BANKING INSURANCE INVESTMENT

Suncorp-Metway Ltd

AND CONTROLLED ENTITIES

ABN 66 010 831 722

CONSOLIDATED FINANCIAL RESULTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Release date 27 February 2004

Investor Relations

Joe Dowling
Manager, Investor Relations

Telephone: (07) 3835 5769, 0408 884 737
Fax: (07) 3832 5139
Email: joe.dowling@suncorp.com.au

Registered Office

Level 18, 36 Wickham Terrace, Brisbane Qld 4000
GPO Box 1453, Brisbane Qld 4001

Telephone: (07) 3835 5355
Fax: (07) 3836 1190
Internet: www.suncorp.com.au

SUNCORP

Table of Contents

Suncorp-Metway Ltd

Half-Year Results 2004

- Net profit up 81% to a record $281 million.
- Cash EPS up 66% to 56.6 cents.
- Cash ROE up from 10.7% to 16.4%.
- Underlying profit* up 45% to $375 million.
- Interim dividend increased by 4 cents to 30 cents per share, fully franked

	Half-Year Ended			Variance
	Dec-03 $m	Jun-03 $m	Dec-02 $m	Dec-03 vs Dec-02 %
Profit overview				
Banking	177	168	150	17.9
General Insurance	215	161	72	198.6
Wealth Management	36	24	17	111.8
Other	6	5	4	50.0
Profit before tax and goodwill	434	358	243	78.5
Goodwill amortisation	(30)	(32)	(30)	0.0
Tax	(123)	(97)	(58)	112.1
Net profit	**281**	**229**	**155**	**81.2**

Full year outlook upgraded

- **Banking** – Mid-teens increase in profit before tax (previously high single digit increase)
- **General Insurance** – ITR of 10-13% (unchanged)
- **Wealth Management** – 30%+ growth in profit before tax (previously high single digit increase)
- **Group** – Percentage growth in underlying* profit in mid 20s (previously 15%)

* Profit before tax, amortisation of goodwill, investment income on General Insurance shareholder funds and one-off items

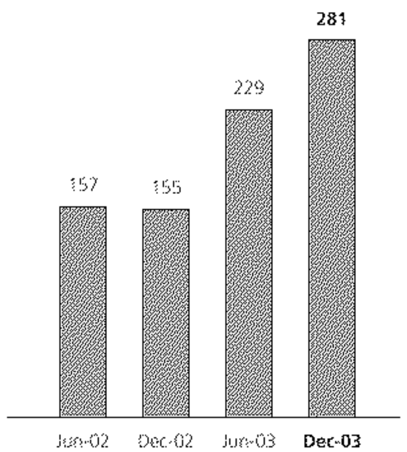
Review of operations

Except where otherwise stated, all figures relate to the half-year ended 31 December 2003, comparatives are for the half-year ended 31 December 2002, and life insurance policy owners' interests are excluded.

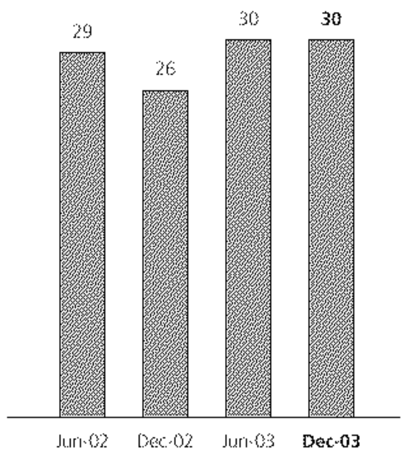
Group overview

- Suncorp has reported an 81% increase in net profit to a record $281 million for the six months to December 2003.
- Earnings per share on a cash basis, fully diluted, increased by 66% to a record 56.6 cents.
- Return on equity, on a cash basis, fully diluted, increased to 16.4% for the half year. After goodwill, the ROE was 14.9%, approaching the group's 15% medium term target.
- Underlying profit for the group increased by 45% to $375 million. This figure is profit before tax, goodwill and investment income on general insurance shareholders funds, and demonstrates the strong operating performance of the underlying business.
- The final dividend has been increased by 4 cents to 30 cents per share, representing a dividend payout ratio of 60.4%, fully diluted.
- Profits increased substantially across all operating divisions, following strong improvements in profit in the prior June half.
- The most significant increase in earnings was seen in General Insurance, where pre-tax profits increased by 199% to $215 million. This was a record half-year result for the general insurance division, driven by favourable claims experience, good premium growth, the benefits of the GIO integration program and substantially increased investment income.
- Investment income on General Insurance shareholder funds improved to a profit of $59 million, from a loss of $17 million in the prior corresponding period.
- The Insurance Trading Result, which excludes investment income on General Insurance shareholder funds and is the clearest indicator of performance in the underwritten general insurance business, increased to 13.5% of net earned premium for the six months. This is up from 8.0% at December 2002, and exceeds the previously stated expected full year ITR range of 10–13%.
- Banking also delivered record results, reporting a solid 18% increase in profit for the period to $177 million, due to strong lending growth, increased non-interest income, and continued low bad debts.
- Wealth Management profits increased by 112% to $36 million, driven mainly by improved investment returns.
- Income tax expense increased by 112% to $123 million, mainly due to increased income.

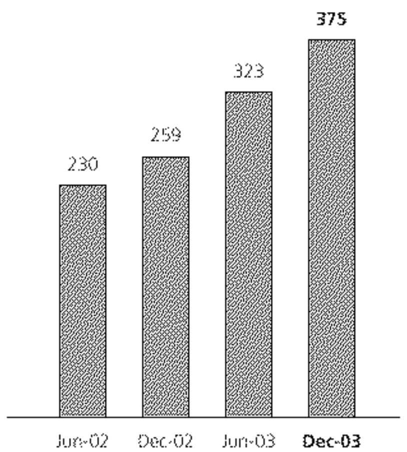
Operating profit after tax
Half-year, $m



Dividend
Half-year, cents per share



Underlying profit
Half-year, $m



Review of operations (continued)

GIO integration

- The integration of GIO was completed in June 2003. The integration program, called Transformation, delivered annual savings and benefits worth a total of $240 million in a full year.
- Due to the timing of their implementation, Transformation initiatives led to a $23 million increase in profit before tax in the six months to December compared with the prior June half. Compared with the prior December half year, pre-tax profit was increased by $51 million due to Transformation initiatives.

Financial position

- At the end of December, the group had total assets of $38.0 billion, up 15% on the prior December. Liabilities totalled $34.2 billion, up 16%, leaving equity at $3.8 billion, up 7%.
- The group's capital position remains strong, with capital adequacy of 10.2% in the bank, an MCR multiple of 1.49 in the general insurer, and strong capital reserves in the Life Company.
- The group's Adjusted Common Equity (ACE) ratio has increased to 4.52%, from 4.26% at 30 June 2003, and is on track to achieve longer term targets.
- The group has announced an interim dividend of 30 cents per share, representing a payout ratio of 60.4%, which allows sufficient capital to be retained to fund growth.
- The Company achieved a credit rating upgrade from Standard & Poor's during the half year to December, in recognition of the strengthened financial position of the company, and now holds a long term rating of A. The increased credit rating will contribute to a reduction in the cost of funds, and will enable access to a greater pool of potential debt investors in global capital markets.

Outlook and progress against financial targets

- The group's results for the six months to December exceeded internal targets for the period and leave the Company on track to exceed previous expectations for the full year. Full year guidance has therefore been adjusted.
- The Banking profit before tax increased by 18%, compared with a previous full year forecast of high single digit profit growth. The outlook for the full year has therefore been revised, and the percentage pre-tax profit increase is expected to be in the mid-teens.
- The General Insurance division's insurance trading result was a profit of $145 million, equal to an insurance margin of 13.5%. This exceeds the previous expected full year margin range of 10–13%. However, we continue to believe that 10–13% is the sustainable long term range. Given the strength of the first half results, we would expect to report full year results towards the top end of that range, assuming no further unusual claims events.
- The Wealth Management profit rose by 112%. The full year forecast has therefore been increased. Subject to orderly equity markets, we expect to achieve an increase in pre-tax profit of more than 30%.
- Underlying profit before tax, amortisation of goodwill, and investment income on General Insurance shareholder funds was previously forecast to increase by approximately 15% in the full year. The first half increase was 45%. The full year underlying profit is now expected to increase by a percentage in the mid-20s, subject to no unusual insurance claims events.

Strategy update

- The results for the period to December demonstrate the company is making good progress in implementing its Financial Services Conglomerate strategy, which was outlined to the market in June last year.
- In summary, the strategy is to retain the group's three main business lines of Banking, General Insurance and Wealth Management, operating them as part of an integrated financial services group.
- The first step in implementing that strategy is to ensure that each of the underlying businesses is operating at peak efficiency on a stand-alone basis, and is competitive in their individual market segments. From that strong base, the group can derive cost savings and revenue enhancements leading to increased competitiveness and financial returns which are better than competitor companies.
- The results for the December half demonstrate that the first step in the strategy is being achieved, with business line results showing significant improvements.
- These improvements have been achieved directly as a result of the strategic review, which led to:
  - A clarification and restatement of the group strategy
  - A streamlining of the group structure to refocus management on individual business line performance
  - A review and subsequent strengthening of management and staffing levels within business lines
  - Implementation of a range of business initiatives within each of the business lines and across the group to drive improved sales and operating efficiencies

Review of operations (continued)

Major operational initiatives

Customer Solutions and Customer Service

- The Company is seeking to further leverage its competitive advantage in customer service and satisfaction through implementing a number of strategic initiatives. Customer segmentation strategies are being developed on an increasingly sophisticated basis allowing targeted value propositions to be established. Detailed internal customer service metrics and systems are in place and extensive customer value analysis research is being undertaken.
- A new team has been established within the group's corporate centre, focused purely on driving cross-sell revenues within the group. This team is putting in place a process aimed at ensuring that cross-sell opportunities are identified and captured routinely across the group.

Pricing Engine

- A new General Insurance "Pricing Engine" for Comprehensive Motor Insurance has been developed and is being progressively rolled out during 2004. Development of a Pricing Engine for Home Insurance is also well advanced.
- This pricing engine will calculate insurance premiums for Personal Lines products with a much greater degree of sophistication, by allowing a number of individual "perils" to be priced within a premium.
- The new pricing engine will facilitate much more accurate pricing of risk, and thereby better risk selection to maximise profitability.

Basel II Accord

- The Company has commenced its Basel II Program. Basel II provisions are expected to be finalised in July 2004, with implementation expected in 2006. The Accord has been mapped to the Company's current organisational structure and six key streams of work have been identified. The current focus of this work is to define and develop the initiatives that will be required to meet Basel II objectives. It is expected that this work will be complete by the end of the 3rd quarter 2003/04, with an implementation phase to follow.

Economic Capital Project

- The Company is enhancing its portfolio management and capital efficiency processes through the development of an economic capital allocation and value measurement system. Through the economic capital model the Company will be able to prioritise its resource investment across products, distribution channels and customer segments with performance measured on a consistent risk-adjusted basis.

Distribution network and expansion outside Queensland

- The Company now has a total of 250 Retail and Business Banking outlet branches, including 142 retail branches, 57 business branches and 51 agencies. Outside of Queensland, the Company has 36 retail branches and 37 agencies.
- Three new branches were opened during the six months to December, including the group's first branches in Perth and Adelaide. Four new branch openings are planned before June 2004.
- 37% of lending assets are now outside of Queensland, and 54% of General Insurance net earned premium is sourced outside Queensland.
- The group's interstate expansion strategy is focused on driving profitable growth to improve diversification both geographically and in terms of business lines.
- In General Insurance, the acquisition of GIO has enabled the group to gain economies of scale and a widely diversified insurance portfolio.
- In Banking, the Company's interstate expansion strategy is to use third party introducers to generate new business, then to follow with branch infrastructure when the business base attains sufficient size to warrant the investment.
- In Wealth Management, the strategy is to leverage off the Banking and General Insurance customer bases to target attractive customer segments in interstate markets.

Contribution to profit by division for the half-year ended 31 December 2003

Excluding Life Insurance Policy Owners' Interests

	Dec-03	Half-Year Ended Jun-03	Dec-02	Jun-02	Variance Dec-03 vs Dec-02
	$m	$m	$m	$m	%
Banking					
Net interest income	317	297	295	273	7.5
Non-interest income [1]	90	85	70	65	28.6
Operating expenses	(206)	(191)	(189)	(172)	9.1
Bad debts	(24)	(23)	(26)	(26)	(7.7)
Contribution before tax	**177**	**168**	**150**	**140**	**17.9**
General Insurance					
Net earned premium [2]	1,076	1,009	1,003	921	7.3
Net incurred claims	(718)	(785)	(866)	(689)	(17.1)
Operating expenses [2]	(236)	(211)	(222)	(234)	6.3
Investment income on insurance provisions	23	116	165	73	(86.1)
Insurance trading result	145	129	80	71	81.3
Managed schemes net income	10	(7)	14	(2)	(28.6)
Joint venture income	10	5	4	5	150.0
Investment income on shareholder funds	59	28	(17)	3	(447.1)
Profit on sale of property	-	16	-	-	n/a
Contribution before tax and GIO funding	224	171	81	77	176.5
Subordinated debt expense – GIO acquisition funding	(9)	(10)	(9)	(10)	0.0
Contribution before tax	**215**	**161**	**72**	**67**	**198.6**
Wealth Management					
Contribution from Life Company	30	19	13	17	130.8
Contribution from funds management	6	5	4	5	50.0
Contribution before tax	**36**	**24**	**17**	**22**	**111.8**
Other [3]					
Contribution before tax	**6**	**5**	**4**	**4**	**50.0**
Total operating profit before tax and amortisation of goodwill	434	358	243	233	78.5
Amortisation of goodwill	(30)	(32)	(30)	(30)	0.0
Income tax	(123)	(97)	(58)	(46)	112.1
Total operating profit after income tax and amortisation of goodwill	**281**	**229**	**155**	**157**	**81.2**
Underlying profit [4]	**375**	**323**	**259**	**230**	**44.7**

Notes:

[1] Non-interest income is comprised of net banking fee income, net profits 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 general insurance shareholder funds and one-off items.

Refer to Appendix 1 for an alternative presentation of the statement of operating profit.

Statement of assets and liabilities

Excluding Life Insurance Policy Owners' Interests

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Assets					
Cash and liquid assets	764	841	825	1,134	(7.4)
Receivables due from other financial institutions	56	68	17	57	229.4
Trading securities	2,997	3,174	2,057	1,498	45.7
Investment securities	5,427	4,804	4,715	4,424	15.1
Investments in associates	96	83	83	86	15.7
Loans, advances and other receivables	26,637	24,426	23,142	22,918	15.1
Property, plant and equipment	204	217	231	206	(11.7)
Unlisted investment in life insurance statutory funds	181	156	152	136	19.1
Deferred tax assets	136	165	151	190	(9.9)
Intangible assets	1,008	1,038	1,071	1,099	(5.9)
Other financial assets [1]	456	462	548	580	(16.8)
Total assets	37,962	35,434	32,992	32,328	15.1
Liabilities					
Deposits and short term borrowings	22,584	21,579	20,143	18,167	12.1
Payables due to other financial institutions	22	26	16	70	37.5
Payables	1,527	1,242	688	801	121.9
Current tax liabilities	73	134	46	86	58.7
Provisions	88	104	102	326	(13.7)
Deferred tax liabilities	133	115	124	171	7.3
Outstanding claims and unearned premium provisions	5,100	5,062	4,813	4,591	6.0
Bonds, notes and long term borrowings	3,864	2,710	2,773	3,952	39.3
Subordinated notes	775	815	751	802	3.2
Total liabilities	34,166	31,787	29,456	28,966	16.0
Net assets	**3,796**	**3,647**	**3,536**	**3,362**	**7.4**
Equity					
Contributed equity – ordinary shares	2,622	2,587	2,559	2,533	2.5
Contributed equity – preference shares	244	244	246	244	(0.8)
Reserves	22	22	22	22	-
Retained profits	902	787	703	557	28.3
Total parent entity interest	3,790	3,640	3,530	3,356	7.4
Outside equity interests	6	7	6	6	-
Total equity	**3,796**	**3,647**	**3,536**	**3,362**	**7.4**

Notes:

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

Ratios and statistics

Excluding Life Insurance Policy Owners' Interests

		Dec-03	Half-Year Ended Jun-03	Dec-02	Jun-02	Variance Dec-03 vs Dec-02 %
Financial position						
Investment and interest earning assets	($m)	34,104	31,455	29,106	28,020	17.2
Total assets	($m)	37,962	35,434	32,992	32,328	15.1
Capital						
Bank capital adequacy ratio	(%)	10.2	10.7	10.0	10.6	2.0
Bank adjusted common equity	(%)	4.52	4.26	3.99	3.93	12.5
General Insurance minimum capital ratio	(%)	149.0	146.6	156.0	140.4	(4.5)
Shareholder summary						
Dividend per ordinary share	(cents)	30.0	30.0	26.0	29.0	15.4
Dividend per preference share	($)	3.17	3.15	3.10	3.15	3.2
Payout ratio						
Basic	(%)	59.9	73.0	93.5	100.9	(35.9)
Diluted	(%)	60.4	73.3	94.6	103.0	(36.2)
Weighted average number of shares						
Basic	(million)	532.5	529.4	526.6	524.6	1.1
Diluted	(million)	533.0	529.9	527.3	525.8	1.1
Number of shares at end of period						
Basic	(million)	534.1	530.8	527.9	525.3	1.2
Diluted	(million)	538.7	536.2	533.2	531.9	1.0
Net tangible asset backing per share						
Basic	($)	4.75	4.44	4.20	3.83	13.1
Diluted	($)	5.21	4.91	4.67	4.34	11.7
Performance ratios						
Earnings per share						
Basic	(cents)	51.3	41.9	27.9	28.3	83.9
Diluted	(cents)	51.2	41.8	27.9	28.2	83.5
Cash earnings per share						
Basic	(cents)	56.6	47.8	34.2	33.9	65.5
Diluted	(cents)	56.6	47.8	34.2	33.8	65.5
Return on average shareholders' equity						
Basic	(%)	15.6	13.4	9.1	9.7	71.4
Diluted	(%)	14.9	12.8	8.8	9.3	69.3
Cash return on average shareholders' equity						
Basic	(%)	17.3	15.3	11.2	11.6	54.5
Diluted	(%)	16.4	14.5	10.7	11.0	53.3
Return on average total assets	(%)	1.52	1.35	0.94	0.99	61.7
Return on average investment and interest earning assets	(%)	1.70	1.53	1.08	1.15	54.5
Insurance trading ratio	(%)	13.5	12.8	8.0	7.7	68.8
Productivity						
Group efficiency ratio	(%)	25.4	23.4	24.4	27.0	4.1

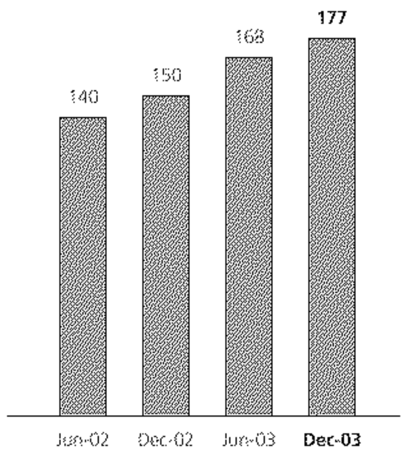
Refer Appendix 2 for definitions.
Refer Appendix 3 for details of Earnings per share and Return on average shareholders' equity calculations.

Segment information – Banking

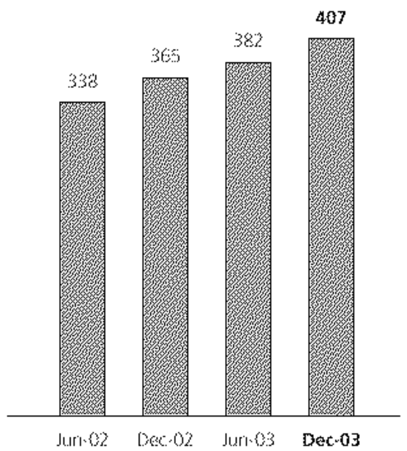
Overview

- The Banking division has reported a record pre-tax profit of $177 million for the half year to December, up 18% on the $150 million profit for the prior corresponding period.
- Return on equity was 19.3%, down slightly on the 19.8% recorded at December 2002, but an increase on the 17.8% ROE at June 2003.
- The profit improvement was driven by continued steady growth in net interest income and fee revenues and stable bad debt expense.
- At December 2003, total lending, including securitised assets, was $27.7 billion, which was up 16% compared with the prior December. This growth rate exceeds system rates of growth for the period, which were 15.5% according to figures from the Reserve Bank of Australia.
- Business lending growth was particularly strong, increasing by 24% to $11.3 billion, compared with 7.8% for the industry.
- Housing lending growth was healthy at 13%, although slightly below system growth rates. Suncorp's home lending has improved following a series of operational changes.
- Net interest margin and spread were down compared with December 2002, but despite reduced margins, increased lending drove an 8% increase in net interest income to $317 million for the half year.
- Non-interest income rose 29% to $90 million, driven by higher securitisation fees, increases in establishment fee income due to higher lending activity, and improved fee collection disciplines.
- Banking expenses increased 9% to $206 million, due to redundancy costs, increased promotional and advertising spending, and the expenses associated with the launch of the new Clear Options credit card. However, this was offset by revenue growth, so the cost to income ratio for the period to December reduced to 50.6%, from 51.8% at the prior December. The cost to income ratio remains competitive with major bank peers, and well below most regional bank competitors.
- Asset quality remains very sound, with the bad debt charge of $24 million comparing with $26 million at the prior December, and $23 million at June. Impaired assets fell by 47% to $78 million, equivalent to just 0.30% of gross loans, advances and other receivables.
- Capital adequacy was at 10.2% at December 2003, which is within the group's target range of 10–10.5%, but down from 10.7% at June 2003. This was due to strong growth in risk weighted assets, which increased by 16.7% to $18.6 billion. The adjusted common equity ratio increased to 4.52%, and is expected to reach approximately 5% by the end of the current financial year.

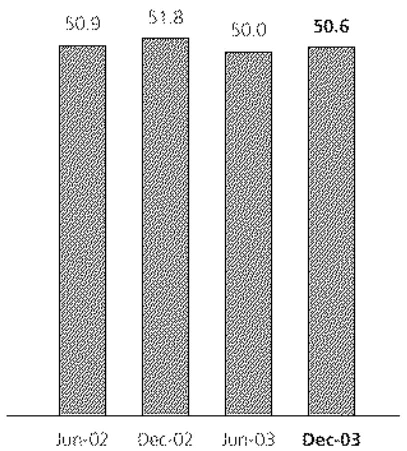
Contribution to profit
Half-year, $m



Total banking income
Half-year, $m



Cost to income ratio
Half-year, %



	Half-Year Ended				Variance
	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-03 vs Dec-02 %
Profit contribution – Banking					
Net interest income					
Interest revenue	926	855	829	748	11.7
Interest expense	(609)	(558)	(534)	(475)	14.0
	317	297	295	273	7.5
Net banking fee income					
Banking fee and commission revenue	112	105	97	82	15.5
Banking fee and commission expense	(28)	(26)	(32)	(24)	(12.5)
	84	79	65	58	29.2
Other operating revenue					
Net profits on trading and investment securities	-	-	-	1	n/a
Net profits on derivative and other financial instruments	6	-	3	2	100.0
Other income	-	6	2	4	(100.0)
	6	6	5	7	20.0
Non-interest income	90	85	70	65	28.6
Total income from ordinary banking activities	407	382	365	338	11.5
Operating expenses					
Staff expenses	(118)	(111)	(106)	(100)	11.3
Occupancy expenses	(11)	(10)	(10)	(10)	10.0
Computer and depreciation expenses	(23)	(24)	(26)	(23)	(11.5)
Communication expenses	(17)	(17)	(15)	(14)	14.2
Advertising and promotion expenses	(11)	(9)	(10)	(9)	10.0
Other operating expenses [1]	(26)	(20)	(22)	(16)	18.2
	(206)	(191)	(189)	(172)	9.1
Contribution to profit from banking activities before bad and doubtful debts	201	191	176	166	14.1
Bad and doubtful debts expense	(24)	(23)	(26)	(26)	(7.7)
Contribution to profit before tax from banking activities	**177**	**168**	**150**	**140**	**17.9**

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

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Assets and liabilities – Banking					
Assets					
Cash and liquid assets	522	448	441	664	18.4
Receivables due from other financial institutions	56	68	17	57	229.4
Trading securities	2,997	3,174	2,057	1,498	45.7
Investment securities	2,067	2,067	2,068	2,067	(0.0)
Loans, advances and other receivables	25,891	23,685	22,808	22,417	13.5
Property, plant and equipment	203	215	224	178	(9.4)
Deferred tax assets	135	100	83	93	62.7
Intangible assets	23	23	23	25	-
Other financial assets [1]	332	282	276	314	20.3
Total assets	32,226	30,062	27,997	27,313	15.1
Liabilities					
Deposits and short term borrowings	23,054	22,016	20,871	18,839	10.5
Payables due to other financial institutions	22	26	16	36	38.3
Payables	954	1,055	286	331	233.6
Current tax liabilities	73	75	36	67	102.8
Provisions	83	87	52	210	59.6
Deferred tax liabilities	133	55	58	78	129.3
Bonds, notes and long term borrowings	3,864	2,710	2,773	3,952	39.3
Subordinated notes	775	815	752	802	3.1
Total liabilities	28,958	26,839	24,844	24,315	16.6
Net assets	**3,268**	**3,223**	**3,153**	**2,998**	**3.6**

Notes:

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

	Half-Year Ended Dec-03 %	Jun-03 %	Dec-02 %	Jun-02 %
Banking statistics				
Cost to income ratio	50.6	50.0	51.8	50.9
Cost to average total banking assets ratio	1.34	1.34	1.38	1.34
Capital adequacy ratio	10.2	10.7	10.0	10.6
Return on average risk weighted assets ratio	1.39	1.43	1.36	1.43
Net interest margin	2.24	2.28	2.37	2.33
Net interest spread	2.02	2.07	2.14	2.13
Non-interest income as a percentage of average assets	0.59	0.60	0.51	0.51
Non-interest income as a percentage of total income	22.1	22.3	19.2	19.2
Return on banking equity	19.3	17.8	19.8	19.5

Refer Appendix 2 for definitions.

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Asset growth					
Housing loans	15,548	14,547	13,724	13,303	13.3
Consumer receivables	485	477	504	514	(3.8)
Retail loans	16,033	15,024	14,228	13,817	12.7
Commercial loans	2,501	2,068	1,843	1,692	35.7
Development finance	1,911	1,475	1,293	1,156	47.8
Property investment	2,725	2,523	2,263	2,214	20.4
Lease finance	1,825	1,774	1,675	1,591	9.0
Agribusiness	2,111	2,075	1,991	1,940	6.0
AMP property acquisition	205	-	-	-	100.0
Business loans	11,278	9,915	9,065	8,593	24.4
Structured finance	8	18	18	25	(55.6)
Other receivables [1]	80	102	93	131	(14.0)
Total lending	27,399	25,059	23,404	22,566	17.1
Provision for impairment	(134)	(121)	(114)	(124)	17.3
	27,265	24,938	23,290	22,442	17.1
Intragroup receivables	400	397	605	500	(33.9)
Total loans, advances and other receivables including securitised balances	27,665	25,335	23,895	22,942	15.8
Less: Securitised loan balances (housing)	(1,774)	(1,650)	(1,087)	(525)	63.2
Loans, advances and other receivables	**25,891**	**23,685**	**22,808**	**22,417**	**13.5**
Gross banking loans, advances and other receivables	**25,625**	**23,409**	**22,317**	**22,041**	**14.8**
Risk weighted assets ($m)	**18,629**	**16,829**	**15,960**	**15,850**	**16.7**
Geographical breakdown – total lending					
Queensland	17,189	16,146	15,693	15,530	9.5
New South Wales	5,969	4,702	4,054	3,474	47.2
Victoria	3,365	3,553	3,140	2,977	7.2
Western Australia and South Australia	876	658	517	585	69.4
Total lending	**27,399**	**25,059**	**23,404**	**22,566**	**17.1**

Notes:

[1] Other receivables is primarily made up of trade finance and foreign exchange advances.

	Half-Year Ended Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Disbursements					
By segment					
Housing	3,105	2,574	2,308	2,118	34.5
Consumer	92	78	97	129	(5.0)
Business	4,549	3,089	2,875	2,752	58.2
Total	**7,746**	**5,741**	**5,280**	**4,999**	**46.7**
Geographical breakdown					
Queensland	4,501	3,198	3,096	3,005	45.4
New South Wales	2,045	1,370	1,213	957	68.6
Victoria	940	981	767	862	22.5
Western Australia and South Australia	260	192	204	175	27.3
Total	**7,746**	**5,741**	**5,280**	**4,999**	**46.7**

Asset growth (continued)

Total lending

Total lending, including securitised assets, rose by 16% to $27.7 billion over the 12 months to December, compared with overall industry credit growth of 15.5%, according to statistics from the Reserve Bank of Australia. (The RBA statistics are not directly comparable to the Suncorp numbers because of differences in the treatment of securitised assets, which may overstate system growth rates.)

Lending was solid across the Suncorp portfolio, reflecting current low interest rates, strong economic fundamentals and particularly buoyant property markets during the six months to December.

Asset growth was strongest in Business Banking, which grew lending by 24% to $11.3 billion, driven by excellent performances in property finance and commercial lending. Growth was boosted by the acquisition of the $234 million AMP Property Finance loan portfolio in July. Acquired at book value, the portfolio was predominantly domiciled in NSW and accounted for 85% of the assets.

Home lending was more subdued, but still generated solid growth, increasing by 13% to $15.5 billion. Low risk housing loans continue to make up the dominant part of the portfolio, representing 57% of assets, and the group has minimal exposure to high risk corporate or consumer lending.

Lending growth was strong in NSW, where total assets rose by 47% to $5.97 billion, assisted by the AMP portfolio acquisition. Significant growth also was recorded in Western Australia and South Australia, where assets increased by 70% to $876 million due to new lending initiatives. Retail branches have now been opened in Perth and Adelaide to service the growing customer base in those states. Queensland assets grew by 10% to $17.2 billion, up from 4% growth in the 12 months to June 2003, due to new lending initiatives. The overall geographical diversity of the portfolio continues to improve, with lending outside Queensland now accounting for 37% of assets, compared with 33% at December 2002.

Disbursements, or new lending during the six months to December 2003, was $7.75 billion, up 47% on lending during the prior corresponding period. Disbursement growth was strongest in NSW, increasing by 69% to $2 billion, and in Queensland, where the increase was 45%. Strong disbursements are being partly offset by high levels of run off, due to low interest rates.

Housing lending

Housing lending grew by 13% in the 12 months to December.

This was slightly below system growth due primarily to slower lending in the Queensland market, where assets rose by 9% to $10.3 billion, compared with 22% growth outside Queensland.

Suncorp's relatively slower Queensland growth rate has been caused partly by the group's business mix. The Company has not traditionally had large exposures to investment housing lending, which has been growing strongly. Conversely, Suncorp has had a strong share of first home owner business, which has slowed in the past 12 months.

Suncorp's relatively low exposure to the fast growing broker distribution network also affected relative growth rates. Receivables via the intermediary network account for just 12% of total Queensland assets, with the bulk of sales via the proprietary network of branches and call centres. However, intermediaries are the primary acquisition channel in states outside of Queensland, where receivables through that channel constitute 67% of assets.

The following remedial steps were taken over the past 12 months aimed at improving home lending performance, particularly in the Queensland market:

1) *Distribution restructure*

A new distribution structure was introduced which involved the creation of regional teams of dedicated home lending specialists. A number of associated changes were made to processes to make the sales force more effective. These included increased authority in the front-line; increased usage of automated mortgage origination tools and improved programs for the development of sales-force skills. New sales tools also were introduced to help staff sell higher margin product, while maintaining a focus on meeting customer needs.

2) *Improved broker distribution*

We have focused on improving our representation in the broker market through a variety of activities including:

- Refocusing business development managers on building new business, rather than administrative tasks.
- Developing new and deeper relationships with dominant brokers.
- Improving back end processes to drive better broker service.
- Development of specific value propositions for the broker channel.

The combined impact of these various initiatives has seen Broker sales in Queensland increase by 77% compared with December 02 half and 34% nationally.

Asset growth (continued)

3) *Operational efficiency*

A number of initiatives were designed to improve our customer experience by making it easy and desirable for our customers to stay and grow with Suncorp. These projects were aimed at simplifying and streamlining the loan variation process for both our customers and our staff. Previously, many loan variation processes involved completing a full loan application and credit assessment. This added complexity and turn-around times to the customer experience. Re-engineered processes and fee structures have been implemented, dramatically reducing administration and processing time and adding value to the customer experience.

- The turn-around times for existing customers to vary their existing facility have fallen by more than 95% for some loan variation processes. For our split loan variation process, turn-around times have fallen from more than 22 days to less than 1 day.
- For new borrowers, the turn-around time for the loan origination process has fallen by more than 35% in the front office and 85% in the back office. This equates to a saving of 6 days in the front office and approximately 7 days in the back office. These improvements, as a result of re-engineered processes have greatly enhanced the customer experience.

4) *Mix management*

Product mix and margin management has been addressed through strategic pricing decisions and tactical offers.

- The proportion of lower yielding introductory rate products within total new business has fallen by 50% in the six months from June to December 2003.
- A multi-business line cross-sell program has been introduced, in conjunction with a discrete pricing offer to drive favourable portfolio mix into higher yielding products. The product range offered via the broker channel also was reviewed and made more competitive in driving favourable portfolio mix. The strategic programs have been targeted at the intermediary business channel. The continued direct mail campaigns, which have earned industry awards, have been targeted at discrete high value customer segments.

5) *Retention initiatives*

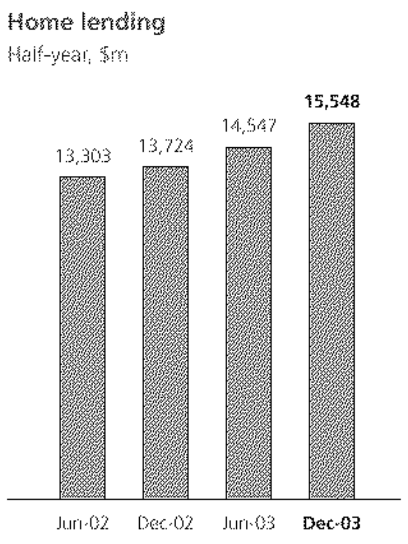
Initiatives to address the critical factors impacting customer retention have been implemented. These initiatives have been aimed at improving customer experience.

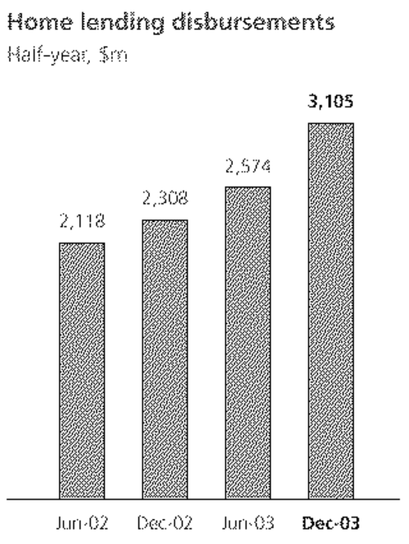
This activity has included:

- Contacting every customer at risk of leaving, and conducting exit interviews with leaving customers to identify deficiencies.
- Value propositions in place for customer interfacing staff to utilise where required to retain customers.
- Simplified loan variation process for key identified transactions, such as split loans and substitute securities. Difficulties in undertaking these variations have previously been a cause of attrition.

These initiatives have produced rapid improvements in lending performance:

- In the six months from June to December 2003, home lending assets grew by an annualised 14%, compared with 6% in the corresponding period in 2002.
- Disbursements increased by 35% to $3.1 billion in the six months to December, compared with 21% growth in the six months to June.
- In Queensland, in the six months to December, receivables grew by $427 million, compared with $69 million in the six months to December 2002 – an increase of 521%.





Asset growth (continued)

Consumer lending

Consumer lending, made up principally of personal loans and credit card receivables, remains a small part of the portfolio at $485 million. During the six months to December, the Company launched its new Clear Options credit card in response to customer demand, and to fill out the group's product range. Initial response to the card has been favourable.

Business lending

Business lending grew strongly during the 12 months to December, increasing by 24% to $11.3 billion, compared with system growth of 7.8%. This excellent growth rate was in line with our plans and in accordance with the strategy outlined to the market in June last year.

As noted above, asset growth was assisted by the acquisition of the $234 million AMP property finance portfolio in July. The amortised balance of the portfolio was $205 million at December 2003.

Development finance. Strongest lending growth was in the development finance portfolio, which is comprised mainly of residential apartment developments in suburban metropolitan areas. Buoyed by rising property values and continued construction activity, this portfolio increased by 48% to $1.9 billion (excluding the AMP assets acquired). Growth rates in this portfolio can fluctuate due to the relatively larger size of loans, and the rapid turnover in the portfolio.

Recent interest rate increases have slowed activity in the development finance sector, although absolute rates remain relatively low. While the pace of asset growth is expected to slow in the current half, Suncorp retains a strong project pipeline. We continue to monitor the market closely to ensure high credit quality and strong security values with a significant proportion of debt coverage by pre-sales. We are not seeing any significant default by purchasers settling on pre-sales. Rising building costs and availability of resources have presented problems for a small number of clients, but developers generally enjoy conservative balance sheets following the exceptional growth of the past three years. Margins also remain strong.

Property investment, which includes assets such as shopping centres, warehouses and commercial premises, and excludes construction projects, also grew strongly in line with rising property values. The portfolio grew by 20% to $2.7 billion and continues to be of high quality assets, underpinned by strong economic growth and robust retail sales. Yields for investors remain attractive.

Commercial lending, which is mainly made up of lending to small to medium sized enterprises, increased by 36% to $2.5 billion. This strong growth was due to increases in business volumes following appointment of business managers across the eastern states in prior periods. Marketing investment also was increased to raise the profile of the Business Banking operations. Growth has been achieved without sacrificing credit quality or margins. Instead, it has been driven by strong service propositions and a focus on relationship development with higher quality clients. Interstate growth also has been strong, off a small base, with increased distribution capabilities being developed through intermediary channels.

Agribusiness lending increased by 6% to $2.1 billion during the 12 months to December, which is a solid performance given prolonged drought conditions in large parts of the country. Recent widespread rainfall and flooding has given rise to renewed optimism in some regions, although significant areas continue to suffer water shortages. The rising Australian dollar also has caused prices to come under pressure. New agribusiness branches were established in Richmond during the half, and in Longreach during January. The Sugar Industry continues to be affected by lower world prices, global oversupply and the dramatic appreciation of the Australian dollar against the US dollar. While the short term prospects for the industry are not good, Australia continues to be one of the most efficient low cost producers of high quality sugar.

Suncorp is working with other industry stakeholders to ensure our management of the portfolio is based on the most accurate and current information available both here in Australia and amongst the major sugar producers and consumers overseas. Suncorp continues to review its portfolio with regard to individual customer viability and regional valuation bases.

Leasing assets rose by 9% to $1.8 billion, driven by steady growth in sales of motor cars and trucks, which make up the bulk of the portfolio.

Securitisation of loans

Outstanding securitised assets totalled $1.77 billion at the end of December 2003, up from $1.65 billion at June 2003. A $600 million securitisation issue was completed in September 2003. Further securitisations are planned for the current half and will continue to provide a source of funds for the group.

The impact of the securitisation program was to reduce net interest income by $4.7 million, compared with the prior December, and increase fee income by $1.4 million.

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Funding and deposits					
Deposits and short term borrowings					
Unsecured					
Call deposits	7,494	6,968	6,456	5,960	16.1
Term deposits	5,929	5,332	5,420	5,166	9.4
Short term securities issued	4,559	4,517	4,317	4,286	5.6
Euro commercial paper	3,243	2,832	2,159	1,375	50.2
Long term securities issued maturing within 12 months	1,829	2,367	2,519	2,052	(27.4)
Total deposits and short term borrowings	23,054	22,016	20,871	18,839	10.5
Bonds, notes and long term borrowings					
Secured					
Long term securities issued, matured and unclaimed or maturing within 12 months	-	1	1	-	(100.0)
Unsecured					
Long term securities issued:					
Domestic	849	1,042	1,015	1,081	(16.4)
Offshore	3,015	1,668	1,757	2,871	71.6
	3,864	2,710	2,772	3,952	39.4
Total bonds, notes and long term borrowings	3,864	2,711	2,773	3,952	39.3
Total funding	**26,918**	**24,727**	**23,644**	**22,791**	**13.8**
Represented by:					
Per management definitions					
Retail	13,339	13,105	12,614	11,719	5.7
Wholesale	13,579	11,622	11,030	11,072	23.1
Total	**26,918**	**24,727**	**23,644**	**22,791**	**13.8**
Per APRA definitions					
Retail	12,471	11,344	10,969	10,047	13.7
Wholesale	14,447	13,383	12,675	12,744	14.0
Total	**26,918**	**24,727**	**23,644**	**22,791**	**13.8**

Retail funding

Retail funding increased by 5.7% to $13.3 billion, however, these numbers were affected by a reclassification of retail treasury deposits as wholesale. On an underlying basis, using APRA classifications, retail deposits grew by 13.7%, with above market growth in Transaction, Term and other deposit accounts.

Access deposits which includes Personal Transaction and Savings accounts and small business deposits grew 12.4% for the half. This was driven by a significant improvement in new account volumes following the launch of our Everyday Options account which provides customers a core transaction account and sub accounts for savings or money management. Weekly new account volumes increased by over 150% and closure rates also reduced.

This was also supported by strong focus by our Small Business and Business Banking staff in cross-selling deposit accounts to new lending customers.

Investment deposits including Term deposits and Cash Management accounts grew 11% for the half driven by strong growth in our Term deposit base with balances greater than $100,000.

Suncorp adopted a new approach to Term deposits improving some internal processes to ensure front line staff could be more responsive to customers. In addition a more targeted pricing and marketing strategy focussing on local geographies has been very successful. This was particularly the case in many of our non-Queensland offices where we are extending banking products to our GIO insurance base.

Funding and deposits (continued)

Wholesale

Funding via Euro Commercial Paper (ECP) grew by 50% to $3.2 billion. The ECP program now forms a more substantial part of our funding program and our ability to access this market has been considerably enhanced with S&P's decision to upgrade Suncorp's credit rating to "A" in December.

Suncorp undertook a successful Euro 500 million 5 year floating rate note issue – equivalent to A$850 million, which is the longest dated and largest single issue undertaken by Suncorp in the Euro market. The objectives for this transaction were to provide additional investor diversification and to lengthen the weighted average term of the Balance Sheet. Overall the level of long term securities on issue grew $615 million to $5.7 billion during the six months to December with private placements supplementing the large benchmark transaction mentioned earlier. As part of seeking continued investor diversification, our first Canadian dollar private placement was completed in December.

One major mortgage securitisation issue (APOLLO 5) was successfully undertaken in the domestic market in September. Our intention is to complete one domestic and one offshore securitisation issue each year, subject to Balance Sheet growth and market conditions. In March of 2004, Apollo Series 2004-1E (APOLLO 6) is planned to be issued in the EUR/USD market thus continuing the strategy of broadening opportunities and seeking further offshore investor diversification.

Net interest income

Net interest income rose by 8% to $317 million during the half year, with increased lending volumes the main driver for the increase. Securitisations in the period also reduced net interest income by $2.8 million. Compared with June, net interest margins eased by 4 basis points to 2.24% and spread reduced by 5 basis points to 2.02%. Margin was affected by a mix of business, movements in the yield curve and lengthened funding profile. The decline in margins was mainly felt in the first quarter, however, increases in official interest rates led to a recovery in margins towards the end of the half year, and is expected to lead to an easing in downward pressure in the current half year.

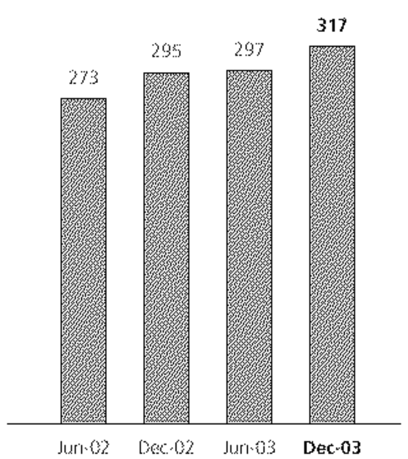
Bank fee income

Net bank fee income rose by 29% to $84 million compared to the previous December, boosted by increased establishment fee revenue and ongoing transaction fee income. The improvement is coupled with growth in lending activity and tighter fee collection procedures. Securitisation income also increased from $8.6 million to $10.0 million. (It is important to note that Bank fee income as reported here does not include General Insurance and Wealth Management fees, which are reported separately within the group results.)

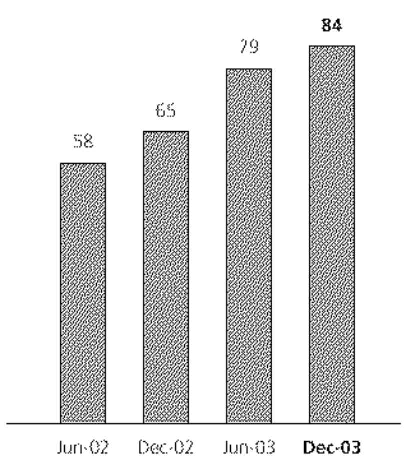
Operating expenses

Operating expenses increased by 9% to $206 million, as foreshadowed at the last full year results. The increase was largely attributable to higher staff costs arising out of the group restructuring, which gave rise to redundancy costs of $4 million, and a new credit card, which was introduced during the period, leading to a $3 million increase in costs. The cost to income ratio was at 50.6% for the half year, up marginally from 50.0% at June, but well below the 51.8% ratio at December 2002. The cost to income ratio continues to be better than regional bank peers and in line with our major bank competitors.

Net interest income
Half-year, $m



Fee income
Half-year, $m



Bad and doubtful debts

The charge for bad and doubtful debts was $24 million for the half year, down slightly on the $26 million charge for the prior December half. The bad debt expense included a $10 million increase in the general provision.

	Half-Year Ended				Variance
	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-03 vs Dec-02 %
Charge for bad and doubtful debts					
General provision for impairment	10	6	1	5	900.0
Specific provision for impairment	11	8	15	12	(26.7)
Bad debts written off	4	11	14	12	(71.4)
Bad debts recovered	(1)	(2)	(4)	(3)	(76.2)
	24	**23**	**26**	**26**	**(7.0)**

As a proportion of average loans, advances and other receivables, the bad debt charge amounts to just 10 basis points for the half year, demonstrating the high credit quality of the portfolio.

As stated earlier, 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, property development, property investment, agribusiness and commercial lending is secured by land and buildings at conservative valuations.

Impaired assets

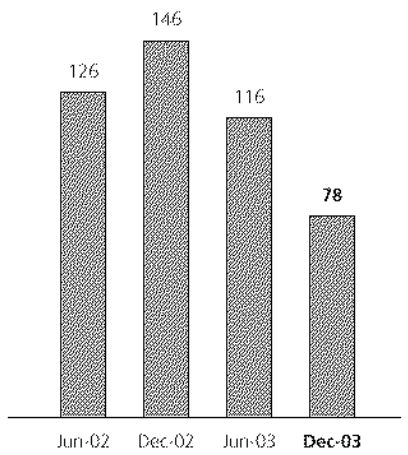
Credit quality remains very sound, with gross impaired assets reducing by 47% to $78 million, equivalent to just 0.30% of gross loans, advances and other receivables. The reduction was mainly due to reinstatement of $56 million in previously impaired loans as performing assets, as clients worked their way through short-term difficulties and restructured borrowing arrangements. Interest reserved decreased impaired assets by $10 million, leaving net impaired assets down 59% at $48 million.

The overall low level of impaired assets reflects the strong economic conditions and benign credit environment.

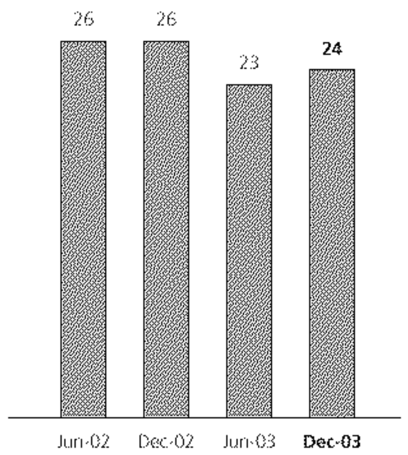
Of the $78 million in impaired assets, $46 million is in the agribusiness sector, reflecting the impact of drought and the rising Australian dollar. However, the figure has fallen from $76 million at December 2002 due to improved circumstances in some regional areas. Agribusiness specific provisions have increased from $7 million to $13 million in the half.

Past 90 day due assets also reduced, falling 43% to $55 million, leaving total non-performing loans at $133 million, equal to just 0.52% of gross loans, advances and other receivables.

Impaired assets
Half-year, $m



Bad and doubtful debts
Half-year, $m



	Half-Year Ended Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Impaired assets (continued)					
Gross balances of non-accrual loans					
with specific provisions set aside	48	51	45	76	6.7
without specific provisions set aside	30	65	101	50	(70.3)
Gross impaired assets	78	116	146	126	(46.6)
Interest reserved	(10)	(13)	(13)	(16)	(23.1)
Net balances	68	103	133	110	(48.9)
Specific provision for impairment	(20)	(17)	(16)	(27)	25.0
Net impaired assets	48	86	117	83	(59.0)
Details of size of gross impaired assets					
Less than one million	34	38	48	40	(29.2)
Greater than one million but less than ten million	44	78	98	58	(55.1)
Greater than ten million	-	-	-	28	n/a
	78	116	146	126	(46.6)
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 Statement of Operating Profit.					
The value of past due loans is	55	71	96	104	(42.7)
Interest income forgone on impaired assets					
Net interest charged but not recognised as revenue in the statement of operating profit during the half-year was	4	5	7	7	(42.9)
Interest income on impaired assets recognised in the Statement of Operating Profit					
Net interest charged and recognised as revenue in the statement of operating profit during the half-year was	4	4	3	4	33.3
Analysis of movements in impaired assets					
Balance at the beginning of the half-year	116	146	126	162	(7.9)
Recognition of new impaired assets and increases in previously recognised impaired assets	26	32	59	18	(55.9)
Impaired assets written off during the half-year	(8)	(7)	(26)	(9)	(69.2)
Impaired assets which have been restated as performing assets	(56)	(55)	(13)	(45)	330.8
Balance at the end of the half-year	78	116	146	126	(46.6)
	%	%	%	%	
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.30	0.50	0.65	0.57	(53.8)
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.52	0.80	1.08	1.04	(51.9)

Impaired assets (continued)

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

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	1,968	46	13	1
Construction and development	2,500	6	1	-
Financial services	376	-	-	-
Hospitality	723	4	1	1
Manufacturing	393	7	-	2
Professional services	542	1	1	-
Property investment	3,007	5	2	1
Real estate mortgage	16,074	2	-	1
Personal	485	-	-	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,329	7	2	2
	27,399	**78**	**20**	**8**

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

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

Impaired assets (continued)

Industry breakdown of impaired assets, specific provisions and write-offs as at 31 December 2002 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	1,994	76	7	-
Construction and development	1,773	10	1	-
Financial services	157	-	-	-
Hospitality	605	13	1	1
Manufacturing	357	7	-	23
Professional services	569	6	1	1
Property investment	2,516	18	2	-
Real estate mortgage	13,686	3	1	-
Personal	504	-	1	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,241	13	2	1
	23,404	**146**	**16**	**26**

Industry breakdown of impaired assets, specific provisions and write-offs as at 30 June 2002 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	1,926	47	2	1
Construction and development	1,609	7	1	1
Financial services	154	-	-	-
Hospitality	581	6	1	3
Manufacturing	387	35	16	1
Professional services	565	3	1	1
Property investment	2,401	17	2	1
Real estate mortgage	13,190	4	2	-
Personal	514	-	1	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,237	7	1	1
	22,566	**126**	**27**	**9**

Industrial breakdown shown above is based on the source of credit risk whereas the asset growth table on page 13 is based on the nature of the loan.

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Provision for impairment					
General provision					
Balance at the beginning of the period	104	98	97	92	7.2
Charge against Statement of Operating Profit	10	6	1	5	900.0
Balance at the end of the period	114	104	98	97	16.3
Specific provision					
Balance at the beginning of the period	17	16	27	24	(37.0)
Charge against Statement of Operating Profit					
new and increased provisions	14	9	16	22	(12.5)
Write back of provisions no longer required	(3)	(1)	(1)	(10)	200.0
Bad debts written-off	(8)	(7)	(26)	(9)	(69.2)
Balance at the end of the period	20	17	16	27	25.0
Total provision for impairment – Banking activities	**134**	**121**	**114**	**124**	**17.5**

	Dec-03 %	Jun-03 %	Dec-02 %	Jun-02 %
Provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
Specific provision	29.4	16.5	12.0	24.5
Total provision	197.1	117.5	85.7	112.7
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 $10 million in this half, to $114 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 $18 million to approximately $132 million, which would be equal to 0.66% of risk weighted assets.

The specific provision increased by $3 million to $20 million this half, which is equal to just 0.11% of risk weighted assets, confirming the strong credit quality of the portfolio and high security position.

Total provisions are equivalent to a conservative 197.1% of gross impaired assets less interest reserved.

Average banking assets and liabilities

	Half-Year Ended Dec-03 Average Balance $m	Half-Year Ended Dec-03 Interest $m	Half-Year Ended Dec-03 Average Rate %	Half-Year Ended Jun-03 Average Balance $m	Half-Year Ended Jun-03 Interest $m	Half-Year Ended Jun-03 Average Rate %
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 additional subordinated debt raised as funding of the GIO acquisition and the associated interest cost. This cost has been charged to General Insurance. The principal has been notionally adjusted.

Announcement of Results for the half-year ended 31 December 2003

Average banking assets and liabilities (continued)

	Half-Year Ended Dec-02 Average Balance $m	Half-Year Ended Dec-02 Interest $m	Half-Year Ended Dec-02 Average Rate %	Half-Year Ended Jun-02 Average Balance $m	Half-Year Ended Jun-02 Interest $m	Half-Year Ended Jun-02 Average Rate %
Assets						
Interest earning assets						
Trading securities	1,953	48	4.88	1,662	36	4.37
Gross loans, advances and other receivables	22,275	770	6.86	21,597	705	6.58
Other interest earning assets	492	11	4.44	359	7	3.93
Total interest earning assets	24,720	829	6.65	23,618	748	6.39
Non-interest earning assets						
Provision for impairment	(127)			(117)		
Property, plant and equipment	200			173		
Other financial assets	2,326			2,259		
Total non-interest earning assets	2,399			2,315		
Total assets	**27,119**			**25,933**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	19,895	437	4.36	18,348	372	4.09
Bonds, notes and long term borrowings	3,108	79	5.04	3,616	85	4.74
Subordinated notes (1)	493	18	7.24	528	18	6.87
Total interest bearing liabilities	23,496	534	4.51	22,492	475	4.26
Non-interest bearing liabilities						
Other liabilities	610			481		
Total non-interest bearing liabilities	610			481		
Total liabilities	**24,106**			**22,973**		
Net assets	**3,013**			**2,960**		
Analysis of interest margin and spread						
Interest earning assets	24,720	829	6.65	23,618	748	6.39
Interest bearing liabilities	23,496	534	4.51	22,492	475	4.26
Net interest spread			2.14			2.13
Net interest margin	24,720	295	2.37	23,618	273	2.33

Notes:

(1) Excludes the additional subordinated debt raised as funding of the GIO acquisition and the associated interest cost. This cost has been charged to General Insurance. The principal has been notionally adjusted.

Changes in net interest income: Volume and rate analysis

The table below allocates 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-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 [1]	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	1	2	3	-	(4)	(4)
Change in interest expense	43	8	51	35	(11)	24
Change in net interest income	**17**	**3**	**20**	**13**	**(11)**	**2**

	Half-Year Dec-02 v Jun-02 Changes due to:			Half-Year Jun-02 v Dec-01 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	7	5	12	(1)	(4)	(5)
Gross loans, advances and other receivables	23	42	65	26	(50)	(24)
Other interest earning assets [1]	3	1	4	(5)	(1)	(6)
Change in interest income	33	48	81	20	(55)	(35)
Interest bearing liabilities						
Deposits and short term borrowings	33	32	65	1	(42)	(41)
Bonds, notes and long term borrowings	(13)	7	(6)	19	(8)	11
Subordinated notes	(1)	1	-	-	(1)	(1)
Change in interest expense	19	40	59	20	(51)	(31)
Change in net interest income	**14**	**8**	**22**	**-**	**(4)**	**(4)**

Notes:

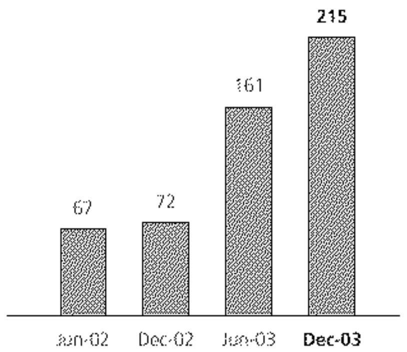
[1] Other interest earning assets is primarily made up of cash at bank and cash clearing accounts.

Segment information – General Insurance

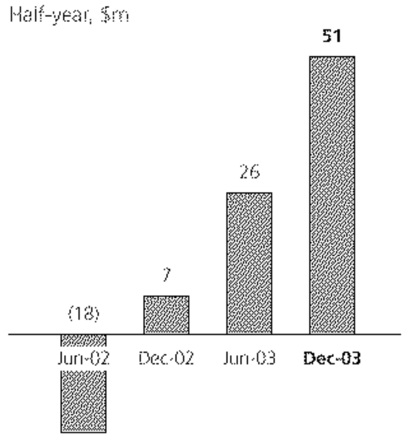
Overview

- General Insurance pre-tax profit rose by 199% to $215 million, driven by solid premium revenue growth, favourable claims outcomes and improved investment returns. The improvement in profitability was particularly evident in commercial lines and in long tail insurance.
- Storm activity and associated claims costs were higher during the period than has been the case for several years. However, this was offset by favourable claims experience in long tail classes.
- The Insurance Trading Result, which excludes investment income on General Insurance shareholders funds, increased by 81% to $145 million, equal to 13.5% of premium.
- The underwriting result was a profit of $122 million for the half year, compared with a loss of $85 million in the prior corresponding half. Excluding the impact of increased discount rates applying to outstanding claims, the underwriting profit was $51 million, up from $7 million in the prior corresponding period. This demonstrates the very strong improvement in underlying profitability and operating conditions, and was despite high levels of storm damage claims during the half year. The combined operating ratio reduced to 95.2%, excluding discount rate adjustments.
- The return on equity for the General Insurance division increased to 12.5%, up from 3.1% at December 2002, and 9.2% at June.
- The improvement in profit confirms the success of the GIO acquisition, with the integration completed in June 2003, and with the full benefits being realised over the period to December. Called Transformation, the GIO integration process delivered an incremental $19 million increase in profit before tax in the division during the six months to December, compared with June 2003. Compared with December 2002, the increase was $36 million. The acquisition has substantially improved the diversification of the portfolio, provided a much broader premium base and delivered significant operational efficiencies.
- Gross written premium rose by 6% to $1.18 billion and net earned premium increased by 7% to $1.08 billion. This represents solid growth, although slightly slower than previous periods as the market emerges from a process of substantial pricing adjustments. Risks in force remained stable across the portfolio.
- Claims expense, after excluding discount rate movements, increased by 1.9% to $789 million. The small increase in claims expense was despite a number of larger storm events during the period, which added approximately $50 million to claims costs. This was offset by improved claims experience in other segments of the portfolio, particularly Queensland CTP, Liability and workers' compensation. A feature of the result was the recovery in profitability in the Queensland CTP scheme during the period. Overall claims experience in the scheme improved significantly in the six months to December, and the introduction of new legislation aimed at slowing claims inflation has led to reductions in claims costs.
- The loss ratio, excluding discount rate impacts, reduced to 73.3%.
- Operating expenses increased marginally, due mainly to increased acquisition costs and investment in rejuvenating the GIO brand. The expense ratio was steady at 21.9%, compared with 22.1% at December last year, but up slightly from 20.9% at June. It remains amongst the lowest in the industry.
- The managed schemes contribution for the half year was $10 million, down slightly from the prior corresponding period. Income from the insurance joint ventures owned with car clubs in Queensland and South Australia rose from $4 million to $10 million, due to improved operating performances and higher investment returns.
- The result benefited from an improvement in investment earnings on shareholder funds, which rose to $59 million, from a loss of $17 million in the prior corresponding period. The strong improvement was due to the strength of domestic equities markets.

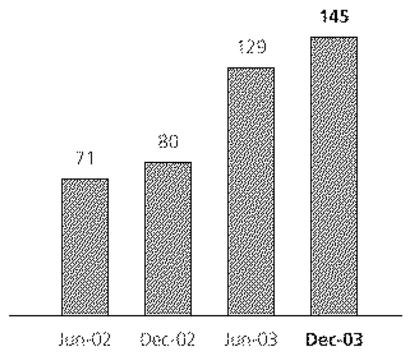
Pre-tax profit
Half-year, $m



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



Insurance trading result
Half-year, $m



	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Profit contribution – General Insurance					
Gross earned premiums [1]					
Gross written premiums	1,179	1,153	1,109	1,057	6.3
Gross unearned premium movement	(31)	(73)	(33)	(55)	(6.1)
	1,148	1,080	1,076	1,002	6.7
Outwards reinsurance expense	(72)	(71)	(73)	(81)	(1.4)
Net earned premium	1,076	1,009	1,003	921	7.3
Net incurred claims					
Claims expense	(889)	(961)	(976)	(849)	(8.9)
Reinsurance and other recoveries revenue	171	176	110	160	55.5
	(718)	(785)	(866)	(689)	(17.1)
Gross operating expenses					
Acquisition costs [1]	(131)	(125)	(122)	(124)	7.4
Other underwriting expenses	(111)	(94)	(108)	(120)	2.8
	(242)	(219)	(230)	(244)	5.2
Reinsurance commission income	6	8	8	10	(25.0)
Net operating expenses	(236)	(211)	(222)	(234)	6.3
Underwriting result	**122**	**13**	**(85)**	**(2)**	**(243.5)**
Investment revenue – insurance provisions					
Interest, dividends, rent, etc	116	113	114	92	1.8
Realised gains/(losses) on investments	(69)	6	24	(26)	(387.5)
Unrealised gains/(losses) on investments	(24)	(3)	27	7	(188.9)
	23	116	165	73	(86.1)
Insurance trading result	145	129	80	71	81.3
Managed schemes net contribution	10	(7)	14	(2)	(28.6)
Joint venture income	10	5	4	5	150.0
Profit contribution – total insurance operational earnings	165	127	98	74	68.4
Investment revenue – shareholder funds					
Interest, dividends, rent, etc	22	27	21	23	4.8
Realised gains/(losses) on investments	(1)	(29)	(11)	13	(90.9)
Unrealised gains/(losses) on investments	33	42	(30)	(31)	(210.0)
Other revenue [2]	10	(5)	7	5	42.9
Other expenses [3]	(5)	(7)	(4)	(7)	25.0
	59	28	(17)	3	(447.1)
Profit on sale of property	-	16	-	-	n/a
Contribution to profit from General Insurance activities before tax and GIO funding	224	171	81	77	176.5
Subordinated debt expense – GIO acquisition	(9)	(10)	(9)	(10)	-
Contribution to profit before tax from General Insurance activities	**215**	**161**	**72**	**67**	**198.6**

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.

Profit contribution (excluding discount rate adjustment)

The following table restates the profit contribution by eliminating the impact of movements in interest rates. This is done to provide a clearer indication of underlying performance.

In the accounts, movements in market interest rates, which are outside the Company's control, have a significant effect on outstanding claims and investment income on insurance provisions.

Because outstanding claims are discounted to present value using market interest rates, movements in these interest rates therefore affect claims expense in any period.

However, the funds held in reserve to pay outstanding claims are invested in fixed interest securities matched to the duration of expected claims. Therefore movements in market rates affect investment income on the claims reserves by an amount which is approximately equal to the impact of movements in discount rates on claims liabilities.

To eliminate these movements, and gain a better understanding of the underlying claims and underwriting performance, we have produced the following table, 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 increased, and therefore there was a $71 million decrease in claims expense and an offsetting decrease in investment income on technical provisions. The table below eliminates the impact of those movements.

Net incurred claims therefore increases to $789 million and the underwriting profit reduces to $51 million for the period. Investment income on technical provisions increases to $94 million, and the insurance trading result remains unchanged at $145 million.

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Net earned premium	1,076	1,009	1,003	921	7.3
Net incurred claims	(789)	(772)	(774)	(705)	1.9
Net operating expenses	(236)	(211)	(222)	(234)	6.3
Underwriting result	51	26	7	(18)	628.6
Investment revenue – insurance provisions	94	103	73	89	28.8
Insurance trading result	145	129	80	71	81.3
Managed schemes net contribution	10	(7)	14	(2)	(28.6)
Joint venture income	10	5	4	5	150.0
Profit contribution – total insurance operational earnings	165	127	98	74	68.4
Investment revenue – shareholder funds	59	28	(17)	3	(447.1)
Profit on sale of property	-	16	-	-	n/a
Contribution to profit from General Insurance activities before tax and GIO funding	224	171	81	77	176.5
Subordinated debt expense – GIO acquisition	(9)	(10)	(9)	(10)	-
Contribution to profit before tax from General Insurance activities	**215**	**161**	**72**	**67**	**198.6**

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Assets and liabilities – General Insurance					
Assets					
Cash and liquid assets	248	411	424	586	(41.5)
Investment securities	5,375	4,758	4,744	4,387	13.3
Investments in associates	96	83	83	86	15.7
Reinsurance and other recoveries – outstanding claims	495	412	355	384	39.4
Other receivables	603	712	658	641	(8.4)
Property, plant and equipment	-	-	6	27	(100.0)
Deferred tax assets	1	55	66	94	(98.5)
Intangible assets	879	904	930	954	(5.5)
Other financial assets [1]	247	251	232	219	6.5
Total assets	7,944	7,586	7,498	7,378	5.9
Liabilities					
Interest bearing liabilities	23	21	31	36	(25.8)
Payables	622	279	443	483	40.4
Current income tax liabilities	-	50	16	14	(100.0)
Provisions	4	15	49	113	(91.8)
Deferred tax liabilities	-	55	61	87	(100.0)
Outstanding claims provision [2]	3,849	3,816	3,644	3,457	5.6
Unearned premium provision [2]	1,251	1,226	1,155	1,120	8.3
Total liabilities	5,749	5,462	5,399	5,310	6.5
Net assets	**2,195**	**2,124**	**2,099**	**2,068**	**4.6**

Notes:

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

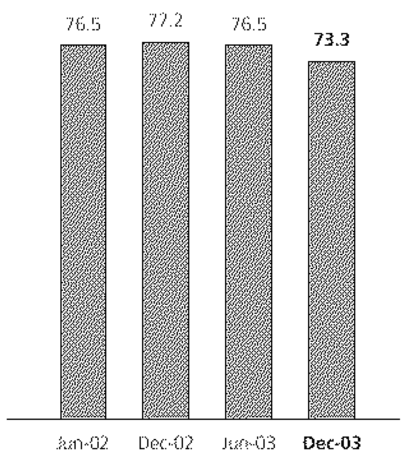
(2) Reconciling items such as timing differences and premium debtors arise between technical reserves and investment assets.

	Dec-03 %	Half-Year Ended Jun-03 %	Dec-02 %	Jun-02 %
General Insurance statistics				
Including discount rate adjustment				
Expense ratio	21.9	20.9	22.1	25.4
Loss ratio	66.7	77.8	86.3	74.8
Combined operating ratio	88.6	98.7	108.4	100.2
Insurance trading ratio	13.5	12.8	8.0	7.7
Excluding discount rate adjustment				
Expense ratio	21.9	20.9	22.1	25.4
Loss ratio	73.3	76.5	77.2	76.5
Combined operating ratio	95.2	97.4	99.3	101.9
Insurance trading ratio	13.5	12.8	8.0	7.7

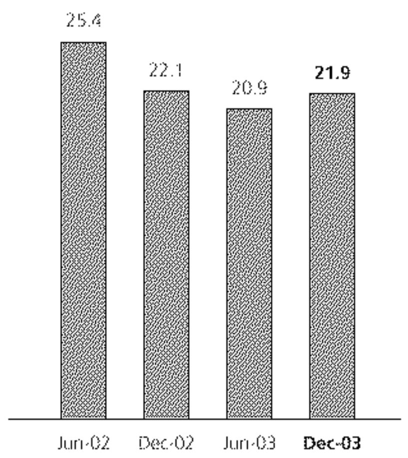
Refer Appendix 2 for ratio definitions. These ratios relate to the group's insurance trading operations and do not include other revenues on the General Insurance profit contribution, such as income from managed scheme business or the equity accounted contribution from the group's 50% interest in motoring club joint ventures.

General Insurance statistics (continued)

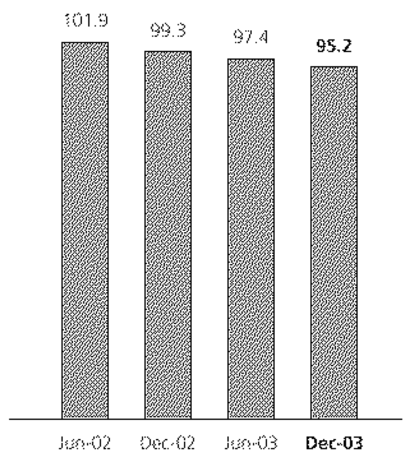
Loss ratio*
Half-year, %



Expense ratio*
Half-year, %



Combined operating ratio*
Half-year, %



* excluding discount rate adjustment

Profit overview

Premium Revenue

Gross written premium (GWP) increased by 6% to $1.18 billion during the year, due to increased insurance rates and stable risks in force over the period. Net earned premium rose by 7% to $1.08 billion.

The fundamentals in the general insurance industry have improved significantly in the past two years following comprehensive adjustments in prices to align them more closely to underlying risk.

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Gross written premium					
CTP	286	275	244	236	17.2
Home	227	216	215	197	5.6
Motor	332	324	317	299	4.7
Commercial	253	249	246	219	2.8
Workers' compensation	62	80	67	83	(7.5)
Other	19	9	20	23	(5.0)
	1,179	**1,153**	**1,109**	**1,057**	**6.3**
Net earned premium					
CTP	271	247	235	217	15.3
Home	182	178	165	158	10.5
Motor	319	307	295	300	8.1
Commercial	216	209	215	185	0.5
Workers' compensation	73	64	74	62	(1.4)
Other	15	4	19	(1)	(21.1)
	1,076	**1,009**	**1,003**	**921**	**7.3**

Growth in GWP was strongest in CTP, which increased by 17% to $286 million during the half. This was mainly due to higher average prices in the Queensland scheme during the six months to December, in response to increased claims costs in earlier periods. Queensland risks in force grew marginally during the period, due to growth in vehicles, but market share eased slightly to approximately 54%. Renewal rates remain strong. In NSW premium revenue grew by 11%, due to a combination of price increases and growth in risks in force, which grew by 7%. Market share increased to 7.4%.

Profit overview (continued)

GWP in home insurance rose by 6% to $227 million, due to premium rates rising in line with inflation, and normal increases in sums insured. Total risks in force eased marginally due to reductions in risks written via the AMP channel.

Motor insurance premium grew by 5% to $332 million, again due to normal increases in sums insured, and as premium rates have risen in line with inflation. Risks in force increased marginally in the Suncorp portfolio, and were steady in GIO, but risks via the AMP channel reduced slightly, leaving the total risks in force flat for the period.

In commercial insurance, premium was reported at $253 million for the period, which was up 3%. However, this under-represents the underlying operating performance. When timing adjustments are factored out, the underlying performance was growth in premium of approximately 13%. This was mainly driven by continued strong growth in prices over the half year.

In workers' compensation, premium revenue slipped by $5 million to $62 million, due mainly to the impact of competitive pricing in the Western Australian market.

Outward reinsurance expense was steady at $72 million for the half year. 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 provides cover for specific events generating claims of more than $50 million, up to an increased limit of $1.2 billion for each event. The program has one reinstatement, providing a total cover of $2.39 billion.

Reinsurance security improved over all classes at renewal, with over 87% of long tail business and 50% of short tail protected by reinsurers rated "A+" or better.

Claims expense

Claims expense fell by 9% to $889 million, however this was affected by increases in discount rates that are applied to future claims liabilities to bring them to present value. Discount rates rose from 4.8% at June to 5.5% at December, leading to a $71 million reduction in outstanding claims expense.

Removing the impact of discount rate movements, net incurred claims increased by 2% to $789 million. (See table on page 29). This was due to the following factors:

1) Storm activity and the associated claims costs were higher in the period than has been the case for several years.
2) Claims experience in the Queensland CTP portfolio improved significantly, with claims frequency showing a downward trend, and with the introduction of the Civil Liabilities Act leading to reductions in estimated claims costs. An actuarial review has conservatively estimated the Act will lead to an 8% reduction in claims costs for accidents after December 2002. This enabled a reduction in provisions for accidents which occurred after the introduction of the Act, enabling a release of approximately $10 million from the provisions at June 2003. This also has led to improved current period profitability.
3) Claims experience in other classes also was favourable during the period, particularly in commercial classes such as professional indemnity and workers' compensation.
4) There were a number of other valuation adjustments arising from the favourable claims experience in the period which led to a reduction in claims expense of approximately $34 million. These were offset by an increase in risk margins across the portfolio of $18 million, leaving a net reduction in claims expense of $16 million.
5) The combination of these factors caused the loss ratio, excluding discount rate adjustments, to reduce to 73.3% from 77.2% at December 2002.

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Outstanding claims and unearned premiums					
Expected future claims payments					
Undiscounted	4,625	4,481	4,270	4,241	8.3
Present value discounted	(776)	(665)	(626)	(784)	24.0
Outstanding claims	3,849	3,816	3,644	3,457	5.6
Unearned premiums	1,251	1,226	1,155	1,120	8.3
Total outstanding claims and unearned premium provisions	**5,100**	**5,042**	**4,799**	**4,577**	**6.3**

Profit overview (continued)

The undiscounted value of outstanding claims has increased 8.3% to $4.63 billion, mostly reflecting the increase in business written. Whilst the valuations of outstanding claims for individual products have fluctuated, 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. Risk margins are set at rates that, across the portfolio, provide at least 90% confidence that the claims reserves will be adequate to meet the costs of claims outstanding.

The discount to present value increased during the year, mainly due to increases in discount rates, which rose from 4.8% at June 2003 to 5.5% 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 changes in the yield curve and changes in the duration of the outstanding claims. Average duration reduced slightly to 3.05 years, from 3.12 years, reducing the provision slightly. Unearned premium balances have increased 8.3%, reflecting the growth in business.

Operating expenses

Expenses were kept under tight control during the half, assisted by the benefits of the GIO Transformation program. The program delivered $19 million in cost savings in the half (including some savings in claims handling expenses), following a $17 million impact in the June half. Total expenses, gross of reinsurance commission income, increased by 5% to $242 million, due partly to reinvestment in the GIO brand. Underwriting expenses rose by just 3% to $111 million, and acquisition costs increased by 7% to $131 million, in line with premium growth.

Reinsurance commissions are related to proportional reinsurance arrangements, under which the Company generates new business and then recovers a proportion of the acquisition and other costs of that business from its partner insurers in the proportional reinsurance arrangements. These amounts fell during the half year from $8 million to $6 million.

Net operating expenses therefore rose by 6% to $236 million for the period, equal to an expense rate of 21.9% of net earned premium, down from 22.1% at the previous December, but up slightly on the 20.9% rate recorded at June.

Underwriting result

The underwriting result increased from a loss of $85 million at December 2002, to a profit of $122 million at December 2003. However, as explained earlier, this figure is distorted by movements in interest rates. Eliminating the impact of these movements, the underlying underwriting result is a profit of $51 million, up from a $7 million profit for the prior year.

Investment income on insurance provisions

Investment income on insurance provisions fell from $165 million to $23 million, due mainly to capital losses arising from increases in interest rates. As noted above, the reduced investment return on technical provisions is offset by the reduction in claims expense arising from increases in discount rates. If the impact of movements in interest rates is eliminated, the investment income on technical provisions rises to $94 million, which is up from $73 million in the prior corresponding period.

Insurance Trading Result

The Insurance Trading Result increased by 81% to $145 million, equivalent to an insurance trading margin of 13.5%. The margin has improved 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 scheme business consists of three related operations:

- The NSW Government self-insurance scheme 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 reduced from $14 million in December 2002 to $10 million at December 2003, but was up on the June loss of $7 million. Revenues in this business can be volatile due to movements in performance bonuses. The prior year results were distorted by adjustments between halves. The $10 million result is more in line with normal expectations.

Profit overview (continued)

Joint venture income

Joint venture income is the equity accounted contribution from the group's 50% shares in RACQ Insurance in Queensland and RAA Insurance in South Australia. These joint ventures provide Personal Lines insurance to Queensland and South Australian clients respectively.

Both joint ventures are continuing to perform strongly with the combined profit contribution rising from $4 million at December 2002, to $10 million at December 2003. This was due to continued business growth, generally favourable weather conditions contributing to reduced claims costs, management focus on cost control and strong investment returns.

Investment income on shareholder funds

Investment income on shareholder funds increased from a loss of $17 million in the prior December half, to a profit of $59 million in the period under review. The increase was mainly due to improvements in equity market returns.

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	1,065	1,024	684	586
Fixed interest	2,895	2,878	2,957	2,873
Australian equities	(2)	-	-	-
Property	94	96	114	78
Infrastructure	3	4	4	3
	4,055	**4,002**	**3,759**	**3,540**
Shareholder funds				
Cash and short term deposits	663	316	205	102
Fixed interest	-	150	-	-
Australian equities	543	644	806	863
Property	-	-	-	112
	1,206	**1,110**	**1,011**	**1,077**

The dollar amounts of investment allocations shown here are different to the balances in the General Insurance Balance Sheet on page 30, because the numbers here relate to the tangible investment assets. The balance in Insurance Provisions shown here differs from the sum of outstanding claims provision and unearned premium provision on page 32 mainly because the balance here excludes such items as recoveries relating to outstanding claims and premium debtors. The balance of shareholder funds shown here excludes goodwill.

	Dec-03 %	Jun-03 %	Dec-02 %	Jun-02 %
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	26	26	18	17
Fixed interest	72	72	79	81
Property	2	2	3	2
	100	**100**	**100**	**100**
Shareholder funds				
Cash and short term deposits	55	28	20	10
Fixed interest	-	14	-	-
Australian equities	45	58	80	80
Property	-	-	-	10
	100	**100**	**100**	**100**

Profit contribution (by class of business)

The tables below break down the General Insurance portfolio to provide a better understanding of performance of different segments of the business.

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

	Short Tail [1] Half-Year Ended Dec-03 $m	Dec-02 $m	Long Tail [2] Half-Year Ended Dec-03 $m	Dec-02 $m
Product summary				
Gross written premium	748	723	431	386
Net earned premium	653	625	423	378
Net claims incurred	(469)	(435)	(320)	(339)
Commissions	(34)	(27)	(21)	(13)
Other expenses	(130)	(137)	(51)	(47)
Total expenses	(164)	(163)	(72)	(59)
Underwriting result	20	27	31	(20)
Investment Income – Insurance Provisions	16	10	78	63
Insurance trading result	36	37	109	43
	%	%	%	%
Ratios				
Expense ratio	25.1	26.1	17.0	15.6
Loss ratio	71.8	69.6	75.8	89.6
Combined operating ratio	96.9	95.8	92.7	105.2
Insurance trading ratio	5.6	5.9	25.7	11.4

Notes:

[1] Short tail includes Home, Motor, Other Commercial and Other Miscellaneous Products.

[2] Long tail includes CTP, Commercial Liability, and workers' compensation.

Short tail

Profitability in short tail business was steady over the December half, with the insurance trading result at $36 million, compared with $37 million in the prior corresponding period. This is equivalent to an insurance trading margin of 5.6%. Growth in premium was broadly in line with inflation, however this was offset by increased claims costs arising from storm activity during the period. The loss ratio increased to 71.8% from 69.6%. Expenses were stable, leaving the combined operating ratio at 96.9%.

Long tail

Profits in long tail business more than doubled, with the insurance trading result rising by 153% to $109 million, equal to an insurance trading margin of 25.7%. This was due to improved earnings in all classes of long tail business.

Premium grew strongly, due mainly to increased pricing and risks in force in CTP, both in NSW and Queensland.

As noted earlier, an important feature of the results was a strong recovery in earnings in Queensland CTP, following poor profitability in the June half due to rising claims costs. During the six months to December, claims experience in Queensland CTP improved. Claims costs relating to accidents under the *Motor Accident Insurance Act 1994* (prior to October 2000) improved for minor and serious claims, and frequency continued to trend downward. Frequency for *Motor Accident Insurance Amendment Act 2000* claims also has been better than expected. The introduction of the Civil Liabilities Act, which applies to claims after December 2002, is expected to lead to an 8% reduction in claims costs. Claims reserves have therefore been adjusted by a conservative $10 million. The Civil Liabilities Act introduces a scale of payments (based on injury severity) for general damages up to a cap of $250,000.

Claims experience also improved in all other major classes, including NSW CTP, workers' compensation and Public Liability, leading to a reduction in net incurred claims to $320 million, despite growth in premium and risks in force. Operating expenses increased to $72 million, however the expense ratio remains competitive at 17%.

	Commercial Lines [1] Half-Year Ended Dec-03 $m	Commercial Lines [1] Half-Year Ended Dec-02 $m	Personal Lines [2] Half-Year Ended Dec-03 $m	Personal Lines [2] Half-Year Ended Dec-02 $m
Product summary				
Gross written premium	316	313	863	797
Net earned premium	289	288	787	715
Net claims incurred	(182)	(231)	(607)	(543)
Commissions	(37)	(29)	(18)	(10)
Other expenses	(49)	(51)	(132)	(132)
Total expenses	(86)	(80)	(150)	(142)
Underwriting result	21	(23)	30	30
Investment revenue insurance provisions	27	23	67	50
Insurance trading result	48	-	97	80
	%	%	%	%
Ratios				
Expense ratio	29.6	27.8	19.1	19.9
Loss ratio	63.2	80.1	77.1	75.9
Combined operating ratio	92.8	107.9	96.2	95.9
Insurance trading ratio	16.6	0.0	12.3	11.2

Notes:

[1] Commercial Lines includes CI and workers' compensation.

[2] Personal Lines includes Home, Motor, CTP and Other Miscellaneous Products.

Commercial Lines (including workers' compensation) insurance profit increased significantly during the December half, due mainly to reductions in claims expense following favourable claims experience in workers' compensation and liability during the period. The insurance trading result of $48 million was up from zero in the prior December half, and is equal to an insurance trading margin of 16.6%. The underwriting profit improved from a loss of $23 million to a profit of $21 million, equal to a combined operating ratio of 92.8%.

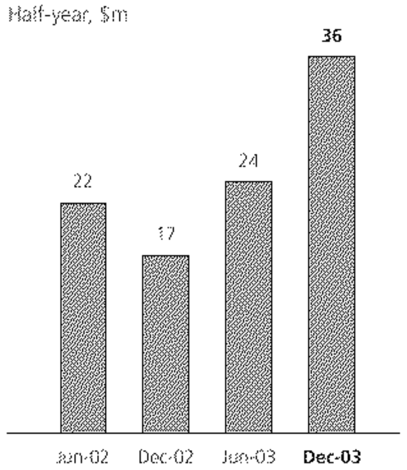
Personal Lines. The insurance trading result for the half year to December increased by 21% to $97 million, equal to an insurance margin of 12.3%. This strong result was driven primarily by solid premium growth, with Net Earned Premium up 10% to $787 million. This was largely offset by a 12% increase in claims expense to $607 million, due to the increased storm activity during the period, which offset the benefits of improved claims experience in CTP. This left the underwriting result steady at $30 million for the half year, equal to a combined operating ratio of 96.2%.

Segment information – Wealth Management

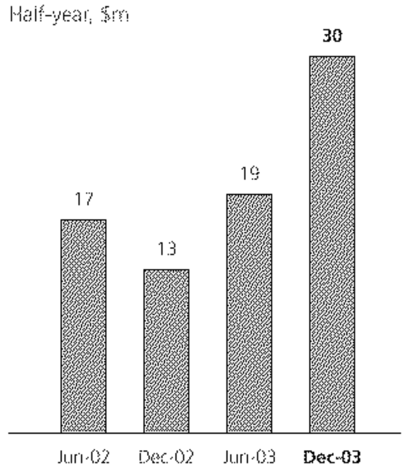
Overview

- The Wealth Management division recorded profit before tax of $36 million in the half year to December 2003, an increase of 111% from $17 million in the prior corresponding period.
- The increase was largely driven by a sharp improvement in investment earnings, as well as higher experience profits and a rise in the valuation of Life Company subsidiaries.
- After a decline in the June half of 2003, new business sales turned around in the six months to December as investor confidence improved. Compared with the June half sales of $270 million, the December sales were up 10% to $297 million. However, the sales figure remains below the $331 million in sales recorded in the six months to December 2002.
- The underlying profitability of new business has increased by 9% due to improved surrenders and customer retention. Significant enhancements to the Easy Super Master Trust product have enabled Suncorp to offer a more attractive value proposition to clients.
- During the period managed funds researcher ASSIRT awarded a 4-star rating to Suncorp's flagship Australian Equities Fund. Overall, Suncorp's key asset capabilities were rated as 'strong'. The ASSIRT rating reinforces Suncorp's funds management performance to date and serves as a basis on which to expand distributor and customer bases, principally through the independent financial adviser channel.
- The Wealth Management division profits can be viewed in two parts: the Life Company profits and earnings from Funds Management operations.
- The **Life Company** made a profit before tax of $30 million in the six months to December 2003, compared to $13 million in the prior period. The increase in earnings was due to strong performance in investment markets, higher experience profits and an increase in the value of subsidiaries.
- **Funds Management** recorded a pre-tax profit of $6 million in the six months to December 2003, compared to $4 million in the half year to December 2002. This increase mainly arose from the sale of commercial interests, increases in management fees due to higher funds under management and lower expenses.

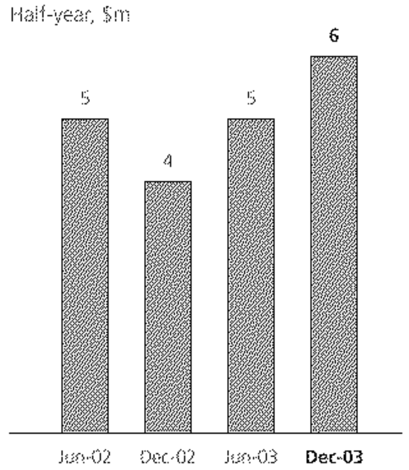
Wealth Management operating profit before tax
Half-year, $m



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



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



	Dec-03	Half-Year Ended Jun-03	Dec-02	Jun-02	Variance Dec-03 vs Dec-02
	$m	$m	$m	$m	%
Profit contribution – Wealth Management excluding life insurance policy owners' interests					
Life Company					
Shareholder's share of Statutory Fund					
Planned profit margins	13	16	14	15	(7.1)
Experience (losses) / profits	4	(2)	-	1	n/a
Investment income on capital and retained earnings (statutory fund)	8	4	1	-	700.0
Economic entity's interest in earnings of life insurance statutory funds	25	18	15	16	66.7
Shareholder Fund					
Other revenue [1]	12	9	5	8	140.0
Operating expenses	(7)	(8)	(7)	(7)	-
Contribution to profit before tax from activities in the Life Company	30	19	13	17	130.8
Funds management					
Fee income funds management	23	23	22	23	4.5
Other expenses funds management	(17)	(18)	(18)	(18)	(5.6)
Contribution to profit before tax from funds management activities	6	5	4	5	50.0
Contribution to profit before tax from wealth management activities	**36**	**24**	**17**	**22**	**111.8**

Notes:

[1] Other revenue includes shareholder fund investment income (including revaluation of subsidiaries), management fees and commission.

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 interests of life insurance business. Profits on participating business are shared between life insurance policy owners and shareholders, with 80% allocated to policyholders, and 20% to shareholders. Profits on non-participating interests are all allocated to the shareholder.

Unit Linked Statutory Fund includes non-participating interests only, with all profits attributable to the shareholder. Profits emerge from management fees, following allocation of investment gains 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 profit table above are attributable to the shareholder. That is, the statutory profits attributable to the life insurance policy owners have been excluded. These profits represent the 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 2003, the shareholder's interest in profits from these sources increased 67% to $25 million, compared to $15 million in the previous period.

Sources of profit for the Shareholder Fund consist of earnings generated from Shareholder Fund investment returns, revaluations of investments in subsidiaries (embedded value) and management fees. Net, these other revenues amounted to $5 million for the six months to December 2003 compared with a loss of $2 million for the prior December period.

The profit contribution from the funds is outlined on page 39.

Announcement of Results for the half-year ended 31 December 2003

Profit Overview (continued)

Planned profits of $13 million in the six months to December 2003 were down slightly compared with the prior December period planned profits of $14 million. The reduction in planned profits was largely due to lower long-term earnings assumptions which were predominantly driven by bond yields.

Experience profits were $4 million in the six months to December 2003, compared with a nil profit in the prior period. This was mainly the result of the strong investment earnings and profits arising from group life business.

Under Margin on Service (MoS) accounting, losses on new business have to be 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 underlying assumption changes are made or new business is written on more profitable terms, then these previously booked losses can be reversed. During the six months to December 2003, profitable new investment business written as well as changes in investment assumptions for immediate annuity business allowed for the reversal of associated losses, resulting in a $1.4million increase in experience profits.

Investment income on capital and retained earnings in the statutory funds of $8 million was a substantial increase on the prior period, and was mainly due to a recovery in equity markets.

Other revenues increased from $5 million in December 2002 to $12 million in December 2003. The increase was due to a rise in embedded value of a subsidiary company and improvements in investment markets.

Changes to the market value of Life Company investment subsidiaries must be brought to account under 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 and improved profitability, resulted in an increase of the embedded value of $2 million in the six months to December 2003. In the prior period, the market value decreased by $3 million. Combined, the valuation adjustments resulted in a $5 million higher profit contribution in the six months to December 2003.

Funds Management

Funds Management profit was $6 million at December 2003 compared with $4 million in the prior period. Fee income in the six months to December 2003 increased by $1 million to $23 million, and expenses relating to Funds Management activities decreased by $1 million to $17 million during the same period. This has mainly arisen from the sale of commercial interests, increases in management fees due to increased funds under management and lower expenses.

	Dec-03	Half-Year Ended Jun-03	Dec-02	Jun-02	Variance Dec-03 vs Dec-02
	$m	$m	$m	$m	%
New business sales					
Risk sales	9	7	9	6	-
Superannuation, investment and external product sales	288	263	322	324	(10.6)
Total sales new business	297	270	331	330	(10.3)

Total new business sales recovered 10% in the first half year to December 2003 and amounted to $297 million. Tr compares with $331 million for the period to December 2002, reflecting customers deferring discretionary investment contributions to more conservative investment portfolios such as retail property.

Value of new sales

The table below shows the value, to shareholders, of new business written over the six months to 31 December 2003 (together with prior half-year figures). The values are based on:

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

	Half-Year Ended Dec-03 $m	Half-Year Ended Dec-02 $m
Statutory Fund new business: Present value of MoS profit margins [1]	7.2	6.6
Unit Trust new business EV [2]	0.1	(0.3)

Notes

[1] discount rates used were between 4.5% and 10.75% (2002: between 4.25% and 10.25%)

[2] discount rate used was 12.55% (2002: 12.30%)

Embedded value

A valuation of the shareholders' interests in the statutory funds, shareholder fund, and subsidiaries was undertaken as at 31 December 2003. The embedded value was higher at December 2003 compared to December 2002 largely due to higher investment earnings and improved long term investment assumptions.

	Discount Rate 11.0% $m	12.0% $m	13.0% $m
Embedded Value at 31 December 2003			
Shareholder Fund excluding subsidiaries			
Value of Profits/Net Assets	29	28	28
Value of Imputation Credits at 70% full value	4	4	4
Statutory Funds			
Value of Profits/Net Assets	299	286	274
Value of Imputation Credits at 70% full value	54	51	49
Subsidiaries			
Value of Profits/Net Assets	17	17	16
Value of Imputation Credits at 70% full value	4	3	3
Total December 2003	407	389	374
Total June 2003	347	332	317
Total December 2002	326	310	295

Assets and liabilities – Wealth Management

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Assets					
Cash and liquid assets	28	27	28	78	-
Investments relating to life insurance business	3,538	3,132	3,119	3,162	13.4
Excess of net market value of interests in subsidiaries over their recognised net amounts	14	12	12	16	16.7
Loans, advances and other receivables	53	68	56	63	(5.4)
Deferred tax assets	-	2	2	3	(100.0)
Gross policy liabilities ceded under reinsurance	18	14	12	9	50.0
Other assets [1]	24	12	12	6	100.0
Total assets	3,675	3,267	3,241	3,337	13.4
Liabilities					
Deposits and short term borrowings	40	9	6	9	566.7
Accounts payable and other liabilities	34	44	66	42	(48.5)
Current income tax liability	-	5	2	(11)	(100.0)
Provisions	4	-	-	-	n/a
Deferred tax liability	-	8	25	33	(100.0)
Life insurance policy liabilities	2,636	2,661	2,624	2,780	0.5
Unvested policy holder retained benefits	373	319	317	271	17.7
Total liabilities	3,087	3,046	3,040	3,124	1.5
Net assets					
Net assets Life Company	223	196	178	193	25.3
Net assets fund management	30	25	23	20	30.4
Outside equity interests	335	-	-	-	n/a
Total net assets	**588**	**221**	**201**	**213**	**192.5**

Notes:

[1] Other assets is primarily made up of Fund Management investments.

The above statement of assets and liabilities is in accordance with the requirements of accounting standard AASB 1038 and includes the policy owners' interests. The net assets of the Life Company for the shareholder's fund and subsidiaries total $43 million.

The Life Company holds units in various managed investment schemes and following a review of accounting policies and recent industry practice, where the Life Company has the capacity to control managed investment schemes in which it is the majority investor, it has consolidated the results of these managed investment schemes. This has been done for the first time in December 2003 and has resulted in an increase to net assets of $334 million.

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.

About $3.7 billion in funds are managed for the Life Company, $5.2 billion in funds are managed on behalf of General Insurance division and a further $1.2 billion in funds is managed on behalf of external parties.

Funds Management profit was $6 million at December 2003 compared with $4 million in the prior period.

Fee income in the six months to December 2003 increased by $1 million to $23 million, and expenses relating to Funds Management activities decreased by $1 million to $17 million during the same period. This has mainly arisen from the sale of commercial interests, increases in management fees due to increased funds under management and lower expenses.

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Funds managed					
General Insurance	5,261	5,107	4,829	4,645	8.9
Life Company	3,692	3,606	3,563	3,687	3.6
Other managed funds [1]	1,277	1,232	1,275	1,172	0.2
	10,230	**9,945**	**9,667**	**9,504**	**5.8**

Notes:

[1] The most significant other managed funds are Queensland Local Government Super, Sunsuper World Equity Fund, and Sunsuper Cash Management funds.

	Opening balance Jul-03 $m	Inflows $m	Out-flows [1] $m	Invest-ment income $m	Closing balance Dec-03 $m
Group funds under management					
General Insurance	5,107	1,157	1,078	75	5,261
Statutory Life & Superannuation [2]	3,167	378	502	178	3,221
Retail unit trusts	439	51	46	27	471
Life Company	3,606	429	548	205	3,692
External wholesale	1,232	466	486	65	1,277
Total	**9,945**	**2,052**	**2,112**	**345**	**10,230**

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. Net retail outflows of $119 million of funds under management were offset by a net inflow of funds under administration with external managers of $128 million for the six months to December 2003. In the same period last year the total net outflows were $127 million. The improved condition of total net funds under administration reflects improved retention of customer accounts.

During the period managed funds researcher ASSIRT awarded a 4-star rating to Suncorp's flagship Australian Equities Fund. Overall, Suncorp's key asset capabilities were rated as 'strong'. The ASSIRT rating reinforces Suncorp's funds management performance to date and serves as a basis on which to expand distributor and customer bases, principally through the independent financial adviser channel.

Announcement of Results for the half-year ended 31 December 2003

Group investment performance

A positive investment return was recorded by the benchmark asset classes of cash, interest, equities and property trusts in the six months to December 2003.

Active returns in the diversified portfolios were very strong with 1st, 3rd, and 5th year performance remaining in the 1st quartile.

Portfolio allocation of investments – Wealth Management

Funds under management for Life, Superannuation and Managed investments total $3.7 billion. The investment allocation of these funds is noted below. The investment allocation of funds under management on behalf of the General Insurance division is noted in the General Insurance report page 34.

	Dec-03 %	Jun-03 %	Dec-02 %	Jun-02 %
Statutory funds				
Equities	40	38	37	36
Interest bearing securities	43	45	44	44
Property	17	17	18	19
Other directly held assets	-	-	1	1
	100	**100**	**100**	**100**
Shareholder fund				
Equities	93	80	68	69
Interest bearing securities	5	17	28	28
Property	2	3	4	3
	100	**100**	**100**	**100**

Group capital

Group capital position

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

	as at 31 December 2003					
	Banking $m	GI $m	WM $m	Other $m	Consol $m	Total $m
Tier 1						
Ordinary share capital	2,622	-	-	-	-	2,622
Preference share capital	244	-	-	-	-	244
Funding provided by holding company	-	1,395	46	26	(1,467)	-
Preconversion reserve	13	-	-	-	-	13
Retained profits [1]	352	574	207	6	(482)	657
Technical provisions in excess of liability valuation	-	195	-	-	-	195
Excluded assets	(1)	-	(10)	-	-	(11)
Less intangibles	(1,226)	(879)	-	-	1,097	(1,008)
Less net future income tax benefit	(11)	(27)	-	-	-	(38)
Total Tier 1 capital	1,993	1,258	243	32	(852)	2,674
Tier 2						
Asset revaluation reserve	8	-	-	-	1	9
Net general provision for impairment	96	-	-	-	-	96
Subordinated notes	775	-	-	-	-	775
Total Tier 2 capital	879	-	-	-	1	880
Deductions from capital						
Investments in subsidiaries	(858)	-	-	-	858	-
Guarantees to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(863)	-	-	-	863	-
Total capital base	**2,009**	**1,258**	**243**	**32**	**12**	**3,554**
Required minimum capital base [2]	1,876	1,147	143	28	-	3,194
Excess	**133**	**111**	**100**	**4**	**12**	**360**

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 earnings. 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 included in Banking retained earnings.

[2] Where applicable the minimum capital base is as specified by APRA. For Banking this is 9.5% of RWA 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 dealers' licences.

The table shows that the group has total capital over and above regulatory minimum levels of $360 million, which is a significant buffer, although down from $556 million at June (adjusted to current calculations). The reduction is primarily a result of increased capital requirements in the bank, due to growth in risk weighted assets.

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.

Group capital position (continued)

	as at 31 December 2003					
	Banking $m	GI $m	WM [2] $m	Other $m	Consol [1] $m	Total $m
Reconciliation of net assets to total capital base						
Net assets	**3,268**	**2,195**	**253**	**32**	**(1,952)**	**3,796**
Retained earnings of entities not consolidated for APRA Purposes	(1)	109	-	-	-	108
Additional items allowable for capital for APRA purposes						
Technical provisions in excess of liability valuation	-	195	-	-	-	195
Net general provision for doubtful debts	96	-	-	-	-	96
Subordinated notes	775	-	-	-	-	775
Deductions from capital for APRA purposes						
Differences in retained profits for APRA purposes	(135)	(218)	-	-	-	(353)
Expected intragroup dividends	107	(107)	-	-	-	-
Intangibles [3]	(1,226)	(879)	-	-	1,097	(1,008)
Net future income tax benefits	(11)	(27)	-	-	-	(38)
Excluded assets	(1)	-	(10)	-	-	(11)
Minority interests in subsidiaries	-	(10)	-	-	4	(6)
Funding of capital and guarantees by holding company	(863)	-	-	-	863	-
Total capital base	**2,009**	**1,258**	**243**	**32**	**12**	**3,554**

Notes:

[1] Consolidation mainly represents the bank's investments in non-banking subsidiaries and amortisation of goodwill.

[2] Excludes outside equity interest which relate to the statutory funds.

[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 on page 44 of $1 billion represents the total amortised balance of goodwill for the group.

Banking capital adequacy

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m
Consolidated banking capital				
Tier 1				
Ordinary share capital	2,622	2,587	2,559	2,533
Preference share capital	244	244	246	244
Preconversion reserve	13	13	13	13
Retained profits	352	278	193	200
Less amortised goodwill for banking subsidiaries	(23)	(24)	(23)	(25)
Less unamortised intangible component of investment in non-banking subsidiaries	(1,203)	(1,204)	(1,204)	(1,203)
Less excluded assets	(1)	-	-	-
Less net future income tax benefit	(11)	(29)	(8)	-
Total Tier 1 capital	1,993	1,865	1,776	1,762
Tier 2				
Asset revaluation reserve	8	8	8	8
General provision for doubtful debts	96	87	82	84
Subordinated notes	605	645	509	622
Perpetual subordinated notes	170	170	170	170
Total Tier 2 capital	879	910	769	884
Tier 1 plus tier 2 capital	2,872	2,775	2,545	2,646
Less investments in non-banking subsidiaries (net of intangible component deducted from Tier 1)	(858)	(857)	(859)	(859)
Less guarantees and facilities to non-banking subsidiaries	(5)	(5)	(10)	(10)
Capital base	**2,009**	**1,913**	**1,676**	**1,777**
Reconciliation of deduction for investments in subsidiaries				
Investment securities – Assets and liabilities – Banking	2,067	2,067	2,068	2,067
Less intangible component deducted from Tier 1 capital – non-banking subsidiaries	(1,203)	(1,204)	(1,204)	(1,203)
Less non-subsidiary investment securities	(6)	(6)	(5)	(5)
Deduction from total capital for investment in subsidiaries	**858**	**857**	**859**	**859**
Retained earnings banking by half-year				
Retained earnings opening for the half-year	278	193	200	170
Opening retained profit adjustments	-	-	151	(7)
Add banking profit after tax for the half-year	111	116	109	109
Less retained earnings of entities not consolidated for APRA purposes	(1)	-	-	-
Less dividend expense/accrual	(168)	(161)	(296)	(158)
Add estimated dividend reinvestment plan	25	-	-	-
Less capital notes distribution net of tax	-	-	-	-
Add dividends from non-banking subsidiaries	107	130	29	86
Retained earnings closing for the half-year	**352**	**278**	**193**	**200**
Reconciliation of banking deduction for intangible assets to group intangible assets				
Amortised goodwill for banking subsidiaries	23	24	23	25
Non-amortised goodwill for non-banking subsidiaries	1,203	1,204	1,204	1,203
Goodwill reflected in investments in associates	(33)	(33)	(33)	(33)
Amortisation of non-banking goodwill	(185)	(156)	(123)	(96)
Intangible assets	**1,008**	**1,039**	**1,071**	**1,099**

Banking capital adequacy (continued)

	Carrying Value Dec-03 $m	Carrying Value Jun-03 $m	Risk Weights %	Risk Weighted Balance Dec-03 $m	Risk Weighted Balance Jun-03 $m	Risk Weighted Balance Dec-02 $m	Risk Weighted Balance Jun-02 $m
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	677	513	0	-	-	-	-
Claims on banks and local governments	111	102	20	22	20	8	118
Loans secured against residential housing	13,817	13,008	50	6,909	6,504	6,360	6,521
All other assets	11,668	10,305	100	11,668	10,305	9,592	9,211
Loans with excess risk weighting [2]	15	-	200	30	-	-	-
Total banking assets [1]	**26,288**	**23,928**		**18,629**	**16,829**	**15,960**	**15,850**

	Notional Amount Dec-03 $m	Credit Equivalent Dec-03 $m	Risk Weights %	Risk Weighted Balance Dec-03 $m	Risk Weighted Balance Jun-03 $m	Risk Weighted Balance Dec-02 $m	Risk Weighted Balance Jun-02 $m
Off Balance Sheet positions							
Guarantees entered into in the normal course of business	151	78	20–100	76	65	65	64
Commitments to provide loans and advances	4,675	1,087	0–100	714	704	563	638
Capital commitments	4	4	100	4	3	-	-
Foreign exchange contracts	14,570	562	20–50	113	60	78	98
Interest rate contracts	17,350	163	20–50	44	44	37	22
Total off Balance Sheet positions	36,750	1,894		951	876	743	822
Market risk capital charge				173	244	131	107
Total risk weighted assets				18,629	16,829	15,960	15,850
Total assessed risk				**19,753**	**17,949**	**16,834**	**16,779**
				%	%	%	%
Risk weighted capital ratios							
Tier 1				10.1	10.4	10.6	10.5
Tier 2				4.4	5.1	4.6	5.3
Deductions				(4.3)	(4.8)	(5.2)	(5.2)
Total risk weighted capital ratios				**10.2**	**10.7**	**10.0**	**10.6**

Notes:

(1) Total banking assets differ from banking segment assets due to the adoption of the Australian Prudential Regulation Authority's (APRA) classification of intangible assets, deferred taxation, non-qualifying shareholdings in other entities and general provision for impairment for capital adequacy purposes.

(2) APRA have imposed a penalty risk weighting on one of our commerical lending products for that portion of the loan that is in excess of an 80% LVR level.

The banking capital adequacy ratio reduced to 10.2% at December, from 10.7% at June, due to strong growth in risk weighted assets, which increased by 11% to $18.6 billion.

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m
Adjusted common equity – Consolidated Bank only				
Ordinary share capital	2,622	2,587	2,559	2,533
Retained earnings	352	278	193	200
Reserves	22	21	21	21
	2,996	2,886	2,773	2,754
Less:				
Goodwill and future income tax benefit	1,237	1,257	1,235	1,228
Investment in non-banking subsidiaries	858	857	859	859
Asset revaluation reserve	8	8	8	8
	2,103	2,122	2,102	2,095
Adjusted Common Equity	**893**	**764**	**671**	**659**
Risk-weighted assets including off-Balance sheet positions	19,753	17,949	16,834	16,779
	%	%	%	%
Adjusted Common Equity ratio	**4.52**	**4.26**	**3.99**	**3.93**

The Adjusted Common Equity (ACE) for the bank only, which is a calculation of capital preferred by ratings agencies and which excludes subordinated notes, preference shares and retained earnings in non-bank subsidiaries, increased to $893 million at December, from $671 million at the prior December. The ACE ratio increased to 4.52% from 3.99% previously. This was due to increased retained earnings following strong profit improvements in the Company. Due to the impact of the dividend reinvestment plan and further profit improvements in the second half, the ratio is expected to increase to approximately 5% by the end of the current year (ignoring changes in treatment of capitalised expenditure).

APRA changes to prudential treatment of capitalised expenditure

APRA has announced a change in the treatment of capitalised expenditure that will come into effect from 1 July 2004. At that time capitalised expenditure will change from being risk-weighted at 100% and will become a deduction from Tier 1 capital. Capitalised expenditure that will be affected by the new requirement was $53 million as at 31 December 2003.

General Insurance minimum capital ratio

The minimum capital requirement 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 account 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.

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 2003 the consolidated General Insurance business has a strong capital position at 1.49 times the minimum requirement, calculated as follows:

	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m
Paid up ordinary shares	1,395	1,395	1,395	1,395
Retained profits at end of reporting period	682	649	650	664
Technical provision in excess of liability valuation	278	267	396	221
Less: Tax effect of excess technical provisions	(83)	(80)	(119)	(66)
	2,272	2,231	2,322	2,214
Less:				
Goodwill	(879)	(904)	(929)	(954)
Future income tax benefit (net of deferred tax liabilities)	(27)	(19)	(25)	(27)
Other Tier 1 deductions	-	-	-	(44)
Total deductions from Tier 1 capital	(906)	(923)	(954)	(1,025)
Adjusted total Tier 1 capital / APRA capital base	**1,366**	**1,308**	**1,368**	**1,189**
Outstanding claims risk capital charge	446	448	425	399
Premium liabilities risk capital charge	188	184	169	167
Total insurance risk capital charge	634	632	594	566
Investment risk capital charge	233	210	233	231
Catastrophe risk capital charge	50	50	50	50
Total minimum capital requirement	**917**	**892**	**877**	**847**
	%	%	%	%
MCR coverage ratio	**149**	**147**	**156**	**140**

The MCR in this table, $917 million, differs from the MCR figure of $1.147 billion in the table on page 44 because the figure on page 44 is 1.25 times the MCR, as required by APRA.

The June 2003 calculation has been restated here in accordance with further clarification from APRA as to treatment of certain items in the consolidated General Insurance position.

One-off items and changes in accounting policy

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m
One-off items included in profit from ordinary activities before income tax are:				
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)	1	-
	-	**7**	**1**	**-**
The above items affect the following captions in the Statement of Operating Profit:				
Profit on sale of property	-	16	-	-
Managed schemes net income	-	(8)	-	-
Operating expenses from ordinary activities	-	(1)	1	-
	-	**7**	**1**	**-**

Changes in accounting policy application

Tax consolidations regime

The consolidated entity implemented the tax consolidations legislation effective from 1 July 2002. Suncorp-Metway Ltd ("the Company") is the head entity in the tax-consolidated group comprising all the Australian subsidiaries.

A tax sharing agreement has been executed between the Company, all group companies and Perpetual Trustee, in its capacity as Trustee for three of the Group's trusts. This ensures that the Company as head entity has a right of contribution from the other group entities for their share of the consolidated entity's tax expense, now primarily carried by the Company.

There is no impact on the Consolidated Statement of Financial Performance or Statement of Financial Position.

Principles of consolidation

Where the consolidated entity's life insurance statutory funds have the capacity to control managed investment schemes in which they are the majority investor, the consolidated entity has consolidated all of the assets, liabilities, revenues and expenses of these managed investment schemes. The consolidated entity did not consolidate managed investment schemes in the prior year.

As the Contribution to Profit Statement and the Statement of Assets and Liabilities both exclude life insurance policy owners' interests, there is no impact due to the change in accounting policy.

Operating expenses

Excluding Life Insurance Policy Owners' Interests

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Staff expenses					
Salaries and wages	208	201	197	193	5.6
Other staff expenses [1]	95	89	92	90	3.3
Total staff expenses	303	290	289	283	4.8
Equipment and occupancy expenses					
Depreciation					
Buildings	-	1	1	1	(100.0)
Plant, equipment and software	37	36	30	18	23.3
Leasehold improvements	6	6	6	8	-
Loss on disposal of property, plant and equipment	1	6	-	1	n/a
Operating lease rentals	24	21	24	19	-
Other occupancy expenses [2]	7	8	7	10	-
Total equipment and occupancy expenses	75	78	68	57	10.3
Other					
Hardware, software and data line expenses	23	23	25	53	(8.0)
Advertising and promotion expenses	33	25	28	24	17.9
Office supplies, postage and printing	35	32	33	45	6.1
Amortisation of franchise systems	-	1	-	1	n/a
Other [3][4]	28	26	46	34	(39.1)
Total other expenses	119	107	132	157	(9.8)
Expenses charged to the Wealth Management Statutory Funds	(32)	(30)	(32)	(28)	-
Expenses allocated to claims expense [5]	-	(18)	(24)	(27)	(100.0)
Total operating expenses from ordinary activities	**465**	**427**	**433**	**442**	**7.4**

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] Other is primarily made up of Wealth Management expenses and General Insurance commissions.

[4] Net of certain statutory fees and charges included in income and expenses in the Consolidated Financial Report.

[5] From April 2003, the expenses in the various categories are after allocation of expenses to claim expenses.

Total expenses increased by 7% to $465 million, however, this included approximately $10 million in staff redundancy costs and $3 million in expenses associated with the launch of the Clear Options Credit Card. Eliminating these expenses, operating costs rose by 4% to $452 million.

Income tax

The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Profit from ordinary activities before income tax expense	404	326	213	203	89.7
Prima facie income tax expense calculated at 30%	121	98	64	61	89.7
Tax effect of permanent differences:					
Non-deductible expenditure	4	3	2	3	100.0
Non-deductible write-downs	5	-	-	1	n/a
Amortisation of goodwill	9	10	9	9	-
Non-assessable income	(2)	(1)	-	(2)	n/a
Imputation gross up on dividends received	2	2	3	-	(33.3)
Dividend rebates	-	-	-	(3)	n/a
Dividend tax credits	(9)	(6)	(11)	-	(18.2)
Future income tax benefits not previously brought to account	-	4	(4)	(15)	(100.0)
Life and superannuation statutory funds	(8)	(8)	(6)	(9)	33.3
Other	4	-	1	3	300.0
Income tax adjusted for permanent differences	126	102	58	48	118.0
Over provision in prior year	(3)	(5)	-	(2)	n/a
Income tax expense	**123**	**97**	**58**	**46**	**112.1**
Income tax expense by segment					
Banking	62	52	41	31	51.2
General Insurance	56	41	14	13	300.0
Wealth Management	3	2	1	-	200.0
Other	2	2	2	2	-
Total Income tax expense	**123**	**97**	**58**	**46**	**112.1**

Income tax expense increased by 112% to $123 million. This was equal to an effective tax rate of 30.5% of profit after goodwill. The increase in tax was largely attributable to the higher earnings base. However, the increase in the effective tax rate, from 27% at the prior December, was a result of changes in the group's investment portfolio, which lowered overall equity holdings and therefore led to reduction in fully franked dividend income.

Implementation of tax consolidation

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

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 was calculated on a stand alone basis.

Statement of cash flows

Excluding Life Insurance Policy Owners' Interests

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m
Cash flows from operating activities				
Interest received	913	960	916	826
Dividends received	10	15	18	27
Premiums received	1,317	1,170	1,227	1,168
Reinsurance and other recoveries received	125	55	157	268
Other operating revenue received	364	264	303	268
Interest paid	(622)	(547)	(557)	(475)
Outwards reinsurance premiums paid	(72)	(78)	(80)	(99)
Claims paid	(900)	(813)	(886)	(853)
Operating expenses paid	(255)	(453)	(706)	(513)
Income taxes paid - operating activities	(145)	(36)	(76)	(4)
Net cash inflow from operating activities	735	537	316	613
Cash flows from investing activities				
(Payments for purchase)/proceeds from disposal of controlled entities	1	-	(1)	(58)
Payments for purchase of investments in associates	(9)	-	-	(80)
Payments for property, plant and equipment	(31)	(60)	(63)	(61)
Net (purchase)/disposal of banking securities	181	(1,102)	(557)	239
Net increase in loans, advances and other receivables	(2,182)	(1,066)	(337)	(991)
Purchase of investments integral to insurance activities	(8,932)	(4,435)	(14,678)	(19,136)
Proceeds from disposal of insurance investments	8,234	4,194	14,375	18,730
Income taxes paid - investing activities	(34)	(29)	(2)	(33)
Net cash (outflow) from investing activities	(2,772)	(2,498)	(1,263)	(1,390)
Cash flows from financing activities				
Proceeds from issue of shares	7	1	5	-
Proceeds from/(repayment of) subordinated notes	-	64	(51)	(4)
Net increase in borrowings	2,083	2,073	835	1,155
Dividends paid	(138)	(120)	(137)	(126)
Net cash inflow from financing activities	1,952	2,018	652	1,025
Net increase/(decrease) in cash and cash equivalents	(85)	57	(295)	248
Cash at the beginning of the financial period	883	826	1,121	873
Cash at the end of the financial period	**798**	**883**	**826**	**1,121**

Appendix 1 – Statement of operating profit

Excluding Life Insurance Policy Owners' Interests

	Dec-03 $m	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Variance Dec-03 vs Dec-02 %
Banking interest revenue	926	847	821	741	12.8
Banking interest expense	(609)	(550)	(526)	(468)	15.8
	317	297	295	273	7.5
General Insurance premium revenue [1]	1,148	1,080	1,076	1,002	6.7
Reinsurance and other recoveries revenue	171	176	110	160	55.5
Other revenue [2]	71	59	49	69	44.9
Banking fee and commission revenue	112	105	97	82	15.5
Banking fee and commission expense	(28)	(26)	(32)	(24)	(12.5)
General Insurance investment revenue					
insurance provisions	23	116	165	73	(86.1)
managed schemes income	10	(7)	14	(2)	(28.6)
joint venture income	10	5	4	5	150.0
shareholder funds	59	28	(17)	3	(447.1)
Profit on sale of property	-	16	-	-	n/a
Total income from ordinary activities	1,893	1,849	1,761	1,641	7.5
Claims expense	(889)	(961)	(976)	(849)	(8.9)
Outwards reinsurance expense	(72)	(71)	(73)	(81)	(1.4)
Operating expenses from ordinary activities	(465)	(427)	(433)	(442)	7.4
Total expenses from ordinary activities	(1,426)	(1,459)	(1,482)	(1,372)	(3.8)
Profit from ordinary activities before bad and doubtful debt expense, GIO funding, amortisation of goodwill and income tax expense	467	390	279	269	67.4
Bad and doubtful debts expense [3]	(24)	(22)	(27)	(26)	(11.1)
Profit from ordinary activities before GIO funding, amortisation of goodwill and related income tax expense	443	368	252	243	75.8
Subordinated debt expense – GIO acquisition	(9)	(10)	(9)	(10)	-
Profit from ordinary activities before amortisation of goodwill and related income tax expense	434	358	243	233	78.6
Amortisation of goodwill	(30)	(32)	(30)	(30)	-
Profit from ordinary activities before related income tax	404	326	213	203	89.7
Income tax expense attributable to profit from ordinary activities	(123)	(97)	(58)	(46)	112.1
Net profit attributable to members of the parent entity	**281**	**229**	**155**	**157**	**81.2**

Notes:

[1] Net of 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.

[3] Includes bad and doubtful debts expenses in the general insurance division which is included in operating expenses in the general insurance profit contribution.

Appendix 2 – Definitions

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 in return on equity by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.

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 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.

Embedded value — An assessment of the economic value arising out of the current in force business of the company. 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 earnings 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.

Expense ratio — The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing 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 General Insurance shareholder funds investment income 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.

Investment and interest earning assets — Comprises receivables due from other financial institutions, trading securities, investment securities and gross banking loans, advances and other receivables.

Loss ratio — Net claims incurred expressed as a percentage of net earned premium. 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.

Appendix 2 – Definitions (Continued)

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.

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.

Non-interest income as a percentage of average assets Total income from ordinary banking activities less net interest income divided by average banking assets. Average assets are based on the average banking assets and liabilities. The ratio is annualised.

Non-interest income as a percentage of total income Total income from ordinary banking activities less net interest income divided by total income from ordinary banking activities.

Operating income Total income from ordinary activities less general insurance shareholder funds investment income.

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 the half-year plus preference share dividends, divided by operating profit after tax.

Return on average investment and interest earning assets Operating profit after tax divided by average investment and interest earning assets. Average balances are based on beginning and end of period balances.

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.

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.

Return on average shareholders equity 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.

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.

Return on average shareholders equity – Banking Banking operating profit after tax divided by average equity. The equity is calculated based on the target capital adequacy ratio of 10% of total banking risk weighted assets. The average is calculated on end of month balances.

Return on average shareholders equity – General Insurance Operating profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances.

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 and one-off items.

Appendix 3 – Ratio calculations

	Half-Year Ended			
	Dec-03 No. of Shares	Jun-03 No. of Shares	Dec-02 No. of Shares	Jun-02 No. of Shares
Earnings per share				
Weighted average number of shares:				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	532,533,933	529,365,728	526,588,517	524,570,297
Weighted average number of potential ordinary shares relating to:				
Options on ordinary shares	445,055	472,009	709,238	1,210,928
Partly paid ordinary shares	6,959	22,449	19,426	20,208
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	532,985,947	529,860,186	527,317,180	525,801,432

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-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m
Earnings:				
Reconciliations of earnings used in calculating earnings per share:				
Net profit	281	229	155	156
Preference share dividends	(8)	(8)	(8)	(8)
Earnings used in calculating basic and diluted earnings per share	273	221	147	148

	Half-Year Ended			
	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-02 $m
Return on average shareholders' equity				
Adjusted average shareholders' equity:				
Opening total equity	3,647	3,536	3,362	3,348
Less: Outside equity interest	7	6	6	6
Less: Preference shares	244	244	244	244
Opening adjusted equity	3,396	3,286	3,112	3,098
Closing total equity	3,796	3,647	3,536	3,362
Less: Outside equity interest	6	7	6	6
Less: Preference shares	244	244	244	244
Closing adjusted equity	3,546	3,396	3,286	3,112
Average adjusted equity	3,471	3,341	3,199	3,105

Earnings as per 'Earnings per share' information above.

Key dates*

Ordinary Shares (SUN)

2004

Interim Dividend

Ex dividend date**	2	March
Record date	9	March
Dividend paid	2	April

Final Dividend

Ex dividend date**	1	September
Record date	7	September
Dividend paid	1	October

Floating Rate Capital Notes (SUNHB)

2004

Ex interest date**	10	February
Record date	16	February
Interest paid	2	March
Ex interest date**	11	May
Record date	17	May
Interest paid	1	June
Ex interest date**	10	August
Record date	16	August
Interest paid	31	August
Ex interest date**	9	November
Record date	15	November
Interest paid	30	November

Reset Preference Shares (SUNPA)

2004

Ex dividend date**	2	March
Record date	9	March
Dividend paid	15	March
Ex dividend date**	1	September
Record date	7	September
Dividend paid	14	September

* Dates may be subject to change

** Subject to ASX confirmation