital	2,400	1,458	269	33	(854)	3,306
Tier 2						
Asset revaluation reserve	8	-	5	-	-	13
Net general provision for impairment	118	-	-	-	-	118
Subordinated notes	763	199	-	-	-	962
Total Tier 2 capital	889	199	5	-	-	1,093
Deductions from capital						
Investments in subsidiaries	(853)	-	-	-	853	-
Guarantees and facilities to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(858)	-	-	-	858	-
Total capital base	**2,431**	**1,657**	**274**	**33**	**4**	**4,399**
Required minimum capital base [2]	2,213	1,160	156	28	-	3,557
Excess	**218**	**497**	**118**	**5**	**4**	**842**

Notes:

(1) For Banking and General Insurance, this represents the APRA calculation of retained profits. APRA requires accrual of expected dividends in the Bank and provides a different method of calculating General Insurance current year profits. Accrued dividends are not included in the APRA capital calculation for General Insurance, but are deducted in this group calculation to offset the accrued dividends receivable in Banking retained profits.

(2) Where applicable the minimum capital base is as specified by APRA. For Banking this is 9.5% of risk weighted assets and, for General Insurance this is 1.25 times the minimum capital requirement. For certain investment entities the minimum capital base represents net tangible asset requirements under Australian Financial Services licences. For other entities minimum capital is the actual capital base. Required capital for other entities includes capital of entities which are not consolidated for APRA purposes.

The table shows that the group has total capital over and above regulatory minimum levels of $842 million.

The Company maintains a policy of holding capital levels prudently above regulatory minimums to ensure the ongoing strength and security of the group and to safeguard the group credit ratings. The current capital levels are seen as conservative and appropriate.

	as at 31 December 2004					
	Banking $m	GI $m	WM [1] $m	Other $m	Consol [2] $m	Total $m
Group capital position (continued)						
Reconciliation of net assets to total capital base						
Net assets	**3,746**	**2,162**	**286**	**33**	**(1,966)**	**4,261**
Difference relating to retained profits	(46)	(188)	-	-	-	(234)
Additional items allowable for capital for APRA purposes						
Technical provisions in excess of liability valuation	-	326	-	-	-	326
Net general provision for doubtful debts	118	-	-	-	-	118
Subordinated notes	763	199	-	-	-	962
Deductions from capital for APRA purposes						
Goodwill [3]	(1,229)	(833)	-	-	1,109	(953)
Other intangible assets	(62)	-	-	-	-	(62)
Excluded assets/other	(1)	-	(12)	-	-	(13)
Outside equity interest in subsidiaries	-	(9)	-	-	3	(6)
Funding of capital and guarantees by holding company	(858)	-	-	-	858	-
Total capital base	**2,431**	**1,657**	**274**	**33**	**4**	**4,399**

Notes:

(1) Excludes outside equity interest which relate to the Statutory Funds.

(2) Consolidation mainly represents the Bank's investments in non-banking subsidiaries and amortisation of goodwill.

(3) APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation occurs within General Insurance and when the entire group is consolidated. The total intangible deduction from group capital in the table above of $1 billion represents the total unamortised balance of goodwill for the group.

	as at 31 December 2004					
	Banking $m	GI $m	WM $m	Other $m	Consol $m	Total $m
Reconciliation of retained profits to APRA retained profits						
Retained profits	756	758	235	7	(496)	1,260
Retained profits of entities not consolidated for APRA purposes	(2)	148	-	-	-	146
Differences in retained profits for APRA purposes	(192)	(188)	-	-	-	(380)
Expected intragroup dividends [1]	148	(148)	-	-	-	-
	(46)	(188)	-	-	-	(234)
APRA retained profits	710	570	235	7	(496)	1,026

Notes:

(1) Intragroup dividends are not deducted from the General Insurance capital position shown on page 55 in accordance with APRA instructions.

Group capital position (continued)

Group allocation of capital for diluted cash return on average shareholders' equity calculations

The following tables reconcile the equity base per the statement of assets and liabilities of each business line to the group equity. In addition, it shows the adjustments made to the equity base for the purposes of the diluted cash return on equity calculations, and the cash profit after tax which is the numerator for the calculation.

	as at 31 December 2004					
	Banking $m	GI $m	WM $m	Other $m	Consol $m	Total $m
Reconciliation of cash profit after tax for diluted cash return on average shareholders' equity calculations						
Profit before tax and goodwill	220	341	42	5	-	608
Less tax expense [(1)]	(66)	(102)	(4)	(2)	10	(164)
Add back revaluation of subsidiary to embedded value, after tax	-	-	(1)	-	-	(1)
Cash profit after tax	154	239	37	3	10	443
Reconciliation of average adjusted equity for diluted cash return on average shareholders' equity calculations						
Opening adjusted equity June 2004:						
Opening total equity	3,407	2,241	276	35	(1,961)	3,998
Less outside equity interests	-	(9)	-	-	3	(6)
Adjustment for investment in subsidiaries	(2,062)	-	-	-	2,062	-
Notional reallocation of subordinated debt [(2)]	329	(329)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	48	48
Add accumulated amortisation of goodwill [(3)]	13	151	-	-	63	227
Less cumulative revaluation of subsidiary to embedded value [(3)]	-	-	(15)	-	-	(15)
Adjusted opening equity	1,687	2,054	261	35	215	4,252
Closing adjusted equity December 2004:						
Closing total equity	3,746	2,162	286	33	(1,966)	4,261
Less outside equity interests	-	(9)	-	-	3	(6)
Adjustment for investment in subsidiaries	(2,062)	-	-	-	2,062	-
Notional reallocation of subordinated debt	170	(170)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	16	16
Add accumulated amortisation of goodwill	14	177	-	-	67	258
Less cumulative revaluation of subsidiary to embedded value	-	-	(17)	-	-	(17)
Adjusted closing equity	1,868	2,160	269	33	182	4,512
Adjusted average equity	1,778	2,107	265	34	198	4,382
	%	%	%	%	%	%
Diluted cash return on average shareholders' equity	**17.2**	**22.5**	**27.7**	**17.5**	**N/A**	**20.1**

Notes:

(1) Differs to the taxation note as it assumes a 30% tax rate for Banking and General Insurance. The difference is adjusted in the consolidation column.

(2) The group has implemented a new method of notionally allocating subordinated debt between Banking and General Insurance which is based on their relative shares of group regulatory capital. This results in a notional allocation from the Bank to General Insurance as the Bank physically carries the subordinated debt of the group except for $200 million in General Insurance. The notional allocation adjusts the free capital of the business lines. The subordinated debt expense shown in General Insurance for the half-year ended 31 December 2004 reflects its calculated share of group subordinated debt. Return on equity calculations for Banking and General Insurance for previous half-years have been adjusted to reflect the new methodology.

(3) These items were not previously reflected in the calculations. Previous half-years' return on equity calculations have been adjusted to reflect the new calculation method.

Banking capital adequacy

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Consolidated banking capital				
Tier 1				
Ordinary share capital	2,725	2,654	2,622	2,587
Preference share capital	244	244	244	244
Preconversion reserve	13	13	13	13
Retained profits	710	445	352	278
Less amortised goodwill for banking subsidiaries	(20)	(21)	(23)	(24)
Less unamortised goodwill component of investment in non-banking subsidiaries	(1,209)	(1,209)	(1,203)	(1,204)
Less other intangible assets	(62)	-	-	-
Less excluded assets	(1)	-	(1)	-
Less net future income tax benefit	-	(1)	(11)	(29)
Total Tier 1 capital	2,400	2,125	1,993	1,865
Tier 2				
Asset revaluation reserve	8	8	8	8
Net general provision for doubtful debts	118	104	96	87
Perpetual subordinated notes	170	170	170	170
Subordinated notes	593	635	605	645
Total Tier 2 capital	889	917	879	910
Deductions from capital				
Investments in non-banking subsidiaries (net of goodwill component deducted from Tier 1)	(853)	(853)	(858)	(857)
Guarantees and facilities to non-banking subsidiaries	(5)	(5)	(5)	(5)
Capital base	**2,431**	**2,184**	**2,009**	**1,913**
Total assessed risk	**23,292**	**21,297**	**19,753**	**17,949**
Risk weighted capital ratios	**10.44%**	**10.25%**	**10.17%**	**10.66%**
Reconciliation of deduction for investments in subsidiaries				
Investment securities - Assets and liabilities - Banking	2,065	2,065	2,067	2,067
Less intangible component deducted from Tier 1 capital - non-banking subsidiaries	(1,209)	(1,209)	(1,203)	(1,204)
Less non-subsidiary investment securities	(3)	(3)	(6)	(6)
Deduction from total capital for investment in subsidiaries	**853**	**853**	**858**	**857**
Retained profits movement				
Retained earnings opening for the half-year	445	352	278	193
Add Banking profit after tax for the half-year	145	128	115	116
Add sale of investment in Cashcard Australia Ltd	-	22	-	-
Less profit after tax of entities not consolidated for APRA purposes	-	-	(1)	-
Add/(less) APRA adjustments	-	9	(4)	-
Less dividend expense/accrual	(236)	(222)	(168)	(161)
Add estimated change in dividend reinvestment plan	2	9	25	-
Add dividends from non-banking subsidiaries	354	147	107	130
Retained profits closing for the half-year	**710**	**445**	**352**	**278**
Reconciliation of banking deduction for intangible assets to group intangible assets				
Amortised goodwill for banking subsidiaries	21	21	23	24
Non-amortised goodwill for non-banking subsidiaries	1,209	1,209	1,203	1,204
Goodwill reflected in investments in associates	(33)	(33)	(33)	(33)
Amortisation of non-banking goodwill	(244)	(213)	(185)	(156)
Group intangible assets	**953**	**984**	**1,008**	**1,039**

Banking capital adequacy (continued)

	Carrying Value			Risk Weighted Balance			
	Dec-04 $m	Jun-04 $m	Risk Weights %	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Risk weighted assets							
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	787	1,044	0	-	-	-	-
Claims on banks and local governments	66	159	20	13	32	22	20
Loans secured against residential housing	15,921	15,058	50	7,961	7,529	6,909	6,504
All other assets	14,036	12,565	100	14,036	12,565	11,668	10,305
Loans with LVR in excess of 80%	22	13	200	44	26	30	-
Total banking assets [(1)]	**30,832**	**28,839**		**22,054**	**20,152**	**18,629**	**16,829**

	Notional Amount	Credit Equiv-alent		Risk Weighted Balance			
	Dec-04 $m	Dec-04 $m	Risk Weights %	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Off balance sheet positions							
Guarantees entered into in the normal course of business	213	116	20-100	106	74	76	65
Commitments to provide loans and advances	5,506	1,181	0-100	780	751	714	704
Capital commitments	6	6	100	6	1	4	3
Foreign exchange contracts	13,133	433	20-50	88	87	113	60
Interest rate contracts	19,738	154	20-50	49	43	44	44
Total off balance sheet positions	38,596	1,890		1,029	956	951	876
Market risk capital charge				209	189	173	244
Total risk weighted assets				22,054	20,152	18,629	16,829
Total assessed risk				**23,292**	**21,297**	**19,753**	**17,949**
				%	%	%	%
Risk weighted capital ratios							
Tier 1				10.30	9.98	10.09	10.39
Tier 2				3.82	4.31	4.45	5.07
Deductions				(3.68)	(4.03)	(4.37)	(4.80)
Total risk weighted capital ratios				**10.44**	**10.26**	**10.17**	**10.66**

Notes:

(1) Total banking assets differ from banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, and general provision for impairment for capital adequacy purposes.

The banking capital adequacy ratio increased to 10.44%. Increased risk weighted assets were offset by increased retained profits in the capital base.

Adjusted Common Equity – consolidated bank

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Ordinary share capital	2,725	2,654	2,622	2,587
Retained profits	710	445	352	278
Reserves	21	21	22	21
	3,456	3,120	2,996	2,886
Less:				
Goodwill	(1,229)	(1,230)	(1,226)	(1,228)
Other intangible assets	(62)	-	-	-
Excluded assets	(1)	-	-	-
Future income tax benefit	-	(1)	(11)	(29)
Investment in non-banking subsidiaries (net of goodwill)	(853)	(853)	(858)	(857)
Asset revaluation reserve	(8)	(8)	(8)	(8)
	(2,153)	(2,092)	(2,103)	(2,122)
Adjusted Common Equity	**1,303**	**1,028**	**893**	**764**
Risk-weighted assets including off-balance sheet positions	23,292	21,297	19,753	17,949
	%	%	%	%
Adjusted Common Equity ratio	**5.59**	**4.83**	**4.52**	**4.26**

The Adjusted Common Equity (ACE) for the Bank only, which excludes subordinated debt, preference shares and investments in non-bank subsidiaries, increased to $1.30 billion at December, from $1.03 billion at June. The ACE ratio therefore increased to 5.59% from 4.83%, due to increased retained earnings following strong profit improvements, and receipt of a special dividend from the General Insurance subsidiary.

General Insurance minimum capital ratio

The minimum capital requirement for General Insurance is calculated by assessing the risks inherent in the business, which comprise:

- The risk that the provision for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium provision is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of assets is diminished (investment risk); and
- The risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

These risks are quantified to determine the minimum capital required under the prudential standards. This requirement is compared with the capital held in the general insurance companies. Any provisions for outstanding claims and insurance risk, in excess of the amount required to provide a level of sufficiency at 75%, is classified as capital.

At December 2004 the consolidated general insurance business has a strong capital position at 1.95 times the minimum requirement, up from 1.74 times at June.

During this period General Insurance paid a special dividend to the parent entity. The capital base was maintained by the issue of Tier 2 eligible term subordinated notes.

	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Tier 1				
Paid up ordinary shares	1,395	1,395	1,395	1,395
Retained profits at end of reporting period	718	808	682	649
Technical provisions in excess of liability valuation	466	389	278	267
Less tax effect of excess technical provisions	(140)	(117)	(83)	(80)
	2,439	2,475	2,272	2,231
Less:				
Goodwill	(833)	(859)	(879)	(904)
Net future income tax benefit	-	-	(27)	(19)
Total deductions from tier 1 capital	(833)	(859)	(906)	(923)
Total Tier 1 capital	**1,606**	**1,616**	**1,366**	**1,308**
Tier 2				
Subordinated notes	199	-	-	-
APRA capital base	**1,805**	**1,616**	**1,366**	**1,308**
Outstanding claims risk capital charge	458	448	446	448
Premium liabilities risk capital charge	182	183	188	184
Total insurance risk capital charge	640	631	634	632
Investment risk capital charge	238	246	233	210
Catastrophe risk capital charge	50	51	50	50
Total minimum capital requirement (MCR)	**928**	**928**	**917**	**892**
MCR coverage ratio (times)	**1.95**	**1.74**	**1.49**	**1.47**
Retained profits movement				
Retained profits opening for the half-year	808	682	649	650
Add general insurance profit after tax for the half-year	258	176	159	120
Less profit after tax of entities not consolidated for APRA purposes	(15)	(3)	(25)	(10)
Add/(less) APRA adjustments	(25)	60	(36)	(41)
Less dividends paid	(308)	(107)	(65)	(70)
Retained profits closing for the half-year	**718**	**808**	**682**	**649**

	Dec-04 $m	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m
One-off items included in profit from ordinary activities before income tax are:				
Sale of investment in Cashcard Australia Limited	-	31	-	-
Sale of Suncorp Metway Plaza and Trittons site	-	-	-	16
Write back of previous year's performance fees for workers' compensation managed funds following finalisation of performance audits	-	-	-	(8)
Changes in accounting policy included in profit from ordinary activities before income tax are:				
Adoption of revised accounting standard AASB 1028 "Employee Entitlements"	-	-	-	(1)
	-	**31**	**-**	**7**
The above items affect the following captions in the contribution to profit:				
Sale of investment in Cashcard Australia Limited	-	31	-	-
Profit on sale of property	-	-	-	16
Managed schemes net income	-	-	-	(8)
Operating expenses from ordinary activities	-	-	-	(1)
	-	**31**	**-**	**7**

One-off items and changes in accounting policy

Dividend

The interim dividend of 42 cents per share is fully franked and due to be paid on 1 April 2005. The record date for determining entitlements to the interim dividend is 8 March 2005.

	Dec-04 $m	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%) after proposed dividend	**325**	**264**	**219**	**169**

OPERATING EXPENSES

	Half-Year Ended				
	Dec-04	Jun-04	Dec-03	Jun-03	Dec-04 vs Dec-03
	$m	$m	$m	$m	%
Operating expenses					
Excluding Life Insurance Policy Owners' Interests					
Staff expenses					
Salaries and wages	242	225	208	201	16.3
Other staff expenses [(1)]	81	87	95	89	(14.7)
Total staff expenses	323	312	303	290	6.6
Equipment and occupancy expenses					
Depreciation					
Buildings	-	1	-	1	n/a
Plant, equipment and software	37	39	37	36	-
Leasehold improvements	5	6	6	6	(16.7)
Loss on disposal of property, plant and equipment	-	-	1	6	(100.0)
Operating lease rentals	23	22	24	21	(4.2)
Other occupancy expenses [(2)]	7	7	7	8	-
Total equipment and occupancy expenses	72	75	75	78	(4.0)
Other					
Hardware, software and data line expenses	23	20	23	23	-
Advertising and promotion expenses	28	32	33	25	(15.2)
Office supplies, postage and printing	34	34	35	32	(2.9)
Amortisation of franchise systems	1	1	-	1	n/a
Other [(3) (4)]	47	35	28	26	67.9
Total other expenses	133	122	119	107	11.8
Expenses charged to the Wealth Management Statutory Funds	(32)	(32)	(32)	(30)	-
Expenses allocated to claims expense [(5)]	-	-	-	(18)	n/a
Total operating expenses from ordinary activities	**496**	**477**	**465**	**427**	**6.7**

Notes:

(1) Other staff expenses is mainly made up of employee on costs, staff amenity expenses, training costs and temporary staff expenses.

(2) Other occupancy expenses consists mainly of electricity and maintenance expenses.

(3) The increase in other is primarily due to increases in General Insurance commissions.

(4) Net of certain General Insurance statutory fees and charges included in income and expenses in the Consolidated Financial Report.

(5) This amount has reduced to zero because the expenses allocated to claims expense are now allocated to the individual categories of expenses.

	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Income tax					
The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:					
Profit from ordinary activities before income tax expense	577	481	404	326	42.8
Prima facie income tax expense calculated at 30%	173	144	121	98	43.0
Tax effect of permanent differences:					
Non-deductible expenditure	4	3	4	3	-
Non-deductible write-downs	-	-	5	-	(100.0)
Amortisation of goodwill	9	10	9	10	-
Non-assessable income	-	1	(2)	(1)	(100.0)
Imputation gross up on dividends received	5	3	2	2	150.0
Dividend tax credits	(20)	(7)	(9)	(6)	122.2
Future income tax benefits not previously brought to account	-	-	-	4	n/a
Life and superannuation statutory funds	(8)	(6)	(8)	(8)	-
Other	7	(9)	4	-	75.0
Income tax adjusted for permanent differences	170	139	126	102	34.9
Over/(under) provision in prior year	(6)	5	(3)	(5)	100.0
Income tax expense	**164**	**144**	**123**	**97**	**33.3**
Effective tax rate	**28.4%**	**29.9%**	**30.4%**	**29.8%**	**(6.6)**
Income tax expense by segment					
Banking	75	67	62	52	21.0
General Insurance	83	73	56	41	48.2
Wealth Management	4	2	3	2	33.3
Other	2	2	2	2	-
Total income tax expense	**164**	**144**	**123**	**97**	**33.3**

Income tax expense for the half-year increased by 33% to $164 million. The increase in tax was largely attributable to the higher earnings base.

Tax Consolidation

Suncorp-Metway Ltd is the head entity in the tax-consolidated group comprising all the Australian owned subsidiaries.

From 1 July 2003 the head entity which is reflected in the banking segment recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). A tax sharing agreement is in place whereby the head entity recharges shares of the group tax to subsidiaries. This may result in a different tax expense figure recorded in segments than if the tax were calculated on a stand alone basis. A tax benefit of $8 million from the elections provided by the consolidation legislation has been recognised in the period, and is included in 'Over/(under) provision in prior year' shown in the above reconciliation.

Statement of cash flows

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended			
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Cash flows from operating activities				
Interest received	1,114	1,017	913	960
Dividends received	36	16	10	15
Premiums received	1,391	1,343	1,317	1,170
Reinsurance and other recoveries received	188	187	125	55
Other operating revenue received	431	468	364	264
Interest paid	(758)	(671)	(622)	(547)
Outwards reinsurance premiums paid	(59)	(101)	(72)	(78)
Claims paid	(904)	(1,008)	(900)	(813)
Operating expenses paid	(750)	(457)	(644)	(175)
Income taxes paid – operating activities	(30)	(95)	(145)	(36)
Net cash inflow from operating activities	659	699	346	815
Cash flows from investing activities				
(Payments for purchase)/proceeds from disposal of controlled entities	-	(10)	1	-
Payments for purchase of investments in associates	-	(4)	(9)	-
Payments for property, plant and equipment	(37)	(25)	(31)	(60)
Net (purchase)/disposal of banking securities	(876)	451	181	(1,102)
Net increase in loans, advances and other receivables	(2,358)	(2,236)	(2,182)	(1,066)
Purchase of investments integral to insurance activities	(3,758)	(11,219)	(8,543)	(4,713)
Proceeds from disposal of insurance investments	3,480	11,186	8,234	4,194
Income taxes paid – investing activities	(123)	(18)	(34)	(29)
Net cash outflow from investing activities	(3,672)	(1,875)	(2,383)	(2,776)
Cash flows from financing activities				
Proceeds from issue of shares	33	5	7	1
Proceeds from subordinated notes	199	-	-	64
Net increase in borrowings	2,972	1,299	2,083	2,073
Dividends paid	(185)	(140)	(138)	(120)
Net cash inflow from financing activities	3,019	1,164	1,952	2,018
Net increase/(decrease) in cash and cash equivalents	6	(12)	(85)	57
Cash at the beginning of the financial period	789	798	883	826
Cash acquired on acquisition of controlled entities	-	3	-	-
Cash at the end of the financial period	**795**	**789**	**798**	**883**

Regulatory change projects

Impact of adopting Australian Equivalents to International Financial Reporting Standards

Australian reporting entities will be required to comply with Australian Accounting Standards equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005.

The group will report for the first time in accordance with AIFRS when the results and interim financial report for the half-year ending 31 December 2005 are released.

The main impacts of the reforms are listed below:

Business combinations

The group has the option of retrospectively applying the AIFRS requirements to business combinations that occurred prior to 1 July 2004. If the group retrospectively applies these requirements, it is likely that different assets and liabilities will be recognised at the date of acquisition, which may impact the amount of goodwill recognised. If the group does not retrospectively apply these requirements, the Australian GAAP carrying amount of goodwill will be the AIFRS carrying amount on transition date.

Debt/equity classification

The group's preference shares, which are currently classified as equity, are likely to be reclassified as debt and dividends paid on these preference shares are likely to be treated as interest expense rather than as dividends.

General insurance business

Under Australian GAAP, AASB 1023 General Insurance Contracts deals with the accounting for all aspects of a general insurance business. Under AIFRS, products that meet the definition of a general insurance contract under revised AASB 1023 will continue to use current accounting treatments subject to a revised liability adequacy test. We expect that all the group's general insurance products will meet the definition of a general insurance contract.

Under AIFRS, the liability adequacy test is required to be performed at the reporting entity level by class of business, determined using APRA's Prescribed Classes of Business. Under Australian GAAP, this liability adequacy test is currently only performed at the reporting entity level. Depending on the outcome of the test at each reporting date, deferred acquisition costs may be written down and additional liabilities may be recognised as an unexpired risk liability. The AIFRS test is significantly more onerous than the present Australian GAAP test and we anticipate there will be a write-down of deferred acquisition costs on transition to AIFRS although the amount of the write-down should not be material to the financial position of the group.

Goodwill

Goodwill acquired on business combinations will not require an amortisation charge, which for the group amounts to approximately $60 million per year. Goodwill will be subject to impairment testing at least annually, and any impairment loss will be recognised immediately in the statement of financial performance. We anticipate that the current goodwill balance will be supported using the AIFRS impairment testing methodology.

Hedge accounting

All derivative contracts, whether used as hedging instruments or otherwise, will be recorded at fair value on the group's statement of financial position, with a corresponding entry to the statement of financial performance or an equity reserve.

AIFRS introduces more stringent rules in relation to hedge accounting. Where a derivative contract fails the effectiveness tests in managing the underlying risk, movements in fair value will be recorded in the statement of financial performance, which may result in volatility in the statement of financial performance. The group is working through the AIFRS hedge accounting requirements with the aim of ensuring that most hedge transactions are effective. As a result we do not anticipate a material impact on the reported profits as a result of the hedging rules under AIFRS.

To the extent that the cash flow hedges are effective in managing the underlying risk, the movements in fair value of the derivatives will be recorded in an equity reserve. Where fair value hedges are used, the movements in fair value of the derivatives will be recorded in the statement of financial performance. To the extent the fair value hedges are effective in managing the underlying risk, this movement will offset the movements in fair value of the underlying hedged item which will also be recorded in the statement of financial performance.

Impact of adopting Australian Equivalents to International Financial Reporting Standards (continued)

Income tax

A 'balance sheet approach' of calculating income tax balances will be used rather than the current 'income statement approach'. This approach typically recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. This change in method may require the group to carry higher levels of deferred tax assets and liabilities.

Life insurance business

Under Australian GAAP, AASB 1038 Life Insurance Business deals with the accounting for all aspects of a life insurance business. Under AIFRS, revised AASB 1038 designates products into either Life Insurance Contracts or Life Investment Contracts. The group has life insurance products that will be designated as either Life Insurance or Life Investment Contracts.

Products that meet the definition of a Life Insurance Contract will continue to use the Margin on Services valuation for policy liabilities. Products that meet the definition of a Life Investment Contract will be treated as investment contracts or service contracts and recognised as financial assets or liabilities or revenue. The AIFRS requirements will result in changes to the timing of profit recognition for these products.

The AIFRS rules in relation to the deferral of acquisition costs on investment products are considerably more stringent than under Australian GAAP. As a result it is likely that some acquisition costs presently deferred will be written off on transition to AIFRS and subsequently the recognition of profits on new business will be delayed compared to the present timing of profit recognition. The amount of any write-off of acquisition costs on adoption of AIFRS has yet to be determined but will not be material to the financial position of the group.

Under Australian GAAP, AASB 1038 Life Insurance Business allows a Life Insurer to recognise the excess of net market value of an interest in a subsidiary over the net assets of the subsidiary in its consolidated financial report. AIFRS does not allow this asset to be recognised, and accordingly it will be removed from our balance sheet by adjusting opening retained earnings. The balance of this asset as at 31 December 2004 is $17 million.

Loan fee revenue recognition

AIFRS will result in more loan fee income being deferred upon receipt, recognised as an adjustment to the yield on the loan and disclosed as interest income.

On initial transition to AIFRS, certain loan fees that have previously been recognised in the statement of financial performance will be recognised in the statement of financial position, with a corresponding adjustment to retained earnings. Whilst AIFRS will result in some changes to revenue classification, it is not expected to have a material impact on the net profit or loss.

Loan impairment provisions

AIFRS requirements for loan impairment provisions only allow provisions to be raised for incurred losses. It does not allow general provisions to be raised for unidentified possible or anticipated losses.

Provisions will be raised for individual loans that are impaired, calculated as the difference between the carrying amount of the loan and the estimated future cash flows discounted to their present value. As this discount unwinds, interest income will be recognised in the statement of financial performance between the recognition of the impairment loss and the recovery of the loan.

Loans that are not individually impaired will be grouped into portfolios of loans with similar credit risk characteristics and collectively assessed for impairment. If impaired, the resulting provision will be estimated on the basis of historical loss experience, adjusted based on current observable data.

These changes will likely result in a reduction in the level of provisioning that the group holds against its credit exposures, as the general provision for doubtful debts will be written back to retained earnings. Offsetting this however will be an increase in the specific provisions calculated on the above basis. The net impact on transition to AIFRS has yet to be quantified but should not be material to the financial position of the group.

Impact of adopting Australian Equivalents to International Financial Reporting Standards (continued)

Securitisation

AIFRS introduces different requirements for the recognition and derecognition of securitised assets, including those assets transferred to a special purpose vehicle. In addition, AIFRS applies a different interpretation of the consolidation rules applicable to special purpose vehicles.

Under Australian GAAP, securitised assets are not recognised in the statement of financial position, and the special purpose vehicles are not consolidated. The transition to AIFRS is likely to result in the group recognising securitised assets in the statement of financial position.

Many of the above changes will impact on the group's assets and equity, which are central to the capital adequacy requirements set by prudential regulators. The group anticipates that APRA will revise the measurement rules in its prudential standards in response to these changes. However, it is not clear at present whether regulatory capital measurement will be fully immunised from the AIFRS changes.

Basel II Accord

Implementation of the Suncorp Basel II program plan commenced in May 2004. The Suncorp program is structured to deliver compliance to the Standardised approach for establishing minimum capital requirements by January 2007 with continuing development to Foundation status. The implementation of the Accord is not expected to lead to significant relief in the required level of regulatory capital either in the overall banking system or at the institution level, particularly in the early years following implementation.

Appendix 1 – Statement of operating profit

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended				
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-04 vs Dec-03 %
Banking interest revenue	1,135	1,024	926	847	22.6
Banking interest expense	(758)	(685)	(609)	(550)	24.5
	377	339	317	297	18.9
General insurance premium revenue [(1)]	1,256	1,193	1,148	1,080	9.4
Reinsurance and other recoveries revenue	172	131	129	130	33.3
Other revenue [(2)]	81	109	71	64	14.1
Banking fee and commission revenue	111	103	112	100	(0.9)
Banking fee and commission expense	(38)	(33)	(28)	(26)	35.7
General insurance investment revenue:					
Insurance provisions	158	125	23	116	587.0
Managed schemes income	11	10	10	(7)	10.0
Joint venture income	11	9	10	5	10.0
Shareholder funds	118	71	59	28	100.0
Profit on sale of property	-	-	-	16	n/a
Total income from ordinary activities	2,257	2,057	1,851	1,803	21.9
Claims expense	(1,064)	(950)	(847)	(915)	25.6
Outwards reinsurance expense	(59)	(85)	(72)	(71)	(18.1)
Operating expenses from ordinary activities [(1)(2)]	(496)	(476)	(465)	(427)	6.7
Total expenses from ordinary activities	(1,619)	(1,511)	(1,384)	(1,413)	17.0
Profit from ordinary activities before bad and doubtful debt expense, capital funding, amortisation of goodwill and income tax expense	638	546	467	390	36.6
Bad and doubtful debts expense	(18)	(25)	(24)	(22)	(25.0)
Profit from ordinary activities before capital funding, amortisation of goodwill and related income tax expense	620	521	443	368	40.0
Subordinated debt expense - capital acquisition	(12)	(10)	(9)	(10)	33.3
Profit from ordinary activities before amortisation of goodwill and related income tax expense	608	511	434	358	40.1
Amortisation of goodwill	(31)	(30)	(30)	(32)	3.3
Profit from ordinary activities before related income tax	577	481	404	326	42.8
Income tax expense attributable to profit from ordinary activities	(164)	(144)	(123)	(97)	33.3
Net profit attributable to members of the parent entity	**413**	**337**	**281**	**229**	**47.0**

Notes:

(1) Net of General Insurance statutory fees and charges included in income and expenses in the consolidated financial report.

(2) Other revenue is primarily made up of Wealth Management profit, dividend revenue, property income, trust distributions and royalty income and includes the sale of our investment in Cashcard Australia Ltd.

Appendix 2 – Statement of assets and liabilities reconciliation

	As at 31 December 2004					
	Banking $m	GI $m	WM $m	Other $m	Consol [1] $m	Total $m
Assets						
Investment securities	2,065	5,449	40	-	(2,068)	5,486
Intangibles	21	833	-	-	99	953
Other	34,722	1,771	269	44	(225)	36,581
	36,808	8,053	309	44	(2,194)	43,020
Liabilities	33,062	5,891	23	11	(228)	38,759
Net assets	**3,746**	**2,162**	**286**	**33**	**(1,966)**	**4,261**

Notes:

[1] Group consolidation entries include the following:
- elimination of investments in controlled entities;
- recognition of goodwill; and
- elimination of intercompany cash deposits/loans.

Appendix 3 – Definitions

Adjusted Common Equity	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries.
Adjusted Common Equity ratio	Adjusted Common Equity divided by risk weighted assets, including off-balance sheet positions.
Basic shares	Ordinary shares on issue.
Cash earnings per share	Cash earnings per share adjusts the numerator in earnings per share by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.
Cash return on average shareholders' equity	Cash return on equity adjusts the numerator and denominator in return on average shareholders' equity by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value (after tax).
Cash return on equity – Banking	Operating profit after tax at 30% excluding goodwill amortisation, divided by adjusted average equity. The equity base is adjusted by adding back accumulated goodwill amortisation, deducting investment in non-banking subsidiaries and adding the notional reallocation to reflect the Bank's calculated share of group subordinated debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Cash return on equity – General Insurance	Operating profit after tax at 30% excluding goodwill amortisation, divided by adjusted average shareholders' equity. The equity base is adjusted by adding back accumulated goodwill amortisation, deducting outside equity interests and deducting the notional reallocation to reflect the General Insurer's calculated share of group subordinated debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Cash return on equity – Wealth Management	Operating profit after tax deducting revenue on revaluation of life and superannuation subsidiaries to embedded value after tax, divided by adjusted average equity. The equity base is adjusted by deducting the cumulative revaluation of subsidiaries to embedded value. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business.
Cost to average total banking assets ratio	Operating expenses of the Banking business divided by average total Banking assets as shown in the average Banking assets and liabilities statement. The ratio is annualised for half-years.
Cost to income ratio	Operating expenses of the Banking business divided by total income from ordinary banking activities.
Diluted shares	Comprises ordinary shares, partly paid shares, non-participating shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares in the first five years of issue. Weighted average shares are calculated in accordance with accounting standard AASB 1027 Earnings per Share and excludes options where the exercise price exceeds the market price.
Effective tax rate	Income tax expense divided by operating profit before tax and after amortisation of goodwill.
Embedded value	An assessment of the economic value arising out of the current in force Wealth Management business. An embedded value comprises two components being the adjusted net assets and the value of in force business.
Earnings per share	Basic earnings per share is calculated by dividing the profit of the Company for the financial year less dividends on preference shares by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Calculated in accordance with accounting standard AASB 1027 Earnings per Share.

Appendix 3 – Definitions (continued)

Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing the General Insurance business. Premium revenue and operating expenses are net of statutory fees and charges included in income and expenses in the Consolidated Financial Report.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding investment income on shareholder and Statutory Funds (as per exclusions outlined at Underlying Profit definition), one-off items and excluding the impact of life insurance accounting standard AASB 1038.
Gross banking loans, advances and other receivables	Total lending less securitised loan balances.
Gross non-performing loans	Gross impaired assets plus past due loans.
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in the provision for outstanding claims.
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing - basic	Shareholders' equity attributable to members of the Company less preference shares and intangibles; divided by ordinary shares at the end of the period. In determining the number of ordinary shares at the end of the period, partly paid shares are taken into account by assuming that the unpaid amount is paid.
Net tangible asset backing - diluted	Shareholders' equity attributable to members of the Company, plus outstanding options, less intangibles; divided by diluted shares at the end of the period.
Operating income	Total income from ordinary activities.
Payout ratio - basic	Total dividends and distributions which relate to the half-year divided by operating profit after tax.
Payout ratio - diluted	Diluted shares at the end of the period times ordinary dividend per share for half-year plus preference share dividends, divided by operating profit after tax.
Return on average risk weighted assets	Banking operating profit after tax (based on assumed tax rate of 30%) divided by average risk weighted assets. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of the life insurance standard AASB 1038. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity - basic	Operating profit after tax less preference dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity - diluted	Operating profit after tax divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes preference shares and outstanding options. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Underlying profit	Operating profit before tax, amortisation of goodwill, investment income on Shareholder Funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained earnings in Wealth Management and one-off items.

Appendix 4 - Ratio calculations

	Half-Year Ended			
	Dec-04 No. of Shares	Jun-04 No. of Shares	Dec-03 No. of Shares	Jun-03 No. of Shares
Earnings per share				
Denominator				
Weighted average number of shares:				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	539,659,168	535,363,363	532,533,933	529,365,728
Weighted average number of potential ordinary shares relating to:				
Options on ordinary shares	454,611	671,763	445,055	472,009
Partly paid ordinary shares	6,958	7,363	6,959	22,449
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	540,120,737	536,042,489	532,985,947	529,860,186

The 2,500,000 preference shares recognised in equity are not considered to be either ordinary or potential ordinary shares as they cannot convert to ordinary shares in the first five years from issue, and so have not been included in either basic or diluted earnings per share.

	Half-Year Ended			
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Numerator				
Earnings:				
Reconciliations of earnings used in calculating earnings per share:				
Net profit	413	337	281	229
Less preference share dividends	(8)	(8)	(8)	(8)
Earnings used in calculating basic and diluted earnings per share	405	329	273	221
Add amortisation of goodwill	31	30	30	32
Less revaluation of life insurance subsidiaries (after tax)	(1)	(1)	(1)	-
Earnings used in calculating basic and diluted cash earnings per share	435	358	302	253

Appendix 4 - Ratio calculations (continued)

	Dec-04 $m	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m
Return on average shareholders' equity – basic				
Denominator				
Adjusted average shareholders' equity:				
Opening total equity	3,998	3,796	3,647	3,536
Less outside equity interest	(6)	(6)	(7)	(6)
Less preference shares	(244)	(244)	(244)	(246)
Opening adjusted equity	3,748	3,546	3,396	3,284
Add accumulated amortisation of goodwill	227	197	167	135
Less cumulative revaluation of life insurance subsidiaries	(15)	(14)	(12)	(12)
Opening adjusted equity - cash	3,960	3,729	3,551	3,407
Closing total equity	4,261	3,998	3,796	3,647
Less outside equity interest	(6)	(6)	(6)	(7)
Less preference shares	(244)	(244)	(244)	(244)
Closing adjusted equity	4,011	3,748	3,546	3,396
Add accumulated amortisation of goodwill	258	227	197	167
Less cumulative revaluation of life insurance subsidiaries	(17)	(15)	(14)	(12)
Closing adjusted equity - cash	4,252	3,960	3,729	3,551
Average adjusted equity	**3,880**	**3,647**	**3,471**	**3,340**
Average adjusted equity - cash	**4,106**	**3,845**	**3,640**	**3,479**

Numerator

Earnings for return on average shareholders' equity as per 'earnings per share' information on page 67.

Earnings for cash return on average shareholders' equity as per 'cash earnings per share' information on page 67.

Appendix 4 - Ratio calculations (continued)

		Half-Year Ended		
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m
Return on average shareholders' equity – diluted				
Denominator				
Adjusted average shareholders' equity:				
Opening total equity	3,998	3,796	3,647	3,536
Less outside equity interest	(6)	(6)	(7)	(6)
Plus funds generated on outstanding options	48	26	29	30
Opening adjusted equity	4,040	3,816	3,669	3,560
Add accumulated amortisation of goodwill	227	197	167	135
Less cumulative revaluation of life insurance subsidiaries	(15)	(14)	(12)	(12)
Opening adjusted equity - cash	4,252	3,999	3,824	3,683
Closing total equity	4,261	3,998	3,796	3,647
Less outside equity interest	(6)	(6)	(6)	(7)
Plus funds generated on outstanding options	16	48	26	29
Closing adjusted equity	4,271	4,040	3,816	3,669
Add accumulated amortisation of goodwill	258	227	197	167
Less cumulative revaluation of life insurance subsidiaries	(17)	(15)	(14)	(12)
Closing adjusted equity - cash	4,512	4,252	3,999	3,824
Average adjusted equity	**4,156**	**3,928**	**3,742**	**3,614**
Average adjusted equity - cash	**4,382**	**4,126**	**3,911**	**3,753**

Numerator

Earnings for return on average shareholders' equity is operating profit after tax.

Earnings for cash return on average shareholders' equity as per 'cash earnings per share' information on page 67, adding back the preference share dividends.

Appendix 5 – Details of share capital

		Half-Year Ended		
	Dec-04	Jun-04	Dec-03	Jun-03
Ordinary shares each fully paid				
Number at the end of the period	541,984,473	536,619,211	534,116,449	530,752,100
Dividend declared for the period (cents per share)	42	40	30	30
Preference shares each fully paid				
Number at the end of the period	2,500,000	2,500,000	2,500,000	2,500,000
Dividend declared for the period ($ per share)	3.18	3.10	3.17	3.15
Ordinary shares each 5 cents partly paid				
Number at the end of the period	16,750	17,650	17,650	27,550
Non-participating shares fully paid				
Number at the end of the period	2,000	2,000	2,000	2,000

Appendix 6 – Key dates [1]

Ordinary shares (SUN)

2005

Interim dividend		
Ex dividend date [2]	2	March
Record date	8	March
Dividend payment	1	April
Final dividend		
Ex dividend date [2]	31	August
Record date	6	September
Dividend payment	3	October

Floating Rate Capital Notes (SUNHB)
(Perpetual subordinated debt)

2005

Interest payment	1	March
Ex interest date [2]	10	May
Record date	16	May
Interest payment	31	May
Ex interest date [2]	9	August
Record date	15	August
Interest payment	30	August
Ex interest date [2]	9	September
Record date	15	September
Interest payment	30	September

Reset Preference Shares (SUNPA)

2005

Ex dividend date [2]	2	March
Record date	8	March
Dividend payment	15	March
Ex dividend date [2]	31	August
Record date	6	September
Dividend payment	14	September

Notes:

(1) Dates may be subject to change

(2) Subject to ASX confirmation