BANKING INSURANCE INVESTMENT

Suncorp-Metway Ltd

AND CONTROLLED ENTITIES

ABN 66 010 831 722

ANNOUNCEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2004

Release date 27 August 2004

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Suncorp-Metway Ltd

Year End Results 2004

- Net profit up 60.9% to a record $618 million.
- Cash EPS up 50.6% to $1.24.
- Cash ROE up from 12.7% to 17.5%.
- Underlying profit* up 34.7 to $784 million.
- Final dividend increased by 10 cents to 40 cents per share, fully franked, taking the full year dividend to 70 cents per share, fully franked.

	Year ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Profit Overview, $M			
Banking	371	318	16.7
General Insurance	465	233	99.6
Wealth Management	66	41	61.0
Other	43	9	377.8
Profit before tax and goodwill	945	601	57.2
Goodwill amortisation	(60)	(62)	(3.2)
Tax	(267)	(155)	72.3
Net profit	**618**	**384**	**60.9**

Outlook for 2005

- **Banking** – profit before tax to increase by more than single digit %
- **General Insurance** – Insurance Trading Margin range lifted to 11–14%
- **Wealth Management** – double digit improvement in profit before tax and investment income on capital and retained earnings in statutory funds
- **Group** – further good improvement in underlying profit**

* Underlying profit here is defined as profit before tax, goodwill, one-offs and investment income on General Insurance shareholder funds.

** Underlying profit here has been redefined as profit before tax, goodwill, one-off gains, investment income on general insurance, shareholder funds, and investment income on Wealth Management capital and retained earnings in statutory funds.

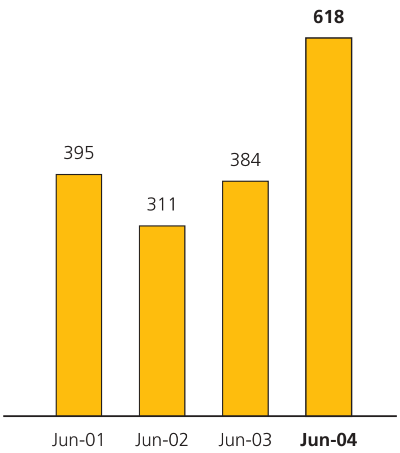
Review of operations

Except where otherwise stated, all figures relate to the year ended 30 June 2004, comparatives are for the year ended 30 June 2003, and life insurance policy owners' interests are excluded.

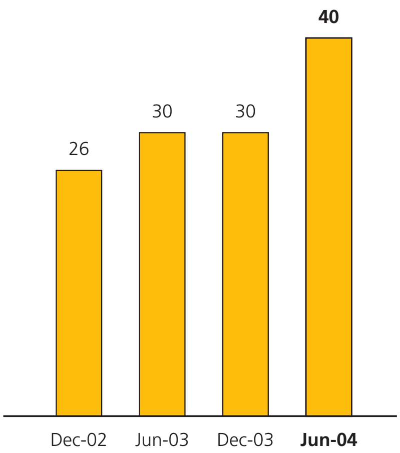
Group overview

- Suncorp has reported a 61% increase in net profit to a record $618 million for the year to June. Net profit in the June half was up 47% to $337 million.
- Final dividend increased 33% to 40 cents per share, fully franked, taking full year dividend to 70 cents per share. This is equivalent to a payout ratio of 64% for the full year and 67% for the half-year.
- Earnings per share on a cash basis, fully diluted, increased 51% to a record $1.24 for the full year.
- Return on equity, on a cash basis, fully diluted, increased to 17.5% for the full year. After goodwill, the ROE was 16.0%.
- Underlying profit for the group increased by 35% to $784 million. This figure is profit before tax, goodwill, one-off gains and investment income on General Insurance shareholder funds, and demonstrates the strong operating performance of the business. The underlying profit improvement exceeded the Company's stated earnings guidance due to favourable claims experience.
- Profits increased substantially across all operating divisions, for the full year and also on a half-year basis.
- The **Banking** division delivered record results, reporting a solid 17% increase in profit before tax to $371 million for the year. The results were again slightly above expectations, and featured a strong recovery in home lending, good growth in retail deposits, increased net interest margins and continued low bad debts.
- The most significant increase in earnings was seen in **General Insurance**, where pre-tax profits for the full year increased by 100% to $465 million. This was a record result for the General Insurance division, driven by premium growth, favourable claims outcomes and substantially increased investment income.
- The Insurance Trading Result (ITR), which excludes investment income on General Insurance shareholder funds and is the clearest indicator of performance in the underwritten general insurance business, increased by 51% to $315 million, which equals an insurance margin of 14.4% of net earned premium for the year. The margin reached 15.3% for the second half. The full year margin outcome exceeded the previously stated long term ITR range of 10–13% due to strong operating conditions, favourable claims outcomes and higher than expected investment income on provisions.
- **Wealth Management** profits increased by 61% to $66 million, driven by improved investment returns and increases in the value of new business. Funds under management increased 11% to $11 billion due partly to increased net inflows.
- The net result included a one-off profit of $31 million before tax from the sale of the Company's 15.4% interest in Cashcard, which was sold in March. This has been treated separately to the divisional results outlined above, and is excluded from underlying profit.
- Income tax expense increased by 72% to $267 million, due to higher taxable income.

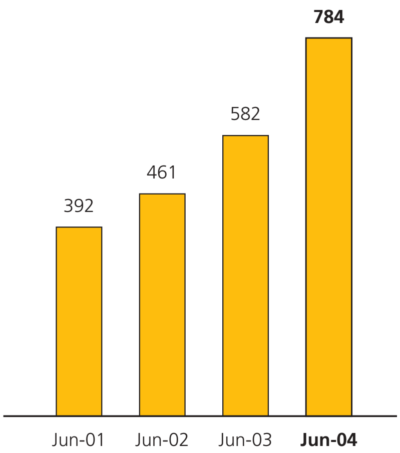
Operating profit after tax
Full year, $m



Dividend
Half-year, cents per share



Underlying profit
Full year, $m



Review of operations (continued)

Financial position

- At the end of June, the group had total assets of $39.5 billion, an increase of 11.5% on the prior June. Liabilities increased 11.7% to $35.5 billion, leaving equity at $4.0 billion, up 9.6%.
- The group's capital position remains strong, with a capital adequacy ratio of 10.3% in the bank, an MCR multiple of 1.74 in the general insurer, and strong capital reserves in the Life Company.
- 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.
- The Company is announcing plans to raise $200 million in subordinated debt in the general insurance company. The proceeds of the issue will be upstreamed to the bank to provide capital to support expected growth. The transaction should lead to an increase in the group's Adjusted Common Equity ratio to approximately 5.5% by December.

Outlook

At a high level, the business environment looks conducive to growth. At the moment, the economy is forecast to expand by a healthy 3.5% per year for the next four years, with inflation, unemployment and interest rates all expected to remain relatively low and stable. So, while things look favourable, we are keeping a wary eye on the global economic outlook for signs of weakness and ensuring we are well positioned to withstand any unexpected deterioration.

In **Banking**, while there has clearly been a slowdown in housing lending, which is also reflected in property development lending, overall credit growth continues to be quite resilient. We would therefore expect to see total lending grow by around 10% in the current year.

Increased competition in banking may lead to some deterioration in margins in the industry in the current year, however, we see no signs of a sharp deterioration in bad debts.

So in this environment, we expect to deliver a percentage growth in profit greater than single digits.

In **General Insurance**, premiums have increased significantly across the industry over the last couple of years as insurers have moved to charge prices which properly reflect the underlying risks of the business. However, that stepped adjustment in pricing, which has restored appropriate levels of profitability to the industry, has largely run its course. Further price rises are expected to be kept more in line with inflation, therefore the recent increases in profitability the industry has experienced are likely to moderate in the future. In some classes, we expect to reduce prices in line with improvements in claims experience.

We do not see any signs of irrational price competition re-emerging in the classes of insurance in which we operate, and we remain confident that the improvements we are making to our business will enable us to win market share from our competitors, increase efficiency and lift profitability.

We also remain cautiously confident that the improvement in claims experience will be sustained. While this will lead to benefits for consumers in the form of reduced prices in some classes, it also will lead to greater stability and improved profitability for insurers.

Therefore, we would expect that the profitability evident in the 2004 results will be largely sustainable in the future. While we previously had a stated insurance trading margin range of 10-13%, with this result we are increasing the expected margin to 11–14%. As always, this assumes no unusual claims events.

In **Wealth Management**, the recovery in equity markets has led to a significant improvement in profitability. Assuming this equity market performance is sustained, we should see some recovery in sales in the current year. We therefore expect to see a double-digit improvement in Wealth Management profit before tax.

At a group level, this should translate to further good improvements in underlying profit in the current year.

Review of operations (continued)

Operational highlights

- The strong financial results for the year reflect a number of important operational improvements and demonstrate good progress in implementation of the group's Diversified Financial Services strategy, which was outlined to the market in June 2003.
- The major operational achievements were as follows:
- In **Banking**, total lending grew by 20.2%, which was well above the total industry growth rate of 15.5%. This was mainly due to an exceptionally strong performance in business banking, where lending for the year increased by 23.5%, compared with 8.6% for system. This included the acquisition of the $234 million AMP property finance portfolio in July.
- The Company also was able to achieve a good recovery in home lending following underperformance in recent years. From an annual rate of 9.4% in June last year, lending growth rates have been doubled to 18.5% for the year to June 2004. That remains slightly below the 20.5% growth rate for the industry for the year to June. However, on a monthly basis, lending has exceeded system growth rates consistently since February.
- Growth in retail deposits has also been a feature of the banking performance. Retail deposits grew by 15.0% as per APRA definitions of retail funds, compared with 8.3% growth for the market.
- Net interest margins were increased in the second half to 2.30%, from 2.24% in the December half. For the year as a whole, margins held up well at 2.27%, compared with 2.32% in the prior year.
- Credit quality remains sound, with gross impaired assets falling to $62 million, equal to just 0.22% of gross loans. Total provisions increased to $142 million, equal to 263% of impaired assets.
- In **General Insurance**, a major operational highlight was the improvement in claims experience flowing from the implementation of legislative reforms in the areas of liability and negligence. In Queensland, the Civil Liabilities Act, which applied to the assessment of personal injury damages, came into effect in September 2003, and has had a significant impact in reducing claims costs and curtailing escalating personal injury awards. The Act, and other legislative reforms, have contributed to an improved financial performance in the Queensland Compulsory Third Party business, and in other long-tail classes.
- Another important operational improvement was the successful marketing effort to build the strength of the Suncorp and GIO brands. This was achieved through carefully targeted advertising campaigns and also through the sponsorship of the Rugby World Cup and the Australian Rugby Union team.
- The strengthened marketing was supported by the implementation of new and improved techniques to accurately assess risks involved in the insurance business, so we can ensure that our pricing properly reflects those risks, and we are targeting the right business. These tools are being rolled out across the general insurance portfolio.
- In September, the Company announced the acquisition of the insurance business operated by the Royal Automobile Club of Tasmania (RACTI). RACTI currently sells personal lines insurance (motor, home and boat products). The acquisition was settled in March. With the purchase of RACTI, the group's annual premium in Tasmania is now approximately $40 million.
- In **Wealth Management**, a number of initiatives and alliances completed during the year have significantly improved the range and flexibility of product offerings, and strengthened service and distribution capabilities.
- A highlight was the introduction of Easy Invest, a new 'wrap' platform service for investment customers which features access to over 40 wholesale investments, and single account reporting. Enhancements were also made to the existing Easy Super product, and a new risk protection package was developed for personal loan customers.
- Our investment management team also received accolades from two independent research agencies for the performance of our flagship Australian equities fund. ASSIRT awarded a '4-star rating' and Van Eyk awarded an 'A' rating.
- Investment returns exceeded industry benchmarks in all major investment classes for the year, with funds benefiting from the global strength of equity markets.

Strategy update

- The group strategy was announced 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 has been to ensure that each of the underlying businesses was operating efficiently and effectively on a stand-alone basis. From that strong base, the group can derive cost savings and revenue enhancements leading to increased competitiveness and financial returns which are better than monoline competitors.

Review of operations (continued)

- The results for the year demonstrate significant improvements in business line results.
- 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; and
  - Implementation of a range of business initiatives within each of the business lines and across the group to drive improved sales and operating efficiencies.

In the second half of the year, the strategy was further refined through the development of six 'strategic levers' which are critical to the business and which will help move us towards our vision of being Australia's most desirable financial services company.

The levers are:

- Profitable market growth, through revenue growth and cost containment. It means having the right products for the customer, pricing systems that maximise value and returns, delivering competitive operating cost structures and constantly reducing cost to serve.
- Being customer focused, and maintaining our tradition of superior customer service compared with the major banks. We have established demanding internal performance targets to stretch the organisation to best practice.
- Optimising our distribution networks to meet customers' requirements in the most effective and cost efficient manner through branches, call centres, the internet and third party intermediaries.
- Developing a highly performing team. Suncorp has a strong culture of delivery and teamwork. We have embedded a leadership framework in the organisation providing clear accountability and responsibility, and we support our people through ongoing learning and development.
- Ensuring the group develops and retains the capability and skills to execute desired initiatives effectively and efficiently to differentiate us from our competitors.
- Extracting group synergies. Suncorp's diversified financial services business model provides significant revenue and cost advantages. Cross-sell targets have been embedded in the business and are delivering results.

Regulatory Compliance Programs

Basel II Accord

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

International Financial Reporting Standards

Suncorp will report for the first time in accordance with Australian equivalents to International Financial Reporting Standards ('IFRS') when the results for the half-year ending 31 December 2005 are released.

Suncorp has not finalised the financial impact of the transition to IFRS. However, the differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the group's financial position and performance are classification of hybrid financial instruments, hedge accounting, insurance contracts, intangible assets including goodwill, loan impairment provisions and tax effect accounting. The transition to IFRS is anticipated to recognise additional assets and liabilities on the group's statements of financial position, and introduce an element of volatility into the group's statements of financial position and performance.

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

Contribution to profit by division for the full year ended 30 June 2004

Excluding Life Insurance Policy Owners' Interests

	Full Year Ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Banking			
Net interest income	656	592	10.8
Non-interest income [(1)]	177	155	14.2
Operating expenses	(414)	(380)	8.9
Bad debts	(48)	(49)	(2.0)
Contribution before tax	**371**	**318**	**16.7**
General Insurance			
Net earned premium [(2)]	2,184	2,012	8.5
Net incurred claims	(1,537)	(1,651)	(6.9)
Operating expenses [(2)]	(480)	(433)	10.9
Investment income on insurance provisions	148	281	(47.3)
Insurance trading result	315	209	50.7
Managed schemes net income	20	7	185.7
Joint venture income	19	9	111.1
Investment income on shareholder funds	130	11	1,081.8
Profit on sale of property	-	16	(100.0)
Contribution before tax and GIO funding	484	252	92.1
Subordinated debt expense – GIO acquisition funding	(19)	(19)	-
Contribution before tax	**465**	**233**	**99.6**
Wealth Management			
Contribution from Life Company	57	32	78.1
Contribution from funds management	9	9	-
Contribution before tax	**66**	**41**	**61.0**
Other			
Sale of investment in Cashcard Australia Ltd	31	-	n/a
Other [(3)]	12	9	33.3
Contribution before tax	**43**	**9**	**377.8**
Total contribution before amortisation of goodwill	945	601	57.2
Amortisation of goodwill	(60)	(62)	(3.2)
Income tax	(267)	(155)	72.3
Total contribution after income tax and amortisation of goodwill	618	384	60.9
Underlying profit [(4)]	784	582	34.7
Underlying profit – restated [(5)]	**754**	**578**	**30.4**

Notes:

(1) Non-interest income is comprised of net 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.

(5) Underlying profit – restated is comprised of operating profit before tax, amortisation of goodwill, investment income on shareholder funds in general insurance, joint ventures and wealth management, investment income on capital and retained earnings (statutory funds) and one-off items.

Reconciliation of underlying profit to operating profit before tax and amortisation of goodwill

	Full Year Ended Jun-04 $m	Full Year Ended Jun-03 $m	Jun-04 vs Jun-03 %
Total operating profit before tax and amortisation of goodwill	945	601	57.2
General Insurance investment income on shareholder funds	(130)	(11)	1,081.8
One-off items	(31)	(8)	287.5
Underlying profit	**784**	**582**	**34.7**
Our share of General Insurance joint venture shareholder fund income	(6)	1	(700.0)
Wealth Management investment income in Life Company	(23)	(4)	475.0
Wealth Management investment income in funds management	(1)	(1)	-
Restated underlying profit	**754**	**578**	**30.4**

Contribution to profit by division for the half-year ended 30 June 2004

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Banking						
Net interest income	339	317	297	295	6.9	14.1
Non-interest income (1)	87	90	85	70	(3.3)	2.4
Operating expenses	(208)	(206)	(191)	(189)	1.0	8.9
Bad debts	(24)	(24)	(23)	(26)	-	4.3
Contribution before tax	194	177	168	150	9.6	15.5
General Insurance						
Net earned premium (2)	1,108	1,076	1,009	1,003	3.0	9.8
Net incurred claims	(819)	(718)	(785)	(866)	14.1	4.3
Operating expenses (2)	(244)	(236)	(211)	(222)	3.4	15.6
Investment income on insurance provisions	125	23	116	165	443.5	7.8
Insurance trading result	170	145	129	80	17.2	31.8
Managed schemes net income	10	10	(7)	14	-	(242.9)
Joint venture income	9	10	5	4	(10.0)	80.0
Investment income on shareholder funds	71	59	28	(17)	20.3	153.6
Profit on sale of property	-	-	16	-	n/a	(100.0)
Contribution before tax and GIO funding	260	224	171	81	16.1	52.0
Subordinated debt expense – GIO acquisition funding	(10)	(9)	(10)	(9)	11.1	-
Contribution before tax	250	215	161	72	16.3	55.3
Wealth Management						
Contribution from Life Company	27	30	19	13	(10.0)	42.1
Contribution from funds management	3	6	5	4	(50.0)	(40.0)
Contribution before tax	30	36	24	17	(16.7)	25.0
Other						
Sale of investment in Cashcard Australia Ltd	31	-	-	-	n/a	n/a
Other (3)	6	6	5	4	-	20.0
Contribution before tax	37	6	5	4	516.7	640.0
Total operating profit before tax and amortisation of goodwill	511	434	358	243	17.7	42.7
Amortisation of goodwill	(30)	(30)	(32)	(30)	-	(6.3)
Income tax	(144)	(123)	(97)	(58)	17.1	48.5
Total operating profit after income tax and amortisation of goodwill	**337**	**281**	**229**	**155**	**19.9**	**47.2**
Underlying profit (4)	**409**	**375**	**323**	**259**	**9.1**	**26.6**
Underlying profit – restated (5)	**391**	**363**	**318**	**260**	**7.7**	**23.0**

Notes:

(1) Non-interest income is comprised of net 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.

(5) Underlying profit – restated is comprised of operating profit before tax, amortisation of goodwill, investment income on shareholder funds in general insurance, joint ventures and wealth management, investment income on capital and retained earnings (statutory funds) and one-off items.

Reconciliation of underlying profit to operating profit before tax and amortisation of goodwill

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Total operating profit before tax and amortisation of goodwill	511	434	358	243	17.7	42.7
General Insurance investment income on shareholder funds	(71)	(59)	(28)	17	20.3	153.6
One-off items	(31)	-	(7)	(1)	n/a	342.9
Underlying profit	**409**	**375**	**323**	**259**	**9.1**	**26.6**
Our share of General Insurance joint venture shareholder fund income	(4)	(2)	-	1	100.0	n/a
Wealth Management investment income in Life Company	(13)	(10)	(4)	-	30.0	225.0
Wealth Management investment income in funds management	(1)	-	(1)	-	n/a	-
Restated underlying profit	**391**	**363**	**318**	**260**	**7.7**	**23.0**

Statement of assets and liabilities

Excluding Life Insurance Policy Owners' Interests

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Assets						
Cash and liquid assets	696	764	841	825	(8.9)	(17.2)
Receivables due from other financial institutions	163	56	68	17	191.1	139.7
Trading securities	2,549	2,997	3,174	2,057	(14.9)	(19.7)
Investment securities	5,167	5,427	4,804	4,715	(4.8)	7.6
Investments in associates	100	96	83	83	4.2	20.5
Loans, advances and other receivables	28,744	26,637	24,426	23,142	7.9	17.7
Property, plant and equipment	184	204	217	231	(9.8)	(15.2)
Unlisted investment in life insurance statutory funds	185	181	156	152	2.2	18.6
Deferred tax assets	149	136	165	151	9.6	(9.7)
Intangible assets	984	1,008	1,038	1,071	(2.4)	(5.2)
Other financial assets [(1)]	587	456	462	548	28.7	27.1
Total assets	39,508	37,962	35,434	32,992	4.1	11.5
Liabilities						
Deposits and short term borrowings	24,290	22,584	21,579	20,143	7.6	12.6
Payables due to other financial institutions	70	22	26	16	218.2	169.2
Payables	851	1,527	1,242	688	(44.3)	(31.5)
Current tax liabilities	104	73	134	46	42.5	(22.4)
Provisions	119	88	104	102	35.2	14.4
Deferred tax liabilities	169	133	115	124	27.1	47.0
Outstanding claims and unearned premium provisions	5,176	5,100	5,062	4,813	1.5	2.3
Bonds, notes and long term borrowings	3,926	3,864	2,710	2,773	1.6	44.9
Subordinated notes	805	775	815	751	3.9	(1.2)
Total liabilities	35,510	34,166	31,787	29,456	3.9	11.7
Net assets	**3,998**	**3,796**	**3,647**	**3,536**	**5.3**	**9.6**
Equity						
Contributed equity - ordinary shares	2,654	2,622	2,587	2,559	1.2	2.6
Contributed equity - preference shares	244	244	244	246	-	-
Reserves	24	22	22	22	9.1	9.1
Retained profits	1,070	902	787	703	18.6	36.0
Total parent entity interest	3,992	3,790	3,640	3,530	5.3	9.7
Outside equity interests	6	6	7	6	-	(14.3)
Total equity	**3,998**	**3,796**	**3,647**	**3,536**	**5.3**	**9.6**

Notes:

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

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

Ratios and statistics for the full year ended 30 June 2004

Excluding Life Insurance Policy Owners' Interests

		Full Year Ended Jun-04 $m	Full Year Ended Jun-03 $m	Jun-04 vs Jun-03 %
Financial position				
Total assets	($ million)	39,508	35,434	11.5
Capital				
Bank capital adequacy ratio	(%)	10.3	10.7	(3.7)
Bank adjusted common equity	(%)	4.83	4.26	13.4
General Insurance minimum capital ratio	(times)	1.74	1.47	18.4
Shareholder summary				
Dividend per ordinary share	(cents)	70.0	56.0	25.0
Dividend per preference share	($)	6.27	6.25	-
Payout ratio				
Basic	(%)	63.2	81.3	(22.3)
Diluted	(%)	63.8	82.1	(22.3)
Weighted average number of shares				
Basic	(million)	533.9	528.0	1.1
Diluted	(million)	534.4	528.5	1.1
Number of shares at end of period				
Basic	(million)	536.6	530.8	1.1
Diluted	(million)	540.8	536.2	0.9
Net tangible asset backing per share				
Basic	($)	5.15	4.44	16.0
Diluted	($)	5.65	4.91	15.1
Share price at end of period	($)	14.20	11.60	22.4
Performance ratios				
Earnings per share				
Basic	(cents)	112.8	69.8	61.6
Diluted	(cents)	112.7	69.7	61.7
Cash earnings per share				
Basic	(cents)	123.6	82.1	50.5
Diluted	(cents)	123.5	82.0	50.6
Return on average shareholders' equity				
Basic	(%)	16.9	11.3	49.6
Diluted	(%)	16.0	10.8	48.1
Cash return on average shareholders' equity				
Basic	(%)	18.5	13.3	39.1
Diluted	(%)	17.5	12.7	37.8
Return on average total assets	(%)	1.65	1.13	46.0
Insurance trading ratio	(%)	14.4	10.4	38.5
Productivity				
Group efficiency ratio	(%)	25.3	24.3	4.1

Refer Appendix 3 for definitions.

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

Ratios and statistics for the half-year ended 30 June 2004

Excluding Life Insurance Policy Owners' Interests

		Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Financial position							
Total assets	($ million)	39,508	37,962	35,434	32,992	4.1	11.5
Capital							
Bank capital adequacy ratio	(%)	10.3	10.2	10.7	10.0	1.0	(3.7)
Bank adjusted common equity	(%)	4.83	4.52	4.26	3.99	6.86	13.38
General Insurance minimum capital ratio	(times)	1.74	1.49	1.47	1.48	16.8	18.4
Shareholder summary							
Dividend per ordinary share	(cents)	40.0	30.0	30.0	26.0	33.3	33.3
Dividend per preference share	($)	3.10	3.17	3.15	3.10	(2.2)	(1.6)
Payout ratio							
Basic	(%)	66.1	59.9	73.0	93.5	10.4	(9.5)
Diluted	(%)	66.6	60.4	73.3	94.6	10.3	(9.1)
Weighted average number of shares							
Basic	(million)	535.3	532.5	529.4	526.6	0.5	1.1
Diluted	(million)	536.0	533.0	529.9	527.3	0.6	1.2
Number of shares at end of period							
Basic	(million)	536.6	534.1	530.8	527.9	0.5	1.1
Diluted	(million)	540.8	538.7	536.2	533.2	0.4	0.9
Net tangible asset backing per share							
Basic	($)	5.15	4.75	4.44	4.19	8.4	16.0
Diluted	($)	5.65	5.21	4.91	4.67	8.4	15.1
Share price at end of period	($)	14.20	12.39	11.60	11.15	14.6	22.4
Performance ratios							
Earnings per share							
Basic	(cents)	61.5	51.3	41.9	27.9	19.9	46.8
Diluted	(cents)	61.4	51.2	41.8	27.9	19.9	46.9
Cash earnings per share							
Basic	(cents)	67.0	56.6	47.8	34.2	18.4	40.2
Diluted	(cents)	66.9	56.6	47.8	34.2	18.2	40.0
Return on average shareholders' equity							
Basic	(%)	18.1	15.6	13.4	9.1	16.0	35.1
Diluted	(%)	17.2	14.9	12.8	8.8	16.1	35.2
Cash return on average shareholders' equity							
Basic	(%)	19.8	17.3	15.3	11.2	14.5	29.4
Diluted	(%)	18.8	16.4	14.5	10.7	14.6	29.7
Return on average total assets	(%)	1.75	1.52	1.35	0.94	20.0	29.6
Insurance trading ratio	(%)	15.3	13.5	12.8	8.0	13.3	19.5
Productivity							
Group efficiency ratio	(%)	24.6	26.1	24.2	24.4	(5.7)	1.7

Refer Appendix 3 for definitions.

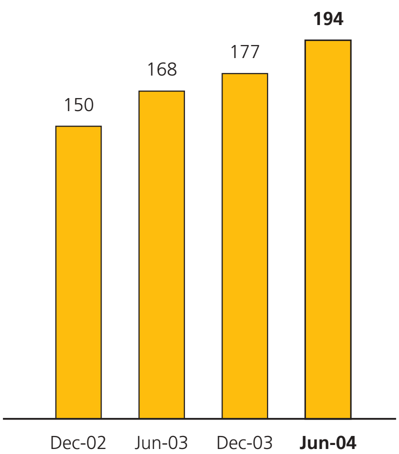
Refer Appendix 4 for details of Earnings per share and Return on average shareholders' equity calculations.

Segment information – Banking

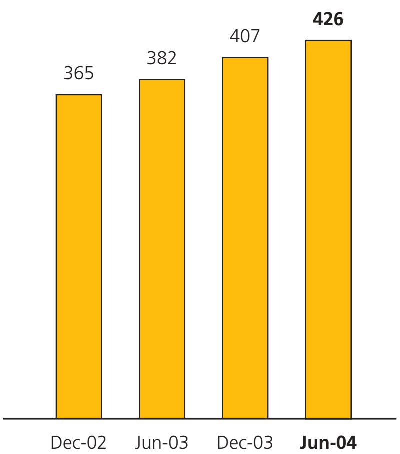
Overview

- The Banking division reported a record pre-tax profit of $371 million for the full year, up 16.7%, driven by solid lending growth, stable net interest margins, increased non-interest income and exceptionally strong credit quality.
- Pre-tax profits also were at record levels for the half-year to June, at $194 million, up 9.6% on the preceding six months to December.
- Return on equity for the year was at 19.1%, up from 18.8% in the prior year.
- A highlight of the year was the strong lending performance. At June 2004, total receivables, including securitised assets, were $30.1 billion, which was up 20.2% compared with the prior June, exceeding total industry lending growth of 15.5%.
- Disbursements for the year to June increased by 34.4% to $14.8 billion.
- The increase in receivables was mainly due to an exceptionally strong performance in Business Banking, where lending for the year increased by 23.5%, compared with 8.6% for the system. Despite increases in official interest rates, strong lending was recorded in Development Finance, Property Investment and Commercial segments.
- Home lending performance also improved substantially during the period. For the 12 months to June 2004, home lending grew by 18.5%, up from an annual growth rate of 9.4% for the 12 months to June 2003. On a monthly basis, lending has exceeded system growth rates consistently since February. In the month of June, lending grew at an annualised rate of 20.8%, compared with 15.7% for the banking industry.
- Growth in retail deposits has also been a feature of the Banking performance. Retail deposits grew by 15.0% as per APRA definitions of retail funds, compared with 8.3% growth for the market, with particularly strong growth in term deposits and transaction accounts.
- Net interest margins were increased in the second half to 2.30%, from 2.24% in the December half. For the year as a whole, margins held up well at 2.27%, compared with 2.32% in the prior year. The favourable margin performance was due to improved business mix and higher official interest rates, which increased the value of capital and reserves on the balance sheet.
- Net interest income therefore increased by a healthy 10.8% to $656 million for the year. For the six months to June, net interest income, at $339 million, increased by an annualised 13.8% compared with the preceding December half.
- Non-interest income for the year was up 14.2% to $177 million, featuring good growth in fee income, which was up 10.8% to $154 million. Net fee income fell in the second half to $70 million, from $84 million in the first half. This was due to increased brokerage commissions, lower interchange fees and higher retention rates, which reduced break fees.
- Banking expenses increased 8.9% to $414 million for the year, however, this was exceeded by revenue growth, reducing the cost to income ratio to 49.7% for the year. The cost to income ratio for the half-year to June was reduced to 48.8%, from 50.0% at the prior June. This remains competitive with major bank peers, and well below most regional bank competitors.
- Asset quality remains very sound. The bad debt charge for the June half, at $24 million, was in line with prior periods. Gross impaired assets fell by 47% to $62 million, equal to just 0.22% of gross loans, advances and other receivables. Total provisions increased to $142 million, equal to 263% of impaired assets.
- The capital adequacy ratio was at 10.3% at June, which is within the group's target range of 10-10.5%, and up slightly from 10.2% at December, due to increased retained earnings.
- The adjusted common equity ratio increased to 4.83% at June. The Company is planning a $200 million sub debt issue in the general insurance company during the current half-year, followed by a special dividend payment from the insurer to the bank holding company to fund continued growth. This should also assist in lifting the ACE to approximately 5.5% by December.

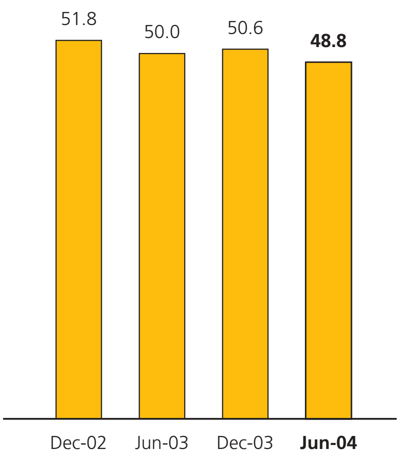
Contribution to profit
Half-year, $m



Total banking income
Half-year, $m



Cost to income ratio
Half-year, %



	Half-Year Ended					Full Year Ended		
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Dec-03	Jun-04	Jun-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	$m	$m	%
Profit contribution – Banking								
Net interest income								
Interest revenue	1,024	926	855	829	10.6	1,950	1,684	15.8
Interest expense	(685)	(609)	(558)	(534)	12.5	(1,294)	(1,092)	18.5
	339	317	297	295	6.9	656	592	10.8
Net banking fee income								
Banking fee and commission revenue	103	112	100	97	(8.0)	215	197	9.1
Banking fee and commission expense	(33)	(28)	(26)	(32)	17.9	(61)	(58)	5.2
	70	84	74	65	(16.7)	154	139	10.8
Other operating revenue								
Net profits on derivative and other financial instruments	4	6	5	3	(33.3)	10	8	25.0
Other income	13	-	6	2	n/a	13	8	62.5
	17	6	11	5	183.3	23	16	43.8
Non-interest income	87	90	85	70	(3.3)	177	155	14.2
Total income from ordinary banking activities	426	407	382	365	4.7	833	747	11.5
Operating expenses								
Staff expenses	(122)	(118)	(111)	(106)	3.4	(240)	(217)	10.6
Occupancy expenses	(12)	(11)	(10)	(10)	9.1	(23)	(20)	15.0
Computer and depreciation expenses	(22)	(23)	(24)	(26)	(4.3)	(45)	(50)	(10.0)
Communication expenses	(16)	(17)	(17)	(15)	(5.9)	(33)	(32)	3.1
Advertising and promotion expenses	(13)	(11)	(9)	(10)	18.2	(24)	(19)	26.3
Other operating expenses [(1)]	(23)	(26)	(20)	(22)	(11.5)	(49)	(42)	16.7
	(208)	(206)	(191)	(189)	1.0	(414)	(380)	8.9
Contribution to profit from banking activities before bad and doubtful debts	218	201	191	176	8.5	419	367	14.2
Bad and doubtful debts expense	(24)	(24)	(23)	(26)	-	(48)	(49)	(2.0)
Contribution to profit before tax from banking activities	**194**	**177**	**168**	**150**	**9.6**	**371**	**318**	**16.7**

Notes:

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

Assets and liabilities – Banking

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Assets						
Cash and liquid assets	324	522	448	441	(37.9)	(27.7)
Receivables due from other financial institutions	163	56	68	17	191.1	139.7
Trading securities	2,549	2,997	3,174	2,057	(14.9)	(19.7)
Investment securities	2,065	2,067	2,067	2,068	(0.1)	(0.1)
Loans, advances and other receivables	28,015	25,891	23,685	22,808	8.2	18.3
Property, plant and equipment	182	203	215	224	(10.3)	(15.3)
Deferred tax assets	147	135	100	83	8.9	47.0
Intangible assets	22	23	23	23	(4.3)	(4.3)
Other financial assets [1]	426	332	282	276	28.3	51.1
Total assets	33,893	32,226	30,062	27,997	5.2	12.7
Liabilities						
Deposits and short term borrowings	24,684	23,054	22,016	20,871	7.1	12.1
Payables due to other financial institutions	70	22	26	16	214.2	169.2
Payables	612	954	1,055	286	(35.8)	(42.0)
Current tax liabilities	104	73	75	36	42.5	38.7
Provisions	116	83	87	52	39.8	33.3
Deferred tax liabilities	169	133	55	58	27.1	207.3
Bonds, notes and long term borrowings	3,926	3,864	2,710	2,773	1.6	44.9
Subordinated notes	805	775	815	752	3.9	(1.2)
Total liabilities	30,486	28,958	26,839	24,844	5.3	13.6
Net assets	**3,407**	**3,268**	**3,223**	**3,153**	**4.3**	**5.7**

Notes:

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

Banking statistics

	Half-Year Ended Jun-04 %	Dec-03 %	Jun-03 %	Dec-02 %	Full Year Ended Jun-04 %	Jun-03 %
Cost to income ratio	48.8	50.6	50.0	51.8	49.7	50.9
Cost to average total banking assets ratio	1.30	1.34	1.34	1.38	1.32	1.36
Capital adequacy ratio	10.3	10.2	10.7	10.0	10.3	10.7
Return on average risk weighted assets ratio	1.41	1.39	1.43	1.36	1.40	1.37
Net interest margin	2.30	2.24	2.28	2.37	2.27	2.32
Net interest spread	2.06	2.02	2.07	2.14	2.04	2.11
Return on banking equity	18.8	19.3	17.8	19.8	19.1	18.8

Refer Appendix 3 for definitions.

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Asset growth						
Housing loans	17,238	15,548	14,547	13,724	10.9	18.5
Consumer receivables	543	485	477	504	12.0	13.8
Retail loans	17,781	16,033	15,024	14,228	10.9	18.4
Commercial loans	2,743	2,509	2,068	1,843	9.3	32.6
Development finance	2,381	2,072	1,475	1,293	14.9	61.4
Property investment	2,920	2,761	2,523	2,263	5.8	15.7
Lease finance	1,918	1,825	1,774	1,675	5.1	8.1
Agribusiness	2,279	2,111	2,075	1,991	8.0	9.8
Business loans	12,241	11,278	9,915	9,065	8.5	23.5
Structured finance	8	8	18	18	-	(55.6)
Other receivables [1]	87	80	102	93	8.8	(14.7)
Total lending	30,117	27,399	25,059	23,404	9.9	20.2
Provision for impairment	(142)	(134)	(121)	(114)	6.0	17.4
	29,975	27,265	24,938	23,290	9.9	20.2
Intragroup receivables	354	400	397	605	(11.5)	(10.8)
Total loans, advances and other receivables including securitised balances	30,329	27,665	25,335	23,895	9.6	19.7
Less: Securitised loan balances (housing)	(2,314)	(1,774)	(1,650)	(1,087)	30.4	40.2
Loans, advances and other receivables	**28,015**	**25,891**	**23,685**	**22,808**	**8.2**	**18.3**
Gross banking loans, advances and other receivables	**27,803**	**25,625**	**23,409**	**22,317**	**8.5**	**18.8**
Geographical breakdown – total lending						
Queensland	18,589	17,189	16,146	15,693	8.1	15.1
New South Wales	6,483	5,969	4,702	4,054	8.6	37.9
Victoria	3,927	3,365	3,553	3,140	16.7	10.5
Western Australia	848	696	596	473	21.8	42.3
South Australia and other	270	180	62	44	50.0	335.5
Total lending	**30,117**	**27,399**	**25,059**	**23,404**	**9.9**	**20.2**

Notes:

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

	Half-Year Ended					Full Year Ended		
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Disbursements								
By segment								
Housing	3,340	3,105	2,574	2,308	7.6	6,445	4,882	32.0
Consumer	131	92	78	97	42.1	223	175	27.5
Business	3,600	4,549	3,089	2,875	(20.9)	8,149	5,964	36.6
Total	**7,071**	**7,746**	**5,741**	**5,280**	**(8.7)**	**14,817**	**11,021**	**34.4**
Geographical breakdown								
Queensland	4,089	4,501	3,198	3,096	(9.2)	8,590	6,294	36.5
New South Wales	1,610	2,045	1,370	1,213	(21.3)	3,655	2,583	41.5
Victoria	998	940	981	767	6.2	1,938	1,748	10.9
Western Australia	316	214	136	171	47.7	530	307	72.6
South Australia and other	58	46	56	33	26.1	104	89	16.9
Total	**7,071**	**7,746**	**5,741**	**5,280**	**(8.7)**	**14,817**	**11,021**	**34.4**

Total lending

Total receivables, including securitised assets, rose by 20.2% to $30.1 billion over the 12 months to June, compared with overall industry credit growth of 15.5%.

Lending was solid across the Suncorp portfolio, reflecting current low interest rates, favourable economic fundamentals and buoyant property markets during the year.

Asset growth was most pronounced in Business Banking, which lifted receivables by 23.5% to $12.2 billion, compared with system growth rates of 8.6%. Growth was aided by the acquisition of the $234 million AMP property finance loan portfolio in July.

Home Lending generated strong growth, increasing by 18.5% to $17.2 billion. Low risk housing loans continue to make up the dominant part of the total portfolio, representing 57% of assets, and the group has minimal exposure to high risk corporate or consumer lending. Consumer receivables total $543 million, or just 2% of the total portfolio.

The overall geographical diversity of the portfolio continues to improve, with lending outside Queensland now accounting for 38% of assets. NSW total assets grew by 38% to $6.5 billion, and in Western Australia, total assets increased 42% to $848 million. Queensland assets grew by 15.1% to $18.6 billion, up from 4% growth in the 12 months to June 2003.

Disbursements, or new lending, increased by 34.4% to $14.8 billion for the year. Housing disbursements grew by 32% to $6.4 billion, and business disbursements rose by 37% to $8.1 billion. Business disbursements slowed in the last six months of the year, following an exceptionally strong performance in the December half. The slowing was due to easing demand in the property segments of the portfolio, and reduced commercial lending.

Asset growth (continued)

Housing lending

Housing lending recovered strongly during the year. From annual growth of 9.4% in the year to June 2003, lending growth increased to 18.5% in 2004. Monthly growth has exceeded industry growth rates consistently since February.

In the six months to June 2004, housing lending assets grew by an annualised 22%, compared with 12% in the corresponding period in 2003.

Disbursements increased by 32% to $6.4 billion for the financial year, compared with 10% growth for the 2003 year.

The housing lending recovery has been most pronounced in markets outside of Queensland. Total assets in other states grew by 30% in the 12 months to June, to $5.9 billion.

Nevertheless, lending in Queensland has improved significantly. In the 12 months to June, receivables grew by $1.4 billion, compared with $404 million in the prior 12 months.

This recovery in housing lending has been achieved through initiatives such as improved service levels aimed at lifting retention and making it easier for customers to expand their business with the Company. Reduced emphasis has been placed on introductory loan products, and regional teams of dedicated housing lending specialists have been introduced.

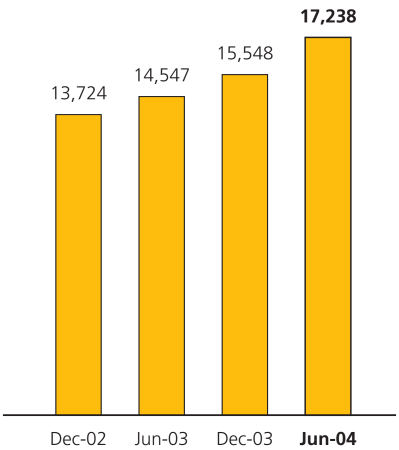
Representation within the mortgage broker distribution channel has also been strengthened, with total disbursements through intermediaries increasing by 42% to $3.1 billion in the year. Housing loan receivables initiated via intermediaries at June 2004 accounted for 35% of the book, compared with 27% at June 2003.

In Queensland, receivables via the intermediary network account for just 16% of total assets, with the bulk of sales via the proprietary network of branches and call centres. However, intermediaries are the primary acquisition channel outside Queensland, generating 70% of assets.

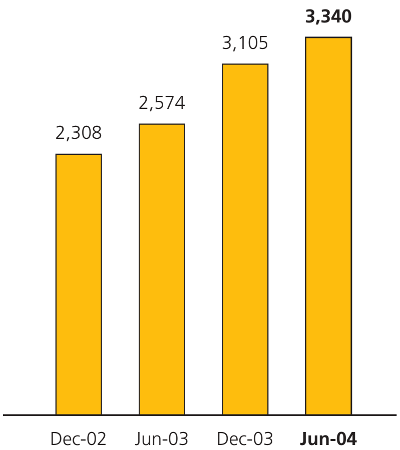
There also has been a significant improvement in lending for investment purposes, which was a segment of the market where the Company previously was under-represented. Home lending for investment purposes increased by 26% to $4.5 billion in the year to June.

'Low doc' lending has been a successful product for the Company, with assets increasing from $1.3 billion at December to $1.8 billion at June. The Company's low doc product is very conservatively structured, with borrowers required to have a minimum $250,000 in net equity, a maximum loan to valuation ratio of 80% and with all loans over 60% loan to valuation ratio to be mortgage insured. Credit quality in the low doc portfolio therefore is very strong.

Housing lending assets
Half-year, $m



Housing lending disbursements
Half-year, $m



Asset growth (continued)

Consumer lending

Consumer lending, made up principally of personal loans, credit card receivables and margin lending, remains a small part of the portfolio at $543 million. It grew by 13.8% during the year, boosted by the introduction of the Suncorp Clear Options credit card. Another growth initiative was the launch of the Wallabies Visa Card during June.

Business lending

Business lending grew strongly during the year, increasing by 23.5% to $12.2 billion, compared with system growth of 8.6%. 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 $105 million at June 2004.

Development finance. Strongest lending growth was in the development finance portfolio, which is comprised mainly of residential apartment developments and land subdivision in suburban metropolitan areas. Inner city apartment developments account for less than 2% of receivables. Assets in this segment grew by 61% to $2.4 billion, however this figure included the AMP assets referred to above. Excluding AMP, the portfolio grew by 54% to $2.3 billion. The strong growth rate reflected buoyant property values and continued demand for property assets, although growth moderated in the last half of the year.

The market is expected to soften further over the next 12 months, particularly in New South Wales and Victoria and asset growth is expected to be much lower as projects are completed and settled. Strong levels of pre-sales are held for our apartment exposures and settlement default rates remain low.

Credit quality generally remains excellent and interest margins also have continued to be strong.

Property investment, which includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects, grew more moderately at 15.7% to $2.9 billion. Retail shopping centres account for 38% of the portfolio and commercial offices account for 34%, with the remainder made up of industrial premises. Asset quality is very high and the outlook is positive due to good economic growth and solid retail sales.

Commercial, which includes Corporate banking, is predominantly comprised of lending to small to medium sized enterprises, increased assets by 33% to $2.7 billion during the year, with strong lending across eastern seaboard markets.

Commercial lending is defined as being to those customers with turnovers of between $500,000 and $10 million. The typical loan is in the $500,000 to $2 million range. The segment grew by 33% during the year to approximately $1.9 billion due to strong relationship management. Disbursements slowed in the second half, following an exceptional performance in the six months to December, but underlying activity remains healthy.

The Corporate book (predominantly customers with turnovers of $10million to $100million) which includes our successful Trade Finance department, has been growing well, with a focus on developing high quality exposures to investment grade corporate clients. We have enhanced our staff complement with a number of experienced corporate bankers in the past 2 years and are now building a strong niche proposition. While still relatively small, the Corporate book grew by 48% to $822 million in the year to June.

Credit quality has continued to improve as we have decentralised credit staff to work closely with lending managers in the various regions. This has led to an improvement in the quality of new lending and a reduction in write-offs.

Leasing assets rose by 8% to $1.9 billion. This division continues to grow steadily with a focus on low risk, high volume equipment and vehicle leasing on the eastern seaboard. The majority of leasing business is referred via third party brokers with whom we continue to build a very strong reputation.

Agribusiness receivables grew by almost 10% to $2.3 billion during the year, which was a good result in the subdued conditions. The drought in Eastern Australia continued to affect rural customers during the year. Strong summer rains in February eased conditions, but there has been minimal rainfall in most districts since then. The outlook for the beef industry for the next 2–3 years are favourable. The outlook for the sugar industry has improved in the second half with the announcement of a Federal Government assistance package and an improved forecast price for the 2004 harvest.

Securitisation of loans

Outstanding securitised assets totalled $2.3 billion at the end of June 2004, up from $1.7 billion at June 2003, due to a $600 million securitisation issue in September 2003 and a $1.1 billion issue in February 2004.

The impact of the securitisation program was to reduce net interest income by $8.4 million, and increase fee income by $7.5 million for the year. The impact of securitisation in the second half was to reduce net interest income by $6.3 million and increase fee income by $5.6 million.

The Company plans one domestic and one offshore securitisation issue each year, subject to balance sheet growth and market conditions (and the changing regulatory landscape). One mortgage securitisation issue (Apollo Series 2003–2 – fifth Apollo trust) was successfully undertaken in the domestic market in September. Apollo Series 2004–1E (sixth Apollo trust) was issued in February 2004 with a total issue volume of A$1.1 billion. This issue included Suncorp's first tranche in Euros, as well as tranches in US$ and A$. The issue attracted 50 investors from 9 countries following a roadshow covering the UK and Europe.

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Funding and deposits						
Retail funding						
Australian retail deposits						
Transaction	3,146	2,646	2,353	2,276	18.9	33.7
Investment	3,556	3,751	3,451	2,760	(5.2)	3.0
Term	4,479	4,142	3,662	3,835	8.1	22.3
Core retail deposits	11,181	10,539	9,466	8,871	6.1	18.1
Retail treasury	2,241	2,718	3,663	3,620	(17.5)	(38.8)
Total retail funding	13,422	13,257	13,129	12,491	1.2	2.2
Wholesale funding						
Australian wholesale funding	8,969	6,948	5,417	5,742	29.1	65.6
Overseas funding sources						
Subordinated debt program (USD)	360	331	371	-	8.8	(3.0)
Asian debt instrument program	-	-	132	155	n/a	(100.0)
Euro commercial paper market	2,749	3,243	2,764	2,091	(15.2)	(0.5)
Euro medium term note market	3,915	3,914	3,729	3,917	0.0	5.0
	7,024	7,488	6,996	6,163	(6.2)	0.4
Total wholesale funding	15,993	14,436	12,413	11,905	10.8	28.8
Total funding	**29,415**	**27,693**	**25,542**	**24,396**	**6.2**	**15.2**
Represented by:						
Deposits and short term borrowings	24,684	23,054	22,016	20,871	7.1	12.1
Bonds, notes and long term borrowings	3,926	3,864	2,711	2,773	1.6	44.8
Subordinated debt	805	775	815	752	3.9	(1.2)
Total	**29,415**	**27,693**	**25,542**	**24,396**	**6.2**	**15.2**
Per APRA definitions						
Retail	13,041	12,471	11,344	10,969	4.6	15.0
Wholesale	16,374	15,222	14,198	13,427	7.6	15.3
Total	**29,415**	**27,693**	**25,542**	**24,396**	**6.2**	**15.2**

Retail funding

Retail funding increased by 2.2% to $13.4 billion, however, these numbers were affected by a reclassification of retail treasury deposits as wholesale in the first half. On an underlying basis, core retail deposits, excluding Treasury, grew by 18.1% to $11.2 billion in the year to June 2004.

According to APRA definitions, retail deposits grew by 15.0%, compared with 8.3% growth for the market, with particularly strong growth in term deposits and transaction accounts.

APRA numbers for retail deposits differ from statutory accounts because of variations in the definitions of retail and wholesale customers. There are a number of inconsistencies, however the major variance is that a proportion of treasury deposits are defined as retail by APRA, but are wholesale in the statutory accounts.

Transaction deposits grew 34% to $3.2 billion. This category included Personal Transaction, Savings accounts and small business deposits. Account numbers are now growing steadily. A major operational initiative in the year was the launch of a new Everyday Options transaction account, which provides customers a core transaction account and sub accounts for savings or money management. The account has attracted almost $500 million since its launch in March.

Term deposits grew 22.3% for the year driven by strong growth across the Term Deposit base, as a result of targeted offers to niche groups such as shareholders, insurance customers and specific regional areas.

Suncorp continues to diversify its deposit base geographically, with funds raised outside of Queensland increasing by 51% during the year to almost $1 billion.

The reduction in Retail Treasury deposits was partly due to definitional issues, leading to some retail deposits being reclassified as wholesale deposits.

Funding and deposits (continued)

Wholesale funding

Overall wholesale funding has increased to support balance sheet growth. Wholesale market access globally has been enhanced significantly with Standard & Poor's decision to upgrade Suncorp's credit rating to 'A' long term (and 'A1' short term where the larger immediate benefits reside) in December 2003.

Suncorp undertook a successful Euro 500 million 5 year floating rate note issue (equivalent to A$850 million) in October 2003 and this is the longest dated and largest single senior issue undertaken by the Company. The objectives for this benchmark transaction were to provide additional investor diversification and to lengthen the weighted average term and dispersion of the balance sheet. In March 2004 a Domestic A$500 million, two tranche fixed and floating rate benchmark transaction was launched. The issue was able to generate pricing well inside previous transactions due to the beneficial effects of the ratings upgrade.

Private placements and wholesale short term issuance (domestic and offshore) continued to be used to balance liquidity and funding requirements around benchmark transactions.

Net interest income

Net interest income rose by 10.8% to $656 million for the year, with the increase due to improved lending volumes. As noted above, the securitisation program led to a $8.4 million reduction in net interest income, compared with June 2003.

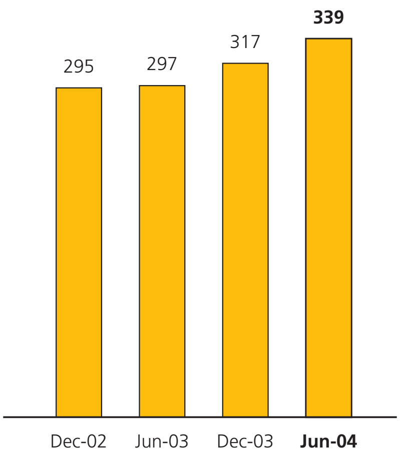
Growth was strongest in the second half, with net interest income rising 6.9% compared with the preceding December six months.

Net interest margins for the full year eased five basis points to 2.27%, due mainly to a reduction in spread caused by a steepening in the yield curve. However, margins in the second half increased to 2.30%, from 2.24% in the December half, due to a 4 basis point increase in spread and a 2 basis point increase in the value of capital and reserves on the balance sheet. The improvement in the second half can be attributed to:

- a change in asset mix to higher yielding products;
- improved deposit spreads due to increases in official interest rates, helping to offset the continued negative impact of cash/90 bill spreads; and
- holding proportionately higher levels of capital on the balance sheet.

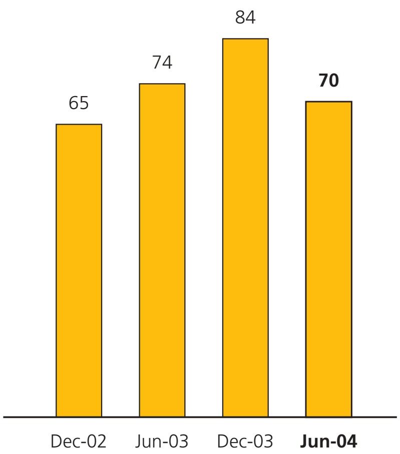
Net interest income

Half-year, $m



Net fee income

Half-year, $m



Bank net fee income

Bank fee income for the full year increased by 10.8% to $154 million, due to increased transaction fees and higher securitisation fees, which increased fee income by $7.5 million.

For the half-year to June, fee income was down 16.7% to $70 million, due mainly to reduced lending fees, which fell to $16 million from $28 million in the prior December half. This was largely due to increased retention rates, which led to a reduction in break fees, and increased broker commissions due to higher penetration of the broker market.

	Half-Year Ended					Full Year Ended		
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Bank net fee income								
Lending fees	16	28	23	21	(42.9)	44	44	-
Transaction fees	43	43	42	33	-	86	75	14.7
Securitisation fees	10	11	7	9	(9.1)	21	16	31.3
Interchange fees	1	2	2	3	(50.0)	3	5	(40.0)
Other fee income	-	-	-	(1)	n/a	-	(1)	(100.0)
	70	84	74	65	(16.7)	154	139	10.8

Operating expenses

Operating expenses increased by 8.9% to $414 million for the year, due to higher staff-related costs, additional redundancies in the first half and increased marketing expenses including the launch of the Clear Options Visa card. However, the rate of cost growth was lower than revenue increase, leading to a reduction in the cost to income ratio to 49.7% for the year.

The increase in expenses was mainly felt in the first half, with second half expense growth restricted to 1%, compared with the December half. The cost to income was at 48.8% for the June half, which is in line with major bank competitors and well below other regional banks, demonstrating the cost efficiencies available from the group's diversified financial services business model.

Bad and doubtful debts

The charge for bad and doubtful debts was $48 million for the full year, down marginally from $49 million in 2003. As a proportion of average loans, advances and other receivables, the bad debt charge amounts to just 19 basis points for the year, demonstrating the high credit quality of the portfolio.

	Half-Year Ended					Full Year Ended		
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Charge for bad and doubtful debts								
General provision for impairment	9	10	6	1	(10.0)	19	7	171.4
Specific provision for impairment	11	11	8	15	-	22	23	(4.3)
Bad debts written off	6	4	11	14	50.0	10	25	(60.0)
Bad debts recovered	(2)	(1)	(2)	(4)	100.0	(3)	(6)	(50.0)
	24	24	23	26	-	48	49	(2.0)

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

Impaired assets

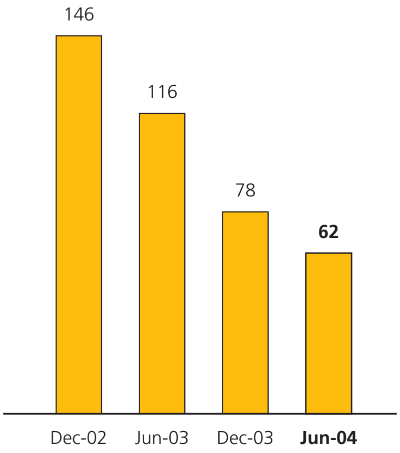
Credit quality remains very sound, with gross impaired assets reducing by 47% to $62 million, equivalent to just 0.22% of gross loans, advances and other receivables. Past 90 day due loans increased in the half to $67 million, taking total non-performing loans to $129 million, down from $133 million in the prior December half.

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

Of the $62 million in impaired assets, $46 million is in the agribusiness sector, reflecting the impact of drought and the rising Australian dollar.

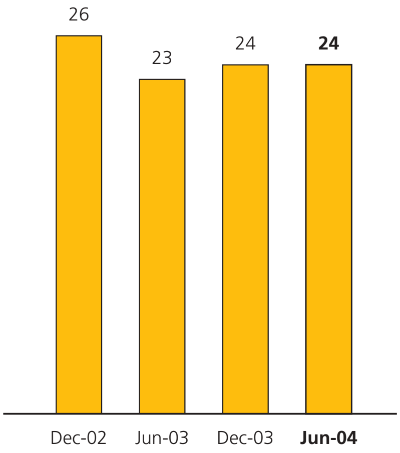
Impaired assets

Half-year, $m



Bad and doubtful debts

Half-year, $m



	Half-Year Ended					
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Dec-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	%
Impaired assets (continued)						
Gross balances of non-accrual loans						
with specific provisions set aside	32	48	51	45	(33.3)	(37.3)
without specific provisions set aside	30	30	65	101	0.0	(53.8)
Gross impaired assets	62	78	116	146	(20.5)	(46.6)
Interest reserved	(8)	(10)	(13)	(13)	(20.0)	(38.5)
Net balances	54	68	103	133	(20.6)	(47.6)
Specific provision for impairment	(19)	(20)	(17)	(16)	(5.0)	11.8
Net impaired assets	35	48	86	117	(27.1)	(59.3)
Details of size of gross impaired assets						
Less than one million	25	34	38	48	(26.5)	(34.2)
Greater than one million but less than ten million	27	44	78	98	(38.6)	(65.4)
Greater than ten million	10	-	-	-	n/a	n/a
	62	78	116	146	(20.5)	(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 contribution to profit.						
The value of past due loans is	67	55	71	96	21.8	(5.6)
Interest income forgone on impaired assets						
Net interest charged but not recognised as revenue in the contribution to profit during the half-year was	4	4	5	7	0.0	(20.0)
Interest income on impaired assets recognised in the statement of operating profit						
Net interest charged and recognised as revenue in the contribution to profit during the half-year was	3	4	4	3	(25.0)	25.0
Analysis of movements in impaired assets						
Balance at the beginning of the half-year	78	116	146	126	(32.8)	(46.6)
Recognition of new impaired assets and increases in previously recognised impaired assets	22	26	32	59	(15.4)	(31.3)
Impaired assets written off during the half-year	(12)	(8)	(7)	(26)	50.0	71.4
Impaired assets which have been restated as performing assets or repaid	(26)	(56)	(55)	(13)	(53.6)	(52.7)
Balance at the end of the half-year	62	78	116	146	(20.5)	(46.6)
	%	%	%	%		
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.22	0.30	0.50	0.65	(26.7)	(56.0)
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.46	0.52	0.80	1.08	(11.5)	(42.5)

Impaired assets (continued)

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

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	2,083	46	16	7
Construction and development	2,743	2	-	-
Financial services	332	-	-	-
Hospitality	711	1	1	1
Manufacturing	408	2	-	-
Professional services	586	1	-	1
Property investment	3,414	1	1	1
Real estate mortgage	17,842	1	-	-
Personal	543	-	-	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,453	8	1	2
	30,117	**62**	**19**	**12**

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**

Impaired assets (continued)

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**

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 shown above is based on the source of credit risk whereas the asset growth table on page 18 is based on the nature of the loan.

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Provision for impairment						
General provision						
Balance at the beginning of the period	114	104	98	97	9.6	16.3
Charge against contribution to profit	9	10	6	1	(10.0)	50.0
Balance at the end of the period	123	114	104	98	7.9	18.3
Specific provision						
Balance at the beginning of the period	20	17	16	27	17.6	25.0
Charge against contribution to profit – new and increased provisions	15	14	9	16	7.1	66.7
Write back of provisions no longer required	(4)	(3)	(1)	(1)	33.3	300.0
Bad debts written-off	(12)	(8)	(7)	(26)	50.0	71.4
Balance at the end of the period	19	20	17	16	(5.0)	11.8
Total provision for impairment – banking activities	**142**	**134**	**121**	**114**	**6.0**	**17.4**

	Jun-04 %	Dec-03 %	Jun-03 %	Dec-02 %
Provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
Specific provision	35.2	29.4	16.5	12.0
Total provision	263.0	197.1	117.5	85.7
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 $19 million during the year, to $123 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 $141 million, which would be equal to 0.69% of risk weighted assets.

The specific provision increased by $2 million to $19 million during the year, which is equal to just 0.09% of risk weighted assets, confirming the strong credit quality of the portfolio and high security position.

Total provisions are equivalent to a conservative 263% of gross impaired assets less interest reserved, up from 197% at December 2003.

Average banking assets and liabilities

	Half-Year Ended Jun-04			Half-Year Ended Dec-03		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Trading securities	2,733	75	5.52	2,918	70	4.77
Gross loans, advances and other receivables	26,595	942	7.12	24,801	847	6.79
Other interest earning assets	309	7	4.56	426	9	4.20
Total interest earning assets	29,637	1,024	6.95	28,145	926	6.54
Non-interest earning assets						
Provision for impairment	(135)			(127)		
Property, plant and equipment	191			209		
Other financial assets	2,395			2,279		
Total non-interest earning assets	2,451			2,361		
Total assets	**32,088**			**30,506**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	23,298	549	4.74	21,987	471	4.26
Bonds, notes and long term borrowings	4,300	118	5.52	4,270	121	5.64
Subordinated notes [1]	546	18	6.63	532	17	6.36
Total interest bearing liabilities	28,144	685	4.89	26,789	609	4.52
Non-interest bearing liabilities						
Other liabilities	634			511		
Total non-interest bearing liabilities	634			511		
Total liabilities	**28,778**			**27,300**		
Net assets	**3,310**			**3,206**		
Analysis of interest margin and spread						
Interest earning assets	29,637	1,024	6.95	28,145	926	6.54
Interest bearing liabilities	28,144	685	4.89	26,789	609	4.52
Net interest spread			2.06			2.02
Net interest margin	29,637	339	2.30	28,145	317	2.24

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.

Average banking assets and liabilities (continued)

	Half-Year Ended Jun-03 Average Balance $m	Interest $m	Average Rate %	Half-Year Ended Dec-02 Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Trading securities	2,752	65	4.76	1,953	48	4.88
Gross loans, advances and other receivables	23,256	783	6.79	22,275	770	6.86
Other interest earning assets	304	7	4.64	492	11	4.44
Total interest earning assets	26,312	855	6.55	24,720	829	6.65
Non-interest earning assets						
Provision for impairment	(115)			(127)		
Property, plant and equipment	223			200		
Other financial assets	2,249			2,326		
Total non-interest earning assets	2,357			2,399		
Total assets	**28,669**			**27,119**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	21,690	468	4.35	19,895	437	4.36
Bonds, notes and long term borrowings	2,939	76	5.21	3,108	79	5.04
Subordinated notes (1)	488	14	5.79	493	18	7.24
Total interest bearing liabilities	25,117	558	4.48	23,496	534	4.51
Non-interest bearing liabilities						
Other liabilities	378			610		
Total non-interest bearing liabilities	378			610		
Total liabilities	**25,495**			**24,106**		
Net assets	**3,174**			**3,013**		
Analysis of interest margin and spread						
Interest earning assets	26,312	855	6.55	24,720	829	6.65
Interest bearing liabilities	25,117	558	4.48	23,496	534	4.51
Net interest spread			2.07			2.14
Net interest margin	26,312	297	2.28	24,720	295	2.37

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 full year and 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.

	Full year Jun-04 v Jun-03 Changes due to:		
	Volume $m	Rate $m	Total $m
Interest earning assets			
Trading securities	24	8	32
Gross loans, advances and other receivables	202	34	236
Other interest earning assets	(1)	(1)	(2)
Change in interest income	225	41	266
Interest bearing liabilities			
Deposits and short term borrowings	82	33	115
Bonds, notes and long term borrowings	68	15	83
Subordinated notes	4	-	4
Change in interest expense	154	48	202
Change in net interest income	71	(7)	64

	Half-Year Jun-04 v Dec-03 Changes due to:			Half-Year Dec-03 v Jun-02 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	(5)	10	5	4	1	5
Gross loans, advances and other receivables	62	33	95	53	11	64
Other interest earning assets	(3)	1	(2)	3	(1)	2
Change in interest income	54	44	98	60	11	71
Interest bearing liabilities						
Deposits and short term borrowings	29	49	78	6	(3)	3
Bonds, notes and long term borrowings	1	(4)	(3)	36	9	45
Subordinated notes	-	1	1	2	1	3
Change in interest expense	30	46	76	44	7	51
Change in net interest income	**24**	**(2)**	**22**	**16**	**4**	**20**

Changes in net interest income: Volume and rate analysis (continued)

	Half-Year Jun-03 v Dec-02 Changes due to:			Half-Year Dec-02 v Jun-02 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	19	(2)	17	7	5	12
Gross loans, advances and other receivables	33	(20)	13	23	42	65
Other interest earning assets	(4)	-	(4)	3	1	4
Change in interest income	48	(22)	26	33	48	81
Interest bearing liabilities						
Deposits and short term borrowings	39	(8)	31	33	32	65
Bonds, notes and long term borrowings	(4)	1	(3)	(13)	7	(6)
Subordinated notes	-	(4)	(4)	(1)	1	-
Change in interest expense	35	(11)	24	19	40	59
Change in net interest income	**13**	**(11)**	**2**	**14**	**8**	**22**

Segment information – General Insurance

Overview

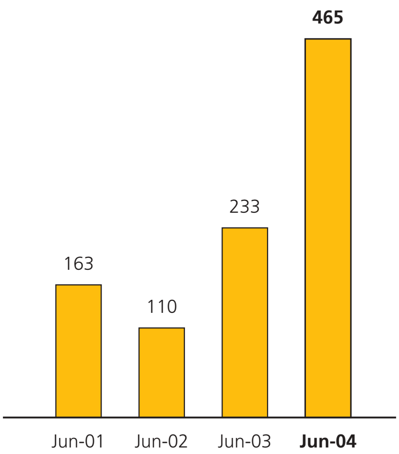
- **General Insurance** pre-tax profit rose by 99.6% to a record $465 million for the full year, driven by improved claims experience in long-tail classes and increased investment returns. For the half-year to June, pre-tax profit was $250 million, up 55.3% from $161 million in the prior corresponding six months.
- The Insurance Trading Result (ITR), which excludes non-underwritten business and investment income on shareholder funds, increased by 50.7% to a record $315 million for the full year. This is equal to an insurance margin of 14.4%, which is the strongest full year margin reported by the Company since 1997. The ITR for the June half was $170 million, equal to a margin of 15.3% of net earned premium.
- Full year cash return on equity for the General Insurance division was 14.8%, up from 8.4% at June 2003. Cash ROE for the half-year was 14.9%.
- The bulk of the improvement in full year profits was recorded in long-tail classes due to improved claims experience and premium growth. Profits in short-tail business were lower due to above average storm activity.
- Gross written premium for the year rose by 7.4% to $2.4 billion and net earned premium increased by 8.5% to $2.2 billion. Risk inforce have grown modestly during the year, with a net reduction in inforce durig the first half being offset by solid second half growth, where market share gains occurred in most major product lines. Premium rate increases in short tail lines were largely in line with the level of underlying claims inflation. Premium rate reductions in some long tail classes, noteably CTP and Workers' Compensation, occurred in the second half reflecting the effectiveness of legislative reforms in reducing claims costs.
- Net incurred claims for the year decreased by 6.9% to $1.5 billion, however this was distorted by an increase in the discount rate used to calculate the present value of claims. Excluding the impact of discount rate adjustments, claims expense increased by 4.8% to $1.6 billion, which was below the growth rate for the overall book, and therefore led to an improvement in the loss ratio to 74.2%.
- Claims expense for the full year was affected by higher storm activity than in the prior year, which partially offset the benefits of improved claims experience in long-tail insurance flowing from recent legislative reforms affecting liability classes. Substantial increases in risk margins at year-end also lifted claims expense.
- Operating expenses for the full year increased by 10.9% to $480 million, with the increase mainly occurring in the first half. Operating expenses in the second half rose by just 3.4% to $244 million. The increase in expenses was mainly due to higher commission costs associated with increased premium revenue sourced through intermediaries. The expense ratio for the full year increased slightly to 22.0%.
- The underwriting result was a profit of $167 million for the year, compared to $72 million loss in the prior year. However, this outcome benefited from increases in discount rates. Underlying underwriting profit was $84 million, up from $33 million in the prior year. The combined operating ratio reduced to 96.2% from 98.3%, excluding discount rate adjustments.
- For the half-year to June, the underwriting profit, excluding discount rate impacts, was $33 million, which was up from $26 million at the prior June half, but down from $51 million in the immediately preceding December half due to higher incurred claims.

Segment information – General Insurance (continued)

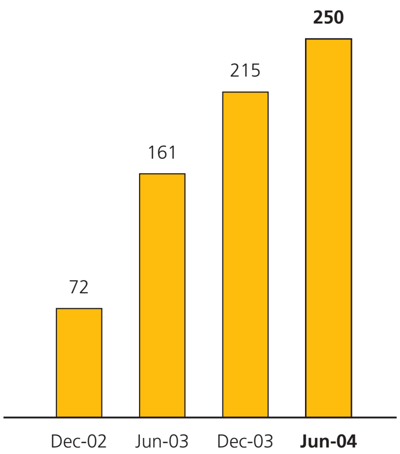
Overview (continued)

- Investment income on insurance provisions fell 47.3% to $148 million. This was due mainly to capital losses arising from increases in market interest rates. The reduced investment return on insurance provisions is offset in the profit and loss account 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 insurance provisions rose to $231 million, which was up 31.3% from $176 million in the prior year and therefore contributed strongly to the increase in the insurance trading result.
- The managed schemes contribution for the year was $20 million, significantly above the $7 million profit in the prior year which was affected by an $8 million one-off loss in NSW Workcover. Profitability otherwise increased due to improved performance in the NSW Workcover and Treasury Managed Funds businesses.
- Equity accounted contribution from the Company's insurance joint ventures with motoring clubs in Queensland and South Australia rose from $9 million to $19 million, due to improved operating performance and increased investment returns.
- The combination of the managed schemes contribution, joint venture contribution, and insurance trading profit led to a 57.3% increase in general insurance operational earnings to $354 million for the full year.
- The results also benefited from continued improvement in investment earnings on shareholder funds, which rose to $130 million, from $11 million the prior year. The strong improvement was mainly due to the strength of the domestic equities markets. The S&P/ASX 200 Accumulation Index rose by 21.6% during the financial year.

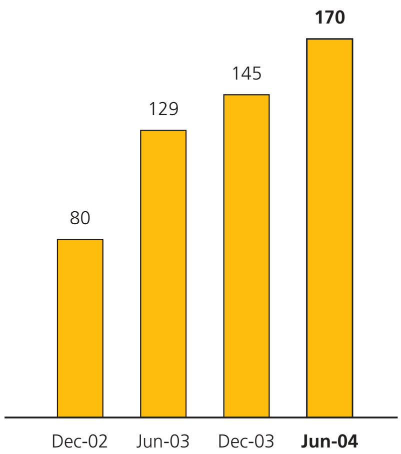
Contribution to profit
Full year, $m



Contribution to profit
Half-year, $m



Insurance trading result
Half-year, $m



	Full Year Ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Profit contribution – General Insurance – full year			
Gross earned premiums [(1)]			
Gross written premiums	2,430	2,262	7.4
Gross unearned premium movement	(89)	(106)	(16.0)
	2,341	2,156	8.6
Outwards reinsurance expense	(157)	(144)	9.0
Net earned premium	2,184	2,012	8.5
Net incurred claims			
Claims expense	(1,797)	(1,891)	(5.0)
Reinsurance and other recoveries revenue	260	240	8.3
	(1,537)	(1,651)	(6.9)
Gross operating expenses			
Acquisition costs [(1)]	(267)	(231)	15.6
Operating expenses	(213)	(202)	5.4
Net operating expenses	(480)	(433)	10.9
Underwriting result	**167**	**(72)**	**(331.9)**
Investment revenue - insurance provisions			
Interest, dividends, rent and other	236	227	4.0
Realised gains (losses) on investments	(71)	30	(336.7)
Unrealised gains (losses) on investments	(17)	24	(170.8)
	148	281	(47.3)
Insurance trading result	315	209	50.7
Managed schemes net contribution	20	7	185.7
Joint venture income	19	9	111.1
General Insurance operational earnings	354	225	57.3
Investment revenue – shareholder funds			
Interest, dividends, rent and other	54	48	12.5
Realised gains (losses) on investments	(1)	(40)	(97.5)
Unrealised gains (losses) on investments	75	12	525.0
Other revenue [(2)]	13	2	550.0
Other expenses [(3)]	(11)	(11)	-
	130	11	1,081.8
Profit on sale of property	-	16	(100.0)
Contribution to profit from general insurance activities before tax and GIO funding	484	252	92.1
Subordinated debt expense – GIO acquisition	(19)	(19)	-
Contribution to profit from general insurance activities before tax	**465**	**233**	**99.6**

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.

	Half-Year Ended					
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Profit contribution – General Insurance – half-year						
Gross earned premiums [1]						
Gross written premiums	1,251	1,179	1,153	1,109	6.1	8.5
Gross unearned premium movement	(58)	(31)	(73)	(33)	87.1	(20.5)
	1,193	1,148	1,080	1,076	3.9	10.5
Outwards reinsurance expense	(85)	(72)	(71)	(73)	18.1	19.7
Net earned premium	1,108	1,076	1,009	1,003	3.0	9.8
Net incurred claims						
Claims expense	(950)	(847)	(915)	(976)	12.2	3.8
Reinsurance and other recoveries revenue	131	129	130	110	1.6	0.8
	(819)	(718)	(785)	(866)	14.1	4.3
Gross operating expenses						
Acquisition costs [1]	(142)	(125)	(117)	(114)	13.6	21.4
Operating expenses	(102)	(111)	(94)	(108)	(8.1)	8.5
Net operating expenses	(244)	(236)	(211)	(222)	3.4	15.6
Underwriting result	**45**	**122**	**13**	**(85)**	**(63.1)**	**246.2**
Investment revenue – insurance provisions						
Interest, dividends, rent and other	120	116	113	114	3.4	6.2
Realised gains (losses) on investments	(2)	(69)	6	24	(97.1)	(133.3)
Unrealised gains (losses) on investments	7	(24)	(3)	27	(129.2)	(333.3)
	125	23	116	165	443.5	7.8
Insurance trading result	170	145	129	80	17.2	31.8
Managed schemes net contribution	10	10	(7)	14	-	(242.9)
Joint venture income	9	10	5	4	(10.0)	80.0
General insurance operational earnings	189	165	127	98	14.5	48.8
Investment revenue – shareholder funds						
Interest, dividends, rent and other	32	22	27	21	45.5	18.5
Realised gains (losses) on investments	-	(1)	(29)	(11)	(100.0)	(100.0)
Unrealised gains (losses) on investments	42	33	42	(30)	27.3	-
Other revenue [2]	3	10	(5)	7	(70.0)	(160.0)
Other expenses [3]	(6)	(5)	(7)	(4)	20.0	(14.3)
	71	59	28	(17)	20.3	153.6
Profit on sale of property	-	-	16	-	n/a	(100.0)
Contribution to profit from general insurance activities before tax and GIO funding	260	224	171	81	16.1	52.0
Subordinated debt expense – GIO acquisition	(10)	(9)	(10)	(9)	11.1	-
Contribution to profit from general insurance activities before tax	250	215	161	72	16.3	55.3

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 group'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. For example, an increase in discount rates will lead to a reduction in claims expense. However, on the other side of the balance sheet, the funds held in reserve to pay outstanding claims are invested in fixed interest securities. So an increase in market rates will lead to a capital loss on the investment portfolio.

Because the investment portfolio is matched to the profile of expected claims, movements in market rates affect investment income on claims reserves by an amount which is approximately equal to the impact of movements in discount rates on claims liabilities. Therefore, the two factors offset one another, so that movements in interest rates are 'immunized' in the profit result.

To gain a better understanding of the underlying claims and underwriting performance, the following table removes the impact of changes in interest and discount rates. The adjustment assumes perfect matching of assets and liabilities. During the twelve months to June, discount rates increased, and therefore there was an $83 million decrease in claims expense and an offsetting decrease in investment income on insurance provisions. For the half-year, increased rates led to a $12 million reduction in claims expense and a corresponding reduction in investment income on insurance provisions. The table below eliminates the impact of those movements and therefore gives a more accurate picture of claims expense, underwriting performance and investment income.

Net incurred claims therefore increases to $1.6 billion and the underwriting result reduces to $84 million for the year. Investment income on insurance provisions increases to $231 million, and the insurance trading result remains unchanged at $315 million.

	Full Year Ended		
	Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Gross earned premiums			
Gross written premiums	2,430	2,262	7.4
Gross unearned premium movement	(89)	(106)	(16.0)
	2,341	2,156	8.6
Outwards reinsurance expense	(157)	(144)	9.0
Net earned premium	2,184	2,012	8.5
Net incurred claims			
Claims expense	(1,880)	(1,786)	5.3
Reinsurance and other recoveries revenue	260	240	8.3
	(1,620)	(1,546)	4.8
Acquisition costs	(267)	(231)	15.6
Operating expenses	(213)	(202)	5.4
Net operating expenses	(480)	(433)	10.9
Underwriting result	84	33	154.5
Investment revenue – insurance provisions	231	176	31.3
Insurance trading result	315	209	50.7
Managed schemes net contribution	20	7	185.7
Joint venture income	19	9	111.1
General insurance operational earnings	354	225	57.3
Investment revenue – shareholder funds	130	11	1,081.8
Profit on sale of property	-	16	(100.0)
Contribution to profit from general insurance activities before tax and GIO funding	484	252	92.1
Subordinated debt expense – GIO acquisition	(19)	(19)	-
Contribution to profit from general insurance activities before tax	**465**	**233**	**99.6**

Profit contribution (excluding discount rate adjustment) (continued)

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Gross earned premiums						
Gross written premiums	1,251	1,179	1,153	1,109	6.1	8.5
Gross unearned premium movement	(58)	(31)	(73)	(33)	87.1	(20.5)
	1,193	1,148	1,080	1,076	3.9	10.5
Outwards reinsurance expense	(85)	(72)	(71)	(73)	18.1	19.7
Net earned premium	1,108	1,076	1,009	1,003	3.0	9.8
Net incurred claims						
Claims expense	(962)	(918)	(902)	(884)	4.8	6.7
Reinsurance and other recoveries revenue	131	129	130	110	1.6	0.8
	(831)	(789)	(772)	(774)	5.3	7.6
Acquisition costs	(142)	(125)	(117)	(114)	13.6	21.4
Operating expense	(102)	(111)	(94)	(108)	(8.1)	8.5
Net operating expenses	(244)	(236)	(211)	(222)	3.4	15.6
Underwriting result	33	51	26	7	(35.3)	26.9
Investment revenue – insurance provisions	137	94	103	73	45.7	33.0
Insurance trading result	170	145	129	80	17.2	31.8
Managed schemes net contribution	10	10	(7)	14	-	(242.9)
Joint venture income	9	10	5	4	(10.0)	80.0
General insurance operational earnings	189	165	127	98	14.5	48.8
Investment revenue – shareholder funds	71	59	28	(17)	20.3	153.6
Profit on sale of property	-	-	16	-	n/a	(100.0)
Contribution to profit from general insurance activities before tax and GIO funding	260	224	171	81	16.1	52.0
Subordinated debt expense – GIO acquisition	(10)	(9)	(10)	(9)	11.1	-
Contribution to profit from general insurance activities before tax	**250**	**215**	**161**	**72**	**16.3**	**55.3**

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Assets and liabilities – General Insurance						
Assets						
Cash and liquid assets	382	248	411	424	54.0	(7.1)
Investment securities	5,114	5,375	4,758	4,744	(4.9)	7.5
Investments in associates	100	96	83	83	4.2	20.5
Reinsurance and other recoveries – outstanding claims	388	495	481	426	(21.6)	(19.3)
Other receivables	805	610	761	591	32.0	5.8
Property, plant and equipment	-	-	-	6	n/a	n/a
Deferred tax assets	1	1	55	66	-	(98.2)
Intangible assets	859	879	904	930	(2.3)	(5.0)
Other financial assets [(1)]	278	247	251	232	12.6	10.8
Total assets	7,927	7,951	7,704	7,502	(0.3)	2.9
Liabilities						
Interest bearing liabilities	33	23	21	31	43.5	57.1
Payables	475	629	397	447	(24.5)	19.6
Current income tax liabilities	-	-	50	16	n/a	(100.0)
Provisions	2	4	15	49	(50.0)	(86.7)
Deferred tax liabilities	-	-	55	61	n/a	(100.0)
Outstanding claims provision	3,854	3,849	3,816	3,644	0.1	1.0
Unearned premium provision	1,322	1,251	1,226	1,155	5.7	7.8
Total liabilities	5,686	5,756	5,580	5,403	(1.2)	1.9
Net assets	**2,241**	**2,195**	**2,124**	**2,099**	**2.1**	**5.5**

Notes:

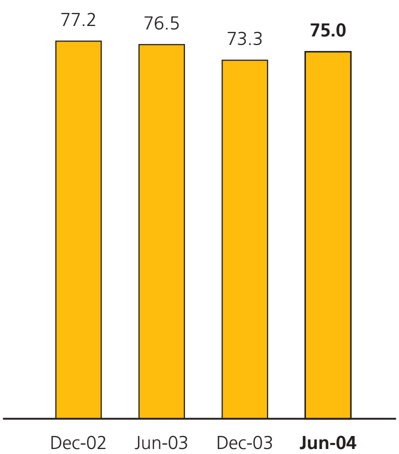
(1) Other financial assets is primarily made up of accrued interest and deferred acquisition costs.

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

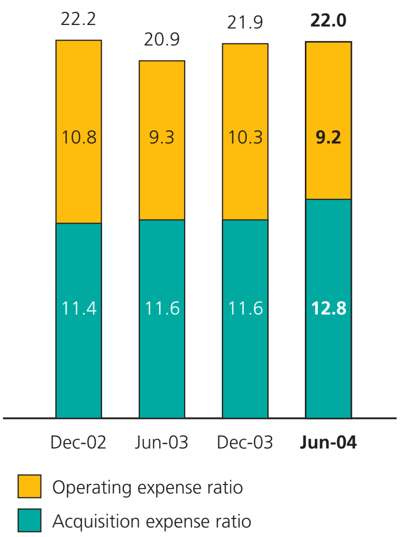
	Half-Year Ended				Full Year Ended	
	Jun-04 %	Dec-03 %	Jun-03 %	Dec-02 %	Jun-04 %	Jun-03 %
General insurance statistics						
Including discount rate adjustment						
Acquisition expense ratio	12.8	11.6	11.6	11.4	12.2	11.5
Operating expense ratio	9.2	10.3	9.3	10.8	9.8	10.0
Total expense ratio	22.0	21.9	20.9	22.2	22.0	21.5
Loss ratio	73.9	66.7	77.8	86.3	70.4	82.1
Combined operating ratio	95.9	88.6	98.7	108.5	92.4	103.6
Insurance trading ratio	15.3	13.5	12.8	8.0	14.4	10.4
Cash return on equity ratio	14.9	14.7	11.5	5.4	14.8	8.4
Excluding discount rate adjustment						
Acquisition expense ratio	12.8	11.6	11.6	11.4	12.2	11.5
Operating expense ratio	9.2	10.3	9.3	10.8	9.8	10.0
Total expense ratio	22.0	21.9	20.9	22.2	22.0	21.5
Loss ratio	75.0	73.3	76.5	77.2	74.2	76.8
Combined operating ratio	97.0	95.2	97.4	99.4	96.2	98.3
Insurance trading ratio	15.3	13.5	12.8	8.0	14.4	10.4
Cash return on equity ratio	14.9	14.7	11.5	5.4	14.8	8.4

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

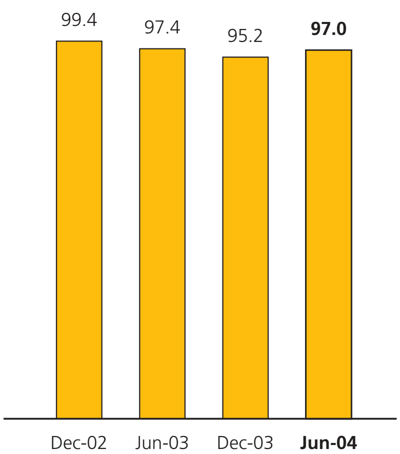
Loss ratio (1)
Half-year, %



Expense ratio (1)
Half-year, %



Combined operating ratio (1)
Half-year, %



Notes:
(1) Excluding discount rate adjustment

Profit overview

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Jun-03 %	Full Year Ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Gross written premium by product								
CTP	294	286	275	244	6.9	580	519	11.8
Home	237	227	216	215	9.7	464	431	7.7
Motor	331	332	324	317	2.2	663	641	3.4
Commercial	294	253	249	246	18.1	547	495	10.5
workers' compensation	89	62	80	67	11.3	151	147	2.7
Other	6	19	9	20	(33.3)	25	29	(13.8)
	1,251	**1,179**	**1,153**	**1,109**	**8.5**	**2,430**	**2,262**	**7.4**

Gross written premium for the year increased by 7.4% to $2.43 billion. Second half growth was much stronger than first half, and is not properly reflected by the second half growth rate of 8.5% (against the prior corresponding period) compared with the 7.4% annual rate. Inforce risks increased solidly in the second half, more than offsetting the marginal decline in risk numbers experienced in the first half. This is not evidenced in the gross written premium line principally due to price reductions in CTP and workers' compensation. Rate increases in short tail lines were generally reflective of underlying claims inflation levels.

The acquisition of the RACTI insurance business from March 2004 made a small contribution to GWP for the second half.

Compulsory Third Party

Suncorp and GIO underwrite compulsory third party insurance in Queensland and NSW as participants in statutory schemes. Gross written premium increased by 11.8% for the full year.

Solid growth in inforce risks was achieved in both states, although growth in the second half was twice that in the first half. This growth was achieved due to both improved retention and new business growth. Queensland market share remains approximately 54%, and New South Wales approximately 7.5%.

Gross written premium growth of 11.8% was largely attributable to price adjustments made effective in the previous financial year becoming fully reflected in risks renewed in the current year. Approximately 3.1% of the 11.8% increase in gross written premium was due to increase in inforce risks. The headline rates in both states were held constant in the first half of the financial year, and reduced in the second half by 6% and 3% in Queensland and New South Wales respectively. The reduction in premium rates reflects the effectiveness of legislative reforms in each state in reducing average claims size in particular.

Home

Gross written premium in Home insurance increased by 7.7% for the full year (6.8% underlying, excluding RACTI). Risks inforce declined marginally across the year (all first half), with the growth in gross written premium being largely attributable to increase in sums insured, change in business mix, and rate increases. Rate increases during the year have been lower than claims inflation rates.

The underlying gross written premium growth rate of 7.9% in the second half exceeded the first half growth rate of 5.6%. Risks inforce and market share grew in the second half due largely to new business sales growth and a slight improvement in retention.

Motor

Gross written premium in Motor insurance increased by 3.4% for the full year (2.6% underlying, excluding RACTI). Inforce risks increased slightly across the year, with a first half reduction being offset by second half growth. Market share declined marginally for the year, all attributable to the first half.

The underlying gross written premium growth rate of 2.2% in the second half was lower than the first half growth rate of 4.7% due to a change in the unclosed business calculation at 30 June 2004 which had a negative impact on gross written premium of $10 million.

Revisions to pricing have been made across the portfolio since year end following the implementation of a new "risk engine", which introduced a more sophisticated premium rating methodology. We expect this to favourably impact new business and retention levels in the 2005 financial year.

Gross written premium by product (continued)

Commercial insurance

In commercial insurance, gross written premium increased by 10.5% year on year, driven by growth in Liability, Commercial Motor and Packaged business. Additional revenue was sourced through targeted growth in segments including Professional Indemnity and Corporate Property. Risks inforce increased by approximately 6% during the year. Premium rates have held up well across most segments, with no signs of irrational pricing in the segments in which we operate, which are mainly within the SME segment.

Workers' compensation

Workers' compensation gross written premium increased by 2.7% year on year. Growth in the underlying business (as measured by wages 'exposed') was 11%, largely attributable to increase in market share. In Western Australia, reductions of 5–10% in prices were made reflecting the positive impact of legislative reforms on our technical rates. The growth in share has been driven by improved retention rates, targeted new business generation and continued focus on customer service.

	Half-Year Ended					Full Year Ended		
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Jun-03 %	Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Gross written premium by state								
Queensland	568	519	503	499	12.9	1,087	1,002	8.5
New South Wales	382	400	357	359	7.0	782	716	9.2
Victoria	127	126	111	115	14.4	253	226	11.9
Western Australia	97	77	85	81	14.1	174	166	4.8
Other	77	57	97	55	(20.6)	134	152	(11.8)
	1,251	**1,179**	**1,153**	**1,109**	**8.5**	**2,430**	**2,262**	**7.4**

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

Outward reinsurance expense

Outward reinsurance expense was $157 million, an increase of 9%, in line with the rise in earned premium. The largest element of the group's reinsurance program covers the home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire and earthquake. In the event of a catastrophe, the program provided cover for specific events generating claims of more than $50 million, up to an increased limit of $1.2 billion for each catastrophe event.

Since year end, this cover has been increased to an upper limit of $1.7 billion, providing a more conservative risk position at minimal additional cost.

Reinsurance security was enhanced for the 2003/04 program, with an increase in the overall level of 'AA-' or higher rated reinsurers on the program. Over 85% of long-tail business and 65% of short-tail is protected by reinsurers rated 'A+' or better.

Claims expense

Net claims expense fell to $1.5 billion, however this was affected by increases in discount rates that are applied to future claims liabilities to bring them to present value. Discount rates increased from 4.8% at June 2003 to 5.6% at June 2004, leading to a $83 million reduction in claims expense. Inflation and superimposed inflation assumptions remained essentially unchanged.

Removing the impact of discount rate movements, net incurred claims increased 4.8% to $1.6 billion. (See table on page 38). As this was less than premium growth, the loss ratio was reduced from 76.8% to 74.2%.

The following factors affected claims expense:

1. Storm activity and the associated claims costs were higher in the year than has been the case for several years. Several severe storms were experienced across the eastern seaboard in the summer, including in Melbourne, Sydney, Brisbane and Gladstone. This led to storm claims (including bushfires) being approximately $50 million higher than the prior year.
2. Underlying claims experience in the Queensland CTP portfolio continued to improve, with claims frequency and claims size showing a downward trend, benefiting from the impact of the Civil Liabilities Act.
3. Claims experience in other classes was generally favourable during the year, particularly in commercial liability and workers' compensation.

Claims expense (continued)

4. The favourable experience noted above flowed through to the valuation of outstanding claims at 30 June. As a result, there were a number of other valuation adjustments which led to a total reduction in claims expense of approximately $63 million. This included a $44 million reduction in the first half, and $19 million in the June half.
5. Risk margins across the portfolio have increased by $93 million for the full year, including $18 million in the first half and $75 million in the second half. Risk margins have been increased from 21% of the central estimate to 23% of the central estimate to strengthen the level of sufficiency implicit in this risk margin.

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Outstanding claims and unearned premiums						
Expected future claims payments – undiscounted	4,614	4,625	4,481	4,270	(0.2)	3.0
Discounting to present value	(760)	(776)	(665)	(626)	(2.1)	14.3
Outstanding claims	3,854	3,849	3,816	3,644	0.1	1.0
Unearned premiums	1,322	1,251	1,226	1,155	5.7	7.8
Total outstanding claims and unearned premium provisions	**5,176**	**5,100**	**5,042**	**4,799**	**1.5**	**2.7**

The undiscounted value of outstanding claims increased 3% over the year to $4.6 billion, mostly reflecting the increase in business written.

Whilst the valuations of outstanding claims for individual products have moved to different degrees, the portfolio as a whole has been stable, reflecting the benefits of a diversified business. Outside of the actual claims experience in the period, there have been no material changes in assumptions underpinning the valuations or risk margins. Risk margins across the portfolio are currently in excess of a 90% level of sufficiency.

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 and 5.6% at June 2004. Outstanding claims on long-tail business are discounted to their present values by reference to the yield curve derived from Commonwealth Government bonds. Changes to the discount amount are caused by movements in the yield curve and the duration of outstanding claims. This has had minimal impact on the profit and loss account as the interest bearing investments held in the technical reserves portfolio are subjected to the same valuation criteria.

Net operating expenses

Net operating expenses rose by 10.9% to $480 million during the year, due mainly to increases in acquisition costs, which were up 15.6% to $267 million. This was primarily due to increased new business, higher commissions and increased marketing expenses. Operating expenses increased by a more moderate 5.4% during the year.

The increase in expenses was mainly experienced in the first half. In the second half, operating expenses increased by just 3.4% compared with the preceding six months to December.

This led to an increase in the expense ratio to 22.0% from 21.5%, but excluding acquisition costs, the other underwriting expense ratio was down from 10% to 9.8%.

Underwriting result

The underwriting result increased from a loss of $72 million to a profit of $167 million at June 2004. This figure is distorted however by movements in interest rates. Eliminating the impact of these movements, the underlying underwriting result is a profit of $84 million up from $33 million for the prior year.

The underwriting result in the second half, excluding discount rate impacts, was $33 million, which was down from $51 million in the first half due to increases in risk margins and the other factors mentioned above which affected claims expense.

Investment income on insurance provisions

Investment income on insurance provisions fell 47.3% from prior year from $281 million to $148 million. This was due mainly to capital losses arising from increases in interest rates. As described earlier, the reduced investment return on insurance 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 insurance provisions rises to $231 million, which is up 31.3% from $176 million in the prior year.

The investment portfolio held against insurance provisions returned 3.87% over the 12 months to 30 June 2004, outperforming the benchmark return of 3.31% for the year. Strong stock selection within the fixed interest asset class, combined with a favourable result from tactical asset allocation, made a significant contribution to the outperformance of the portfolio.

Managed schemes

The managed scheme business consists of three related operations:

- The NSW Government self-insurance scheme known as Treasury Managed Fund (TMF). 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 increased from $7 million to $20 million during the year. The prior year profit was affected by a one-off $8 million expense associated with NSW non-underwritten workers' compensation bonuses. Underlying profit therefore increased from $15 million to $20 million due to stronger results in NSW WorkCover and the Treasury Managed Funds business. This improvement has been due to better control and monitoring procedures which have led to higher performance fees.

During the second half of the year, the decision was taken to exit the Self Insurance Solutions business, which had been loss making and offered minimal opportunities for growth. This exit will be achieved gradually during the current year.

Joint venture income

The joint venture contribution for the year ended 30 June 2004 is $19 million which compares favourably against the prior period result of $9 million. The increase in contribution in the current year is due to improved underwriting profitability and higher investment income on shareholders funds.

Investment income on shareholders funds

Investment income on shareholders funds increased to $130 million from $11 million in the prior year.

For the 12 months to 30 June 2004, the total Shareholders portfolio returned 12.19%, outperforming the benchmark return of 11.78%. The increase was mainly due to improvements in equity market returns, due to a 21.6% increase in the ASX 200 Accumulation index during the year.

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	1,120	1,065	1,024	684
Fixed interest	3,002	2,895	2,878	2,957
Australian equities	-	(2)	-	-
Overseas equities	2	-	-	-
Property	69	94	96	114
Infrastructure	4	3	4	4
	4,197	4,055	4,002	3,759
Shareholder funds				
Cash and short term deposits	431	663	316	205
Fixed interest	203	-	150	-
Australian equities	520	543	644	806
Overseas equities	114	-	-	-
	1,268	1,206	1,110	1,011

The dollar amounts of investment allocations shown here are different to the balances in the General Insurance balance sheet on page 40, 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 44 mainly because the balance here excludes such items as recoveries relating to outstanding claims and premium debtors. The balance of shareholders funds shown here excludes goodwill relating to the acquisition of GIO and the investments in associates.

	Jun-04 %	Dec-03 %	Jun-03 %	Dec-02 %
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	27	26	26	18
Fixed interest	71	72	72	79
Property	2	2	2	3
	100	100	100	100
Shareholder funds				
Cash and short term deposits	34	55	28	20
Fixed interest	16	-	14	-
Australian equities	41	45	58	80
Overseas equities	9	-	-	-
	100	100	100	100

Profit contribution by class of business

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

Short-tail

The short-tail business, including home, motor and part of the commercial book, reported an insurance trading profit of $116 million for the year, equal to a margin of 8.7%. This was down from $146 million in the prior year due to storm related claims costs and higher expenses.

Short-tail profitability increased in the second half to $75 million, or a margin of 11.1%, compared with $41 million or a margin of 6.3% in the first half.

	Half-Year Ended					Full Year Ended		
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Jun-03	Jun-04	Jun-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	$m	$m	%
Product Summary								
Gross written premium	770	748	716	723	7.5	1,518	1,439	5.5
Net earned premium	674	653	627	625	7.5	1,327	1,252	6.0
Net claims incurred	(475)	(469)	(394)	(435)	20.6	(944)	(829)	13.9
Acquisition costs	(107)	(93)	(77)	(92)	39.0	(200)	(169)	18.3
Operating expenses	(64)	(71)	(78)	(71)	(17.9)	(135)	(149)	(9.4)
Total expenses	(171)	(164)	(155)	(163)	10.3	(335)	(318)	5.3
Underwriting result	28	20	78	27	(64.1)	48	105	(54.3)
Investment revenue – insurance provisions	47	21	31	10	51.6	68	41	65.9
Insurance trading result	75	41	109	37	(31.2)	116	146	(20.5)
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	15.9	14.2	12.3	14.7	29.3	15.1	13.5	11.9
Operating expense ratio	9.5	10.9	12.4	11.4	(23.4)	10.2	11.9	(14.3)
Total expense ratio	25.4	25.1	24.7	26.1	2.8	25.3	25.4	(0.4)
Loss ratio	70.5	71.8	62.8	69.6	12.3	71.1	66.2	7.4
Combined operating ratio	95.9	96.9	87.5	95.7	9.6	96.4	91.6	5.2
Insurance trading ratio	11.1	6.3	17.4	5.9	(36.2)	8.7	11.7	(25.6)

Short-tail includes Home, Motor, Other Commercial and Other Miscellaneous Products such as products in run-off.

Profit contribution by class of business (continued)

Long-tail

The insurance trading result in long-tail insurance increased from $63 million to $199 million for the full year, equal to a trading margin of 23.2%. The improvement in profit was due to increased premium revenues and reduced claims expense. For the half-year to June, long-tail business recorded an ITR of $95 million, which was down on the $104 million ITR recorded at December due to increased claims expense arising from factors such as increases in risk margins. Overall long-tail profitability remains acceptable, given the higher risks associated with these classes of insurance.

	Half-Year Ended					Full Year Ended		
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Jun-03	Jun-04	Jun-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	$m	$m	%
Product summary								
Gross written premium	481	431	437	386	10.1	912	823	10.8
Net earned premium	434	423	382	378	13.6	857	760	12.8
Net claims incurred	(356)	(320)	(378)	(339)	(5.8)	(676)	(717)	(5.7)
Acquisition costs	(35)	(33)	(28)	(29)	25.0	(68)	(57)	19.3
Operating expenses	(38)	(39)	(28)	(30)	35.7	(77)	(58)	32.8
Total expenses	(73)	(72)	(56)	(59)	30.4	(145)	(115)	26.1
Underwriting result	5	31	(52)	(20)	(109.6)	36	(72)	(150.0)
Investment revenue – insurance provisions	90	73	72	63	25.0	163	135	20.7
Insurance trading result	95	104	20	43	375.0	199	63	215.9
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	8.1	7.8	7.3	7.7	11.0	7.9	7.5	5.3
Operating expense ratio	8.8	9.2	7.3	7.9	20.5	9.0	7.6	18.4
Total expense ratio	16.9	17.0	14.6	15.6	15.8	16.9	15.1	11.9
Loss ratio	82.0	75.7	99.0	89.7	(17.2)	78.9	94.3	(16.3)
Combined operating ratio	98.9	92.7	113.6	105.3	(12.9)	95.8	109.4	(12.4)
Insurance trading ratio	21.9	24.6	5.2	11.4	321.2	23.2	8.3	179.5

Long-tail includes CTP, Commercial Liability, and Workers' Compensation.

Profit contribution by class of business (continued)

Commercial Lines

Commercial lines (including workers' compensation) insurance profit increased significantly during the year, due to strong contributions from liability and workers' compensation business. Profitability in these business increased due to higher premium revenue and favourable claims experience. The insurance trading result more than doubled, from $45 million to $108 million, equal to an insurance trading margin of 18.3%. The ITR for the second half was $66 million, which was up from $45 million in the prior June half, and was equal to a margin of 21.9%.

	Half-Year Ended					Full Year Ended		
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Jun-03	Jun-04	Jun-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	$m	$m	%
Product Summary								
Gross written premium	383	316	328	313	16.8	699	641	9.0
Net earned premium	302	289	274	288	10.2	591	562	5.2
Net claims incurred	(173)	(182)	(177)	(231)	(2.3)	(355)	(408)	(13.0)
Acquisition costs	(65)	(50)	(43)	(49)	51.2	(115)	(92)	25.0
Operating expenses	(23)	(36)	(34)	(31)	(32.4)	(59)	(65)	(9.2)
Total expenses	(88)	(86)	(77)	(80)	14.3	(174)	(157)	10.8
Underwriting result	41	21	20	(23)	105.0	62	(3)	(2,166.7)
Investment revenue – insurance provisions	25	21	25	23	0.0	46	48	(4.2)
Insurance trading result	66	42	45	-	46.7	108	45	140.0
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	21.5	17.3	15.7	17.0	36.9	19.5	16.4	18.9
Operating expense ratio	7.6	12.5	12.4	10.8	(38.7)	10.0	11.6	(13.8)
Total expense ratio	29.1	29.8	28.1	27.8	3.6	29.5	28.0	5.4
Loss ratio	57.3	63.0	64.6	80.2	(11.3)	60.1	72.6	(17.2)
Combined operating ratio	86.4	92.8	92.7	108.0	(6.8)	89.5	100.5	(10.9)
Insurance trading ratio	21.9	14.5	16.4	0.0	33.5	18.3	8.0	128.8

Commercial Lines includes Commercial and Workers' Compensation.

Profit contribution by class of business (continued)

Personal Lines

Personal Lines insurance profit rose by 26% to $207 million for the full year, equal to an insurance trading margin of 13.0%. The improvement was driven primarily by solid premium growth, with Net Earned Premium up 9.9% to $1.59 billion. This was largely offset by a 11% increase in claims expense to $1.27 billion, due to increased storm activity during the period and increases in risk margins in CTP. Personal lines profit performance was stronger in the second half, due to increased investment income on technical provisions, with the insurance trading profit increasing to $104 million, equal to a margin of 12.9%.

	Half-Year Ended					Full Year Ended		
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Dec-03	Jun-04	Jun-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	$m	$m	%
Product Summary								
Gross written premium	868	863	825	797	5.2	1,731	1,622	6.7
Net earned premium	806	787	735	715	9.7	1,593	1,450	9.9
Net claims incurred	(658)	(607)	(595)	(543)	10.6	(1,265)	(1,138)	11.2
Acquisition costs	(77)	(75)	(62)	(72)	24.2	(152)	(134)	13.4
Operating expenses	(79)	(75)	(72)	(70)	9.7	(154)	(142)	8.5
Total expenses	(156)	(150)	(134)	(142)	16.4	(306)	(276)	10.9
Underwriting result	(8)	30	6	30	(233.3)	22	36	(38.9)
Investment revenue – insurance provisions	112	73	78	50	43.6	185	128	44.5
Insurance trading result	104	103	84	80	23.8	207	164	26.2
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	9.6	9.5	8.4	10.1	14.3	9.5	9.2	3.3
Operating expense ratio	9.8	9.5	9.8	9.8	0.0	9.7	9.8	(1.0)
Total expense ratio	19.4	19.0	18.2	19.9	6.6	19.2	19.0	1.1
Loss ratio	81.6	77.1	81.0	75.9	0.7	79.4	78.5	1.1
Combined operating ratio	101.0	96.2	99.2	95.8	1.8	98.6	97.5	1.1
Insurance trading ratio	12.9	13.1	11.4	11.2	13.2	13.0	11.3	15.0

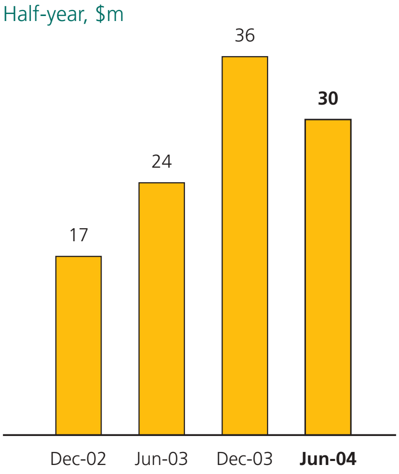
Personal Lines includes Home, Motor, CTP and Other Miscellaneous Products such as products in run-off.

Segment information – Wealth Management

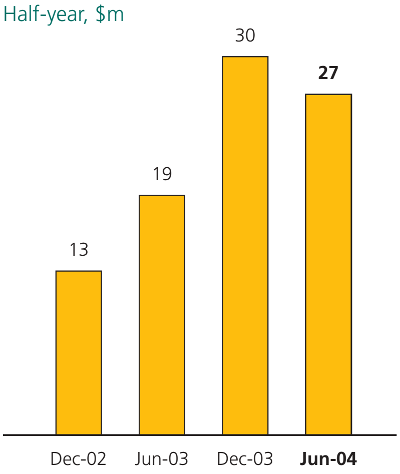
Overview

- The Wealth Management division recorded profit before tax of $66 million in the year to June 2004, an increase of 61% from $41 million in the prior year.
- 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.
- In the June half, profit before tax was $30 million, down from $36 million in the preceding six months to December. This was largely due to higher experience profits of $4 million for the December half compared to nil in the June half, as well as stronger net fee income on funds management activities in the first half.
- New business sales were down 10% to $543 million for June 2004 compared to $601 million in June 2003. The decrease in sales was mainly in the low margin business of external product lines. Market indicators show that despite improved confidence in equity markets, retail customers continue to prefer more conservative investment classes.
- The value of new business has increased by 11% mainly in the Unit Linked investment business. This increase was underpinned by a significant enhancement to the Easy Super Master Trust product which has enabled Suncorp to offer a more attractive value proposition to clients and increase customer retention. The introduction of a new 'wrap' platform service, Easy Invest, is also supporting the shift of retail investments from external product lines to higher margin Suncorp products.
- The embedded value of the Life Company increased by 27% to $439 million in the year to June 2004, compared to $347 million in the prior year. This is mainly the result of strong investment performance, improved long term assumptions on investment earnings, increased profit margins on non-participating business and an increase in the value of shareholder capital and retained earnings.
- Funds under management totalled $11.0 billion at June 2004, up from $10 billion in the prior year. Funds benefited from a net inflow in funds of $205 million compared to net outflow of $7 million in the prior year, as well as strong investment income earnings.
- Managed funds researcher ASSIRT awarded a '4-star' rating to Suncorp's flagship Australian Equities fund during the year. Overall, Suncorp's key asset capabilities were rated as 'strong'. Independent researcher Van Eyk also awarded an 'A' rating to Australian Equities. The ratings reinforce 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: Life Company profits and earnings from Funds Management operations.
- The **Life Company** made a profit before tax of $57 million in the 12 months to June 2004, compared to $32 million in the prior year. The increase in earnings was due to a strong performance in investment markets, higher experience profits and an increase in the value of subsidiaries.
- **Funds Management** pre-tax profit was stable at $9 million for the year to June 2004. Second half profit fell to $3 million from $6 million in the December half. The reduction was due to the first half result benefiting from the sale of commercial interests as well as increases in management fee income due to higher funds under management.

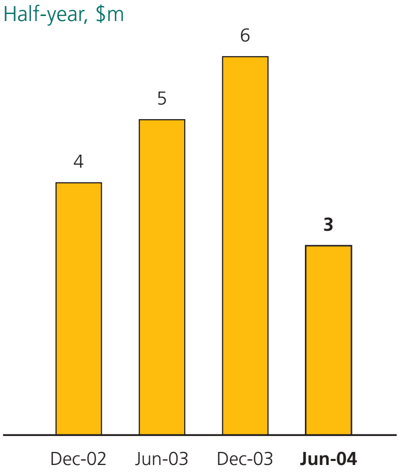
Wealth Management contribution to profit
Half-year, $m



Life Company contribution to profit
Half-year, $m



Funds Management contribution to profit
Half-year, $m



	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Full Year Ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Profit contribution – Wealth Management Excluding Life Insurance Policy Owners' Interests								
Life Company								
Shareholder's Share of Statutory Fund								
Planned profit margins	13	13	16	14	-	26	30	(13.3)
Experience (losses) profits	-	4	(2)	-	(100.0)	4	(2)	(300.0)
Investment income on capital and retained earnings (statutory fund)	9	8	4	1	12.5	17	5	240.0
Economic entity's interest in earnings of life insurance statutory funds	22	25	18	15	(12.0)	47	33	42.4
Shareholder Fund								
Investment income	4	2	-	(1)	100.0	6	(1)	(700.0)
Other revenue	8	10	9	6	(20.0)	18	15	20.0
Operating expenses	(7)	(7)	(8)	(7)	-	(14)	(15)	(6.7)
Contribution to profit before tax from activities in the Life Company	27	30	19	13	(10.0)	57	32	78.1
Funds Management								
Investment income	1	-	1	-	n/a	1	1	-
Fee income funds management	21	23	22	22	(8.7)	44	44	-
Other expenses funds management	(19)	(17)	(18)	(18)	11.8	(36)	(36)	-
Contribution to profit before tax from funds management activities	3	6	5	4	(50.0)	9	9	-
Contribution to profit before tax from wealth management activities	**30**	**36**	**24**	**17**	**(16.7)**	**66**	**41**	**61.0**
Reconciliation of underlying profit to profit before tax								
Contribution to profit before tax from wealth management activities	**30**	**36**	**24**	**17**	**(16.7**	**66**	**41**	**61.0**
Less investment earnings								
Life Company								
Shareholders' share of statutory fund	(9)	(8)	(4)	(1)	12.5	(17)	(5)	240.0
Shareholder fun	(4)	(2)	-	1	100.0	(6)	1	(700.0)
Funds Management	(1)	-	(1)	-	n/a	(1)	(1)	-
	(14)	(10)	(5)	-	40.0	(24)	(5)	380.0
Underlying profit from wealth management activities	**16**	**26**	**19**	**17**	**(38.5)**	**42**	**36**	**16.7**

Profit overview

Life Company

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

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

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

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

All profits from Life Company activities in the profit table above are attributable to the shareholder. That is, the statutory profits attributable to the life insurance policy owners have been excluded. The shareholder 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 12 months to June 2004, the shareholder's interest in profits from these sources increased 42% to $47 million, compared to $33 million in the previous year.

Sources of profit for the shareholder fund consist of earnings on shareholder fund investments, revaluations of investments in subsidiaries (embedded value) and management fees. These other revenues amounted to $10 million for the year to June 2004 compared with a loss of $1 million for the prior year to June 2003.

The profit contribution from the funds is outlined below.

Planned profits

Planned profits of $26 million in the 12 months to June 2004 were down compared with the prior year planned profits of $30 million. The reduction in planned profits was largely due to lower long term investment earnings assumptions applied to various investment asset classes.

The assumed earning rates for each asset class are determined with reference to government bond yields. The bond yield had declined slightly for the June 2004 compared to the prior year, hence planned profits reduced.

Experience profits

Experience profits were $4 million in the year, compared with experience losses of $2 million in the prior year. This turnaround was mainly the result of strong investment earnings, reduced surrender rates and reversal of prior year new business losses, offset by an increase in claims provisions.

Under MOS accounting, losses on new business are incurred in the year the business is written, while returns on profitable business are spread over future periods. However, if circumstances change, for example favourable assumption changes are made or new business is written on more profitable terms, then these previously booked losses can be reversed. During the 12 months to June 2004, profitable new investment business written allowed for the reversal of associated losses, resulting in a $2.1 million increase in experience profits.

Statutory fund investment income

Investment income on capital and retained earnings in the statutory funds of $17 million was a substantial increase on the prior period, and was mainly due to a recovery in equity markets. Investment returns exceeded benchmark returns in all asset classes.

Shareholder fund investment income and other revenue

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

Other revenues increased from $14 million in June 2003 to $24 million in June 2004. The increase was due to a strong recovery on investment markets and a rise in the embedded value of a subsidiary company.

Changes to the market value of Life Company investment subsidiaries must be brought to account under current accounting standards. The market value is based on the embedded value, which includes the net assets of the entity and present value of future profits from inforce business. The Life Company has a subsidiary that operates the customer service activities of the retail unit trusts business. Higher investment earnings and a net inflow of unit trust business, due to increased returns in equity and improved profitability, resulted in an increase of the embedded value of $3 million in the year to June 2004. In the prior year, the market value decreased by $3 million. Combined, the valuation adjustments resulted in a $6 million higher profit contribution in the full year to June 2004.

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Full Year Ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
New business sales								
Risk sales	5	9	7	9	(44.4)	14	16	(12.5)
Superannuation, investment and external product sales	241	288	263	322	(16.3)	529	585	(9.6)
Total sales new business	**246**	**297**	**270**	**331**	**(17.2)**	**543**	**601**	**(9.7)**

Total new business sales for June 2004 were $543 million, compared with $601 million for the year to June 2003. In line with market indicators, customers continue to prefer investment in more conservative portfolio options, despite a return of confidence in equity markets. In the last quarter of the year, signs were emerging in the market indicating a break from this trend.

Despite lower gross sales, the value of sales increased by 11% in comparison with the previous year due to a material shift from lower margin external products to higher earning Suncorp products. The margin on Suncorp investment products improved due to enhancements on the Easy Super product and improved surrender rates. The introduction of a new 'wrap' platform service, Easy Invest, is supporting the shift of retail investments from external product lines to higher margin Suncorp products.

Value of new sales

The table below shows the value, to shareholders, of new business written over the year to 30 June 2004. The values are based on:

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

The writing of more profitable new investment business will benefit future planned profits.

	Full Year Ended Jun-04 $m	Jun-03 $m
Statutory Fund new business: Present value of MoS profit margins (1)	15.1	14.7
Unit Trust new business Embedded Value (2)	0.9	(0.3)

(1) discount rates used were between 4.5% and 10.75% (2003: between 4% and 10.25%)

(2) discount rate used was 12.55% pa (2003: 11.45%)

	Opening balance Jul-03 $m	Inflows $m	Out-flows (1) $m	Invest-ment income $m	Closing balance Jun-04 $m
Funds under administration					
Statutory life and superannuation (2)	3,167	687	852	393	3,395
Statutory life and superannuation – external	164	254	45	29	402
Life Company products	3,331	941	897	422	3,797
Retail unit trust products	439	98	103	64	498
Total Life Company	**3,770**	**1,039**	**1,000**	**486**	**4,295**

Notes:

(1) Outflows include expenses and tax.

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

(3) Funds Under Administration include shareholder interest invested in the Life Company.

Funds under administration (continued)

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

Funds under administration totalled $4.3 billion at June 2004, up from $3.8 billion in the prior year, benefiting from strong investment income as well as net inflows of $39 million for the year. This compares to net outflow of $55 million in funds for the year to June 2003. The improved condition of total net funds under administration reflects greater retention of customer accounts.

Embedded Value

A valuation of the shareholders' interests in the statutory funds, shareholder fund, and subsidiaries was undertaken as at 30 June 2004. The embedded value increased by 27% to $439 million (using 12% discount factor) in the year to June 2004, compared to $347 million in the prior year (using 11% discount factor). This is mainly the result of strong investment performance, improved long term assumptions on investment earnings, increased profit margins on non-participating business and an increase in the value of shareholder capital and retained earnings.

	Discount Rate		
	11.0% $m	12.0% $m	13.0% $m
Embedded Value at 30 June 2004			
Shareholder Fund excluding subsidiaries			
Value of Profits/Net Assets	51	50	50
Value of Imputation Credits at 70% full value	4	4	4
Statutory Funds			
Value of Profits/Net Assets	325	311	299
Value of Imputation Credits at 70% full value	57	54	51
Subsidiaries			
Value of Profits/Net Assets	16	16	15
Value of Imputation Credits at 70% full value	4	4	3
Total June 2004 ($m)	457	439	422
Total June 2003 ($m)	347	332	317

Assets and liabilities – Wealth Management

Excluding Life Insurance Policy Owners' Interests

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Assets						
Cash and liquid assets	22	22	16	18	-	37.5
Investments	48	45	30	36	6.7	60.0
Excess of net market value of interests in subsidiaries over their recognised net amounts	15	14	12	12	7.1	25.0
Loans, advances and other receivables	40	12	31	33	233.3	29.0
Unlisted investment in life insurance statutory funds	185	181	156	152	2.2	18.6
Other assets	-	1	-	-	(100.0)	n/a
Total assets	310	275	245	251	12.7	26.5
Liabilities						
Deposits and short term borrowings	19	14	9	6	35.7	111.1
Accounts payable and other liabilities	8	7	10	39	14.3	(20.0)
Provisions	7	-	-	-	n/a	n/a
Deferred tax liability	-	-	5	5	n/a	(100.0)
Total liabilities	34	21	24	50	61.9	41.7
Net assets						
Net assets Life Company	250	224	196	178	11.6	27.6
Net assets fund management	26	30	25	23	(13.3)	4.0
Total net assets	**276**	**254**	**221**	**201**	**8.7**	**24.9**

Portfolio allocation of investments – Wealth Management

Funds under administration for Life, Superannuation and Managed investments total $4.3 billion. The investment allocation of these funds is noted below.

	Jun-04 %	Dec-03 %	Jun-03 %	Dec-02 %
Statutory funds				
Equities	46	40	38	37
Interest bearing securities	37	43	45	44
Property	17	17	17	18
Other directly held assets	-	-	-	1
	100	**100**	**100**	**100**
Shareholder fund				
Equities	90	93	80	68
Interest bearing securities	6	5	17	28
Property	4	2	3	4
	100	**100**	**100**	**100**

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.

$3.9 billion in funds are managed for the Life Company, $5.5 billion in funds are managed on behalf of General Insurance division and a further $1.7 billion in funds is managed on behalf of external parties.

Funds Management profit was $9 million at June 2004 compared with $9 million in the prior year. Fee income of $45 million and expenses relating to Funds Management activities of $36 million also remained stable compared to the prior year. Second half profit of $3 million was down from $6 million in the December half, which benefited from the sale of commercial interests as well as increases in management fee income due to higher funds under management.

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 vs Jun-03 %
Funds Managed						
General insurance	5,467	5,261	5,107	4,829	3.9	7.0
Life Company – shareholder funds	36	32	18	24	12.5	100.0
Life Company – statutory funds	3,857	3,660	3,588	3,539	5.4	7.5
Other managed funds [(1)]	1,676	1,277	1,232	1,275	31.2	36.0
	11,036	10,230	9,945	9,667	7.9	11.0

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 Jun-04 $m
Funds Under Management					
General insurance	5,107	2,265	2,180	275	5,467
Statutory life and superannuation [2]	3,167	687	852	393	3,395
Retail unit trusts	439	98	103	64	498
Life Company	3,606	785	955	457	3,893
External wholesale	1,232	947	657	154	1,676
Total	**9,945**	**3,997**	**3,792**	**886**	**11,036**

Notes:

(1) Outflows include expenses and tax.

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

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

Group funds under management totalled $11.0 billion at June 2004, up from $10 billion in June 2003. Funds benefited from a net inflow in funds of $205 million compared to net outflow of $7 million in the prior year, as well as strong investment income earnings for the year.

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'. Independent researcher Van Eyk also awarded an 'A' rating to Australian Equities. The ratings reinforce 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.

Group investment performance

A positive investment return was recorded by all the benchmark asset classes in the year to June 2004.

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 30 June 2004					
	Banking $m	GI $m	WM $m	Other $m	Consol $m	Total $m
Tier 1						
Ordinary share capital	2,654	-	-	-	-	2,654
Preference share capital	244	-	-	-	-	244
Funding provided by holding company	-	1,395	46	26	(1,467)	-
Pre-conversion reserve	13	-	-	-	-	13
Retained profits [(1)]	445	700	196	9	(491)	859
Technical provisions in excess of liability valuation	-	272	-	-	-	272
Excluded assets	-	-	(11)	-	-	(11)
Less intangibles	(1,230)	(859)	-	-	1,105	(984)
Less net future income tax benefit	(1)	-	-	-	1	-
Total tier 1 capital	2,125	1,508	231	35	(852)	3,047
Tier 2						
Asset revaluation reserve	8	-	2	-	1	11
Net general provision for impairment	104	-	-	-	-	104
Subordinated notes	805	-	-	-	-	805
Total tier 2 capital	917	-	2	-	1	920
Deductions from capital						
Investments in subsidiaries	(853)	-	-	-	853	-
Guarantees to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(858)	-	-	-	858	-
Total capital base	**2,184**	**1,508**	**233**	**35**	**7**	**3,967**
Required minimum capital base [(2)]	2,023	1,160	139	28	-	3,350
Excess	**161**	**348**	**94**	**7**	**7**	**617**

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. For other entities minimum capital is assumed to be the actual capital base. Required capital for other entities includes capital of entities which are not consolidated for APRA purposes.

The table shows that the group has total capital over and above regulatory minimum levels of $617 million.

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

Group capital position (continued)

as at 30 June 2004	Banking $m	GI $m	WM[2] $m	Other $m	Consol[1] $m	Total $m
Reconciliation of net assets to total capital base						
Net assets	**3,407**	**2,241**	**276**	**35**	**(1,961)**	**3,998**
Difference relating to retained earnings	(42)	(137)	(32)	-	-	(211)
Additional items allowable for capital for APRA purposes						
Technical provisions in excess of liability valuation	-	272	-	-	-	272
Net general provision for doubtful debts	104	-	-	-	-	104
Subordinated notes	805	-	-	-	-	805
Deductions from capital for APRA purposes						
Intangibles [3]	(1,230)	(859)	-	-	1,105	(984)
Net future income tax benefits	(1)	-	-	-	1	-
Excluded assets/other	(1)	-	(11)	-	1	(11)
Minority interest in subsidiaries	-	(9)	-	-	3	(6)
Funding of capital and guarantees by holding company	(858)	-	-	-	858	-
Total capital base	**2,184**	**1,508**	**233**	**35**	**7**	**3,967**

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 59 of $1 billion represents the total amortised balance of goodwill for the group.

(4) Intergroup dividends are not deducted from the general insurance capital position shown on page 64 in accordance with APRA instructions.

as at 30 June 2004	Banking $m	GI $m	WM $m	Other $m	Consol $m	Total $m
Reconciliation of retained earnings to APRA retained earnings						
Retained earnings	**487**	**837**	**228**	**9**	**(491)**	**1,070**
Retained earnings of entities not consolidated for APRA purposes	(1)	136	-	-	-	135
Differences in retained profits for APRA purposes	(181)	(165)	-	-	-	(346)
Expected intragroup dividends	140	(108)	(32)	-	-	-
	(42)	(137)	(32)	-	-	(211)
APRA retained earnings	**445**	**700**	**196**	**9**	**(491)**	**859**

Banking capital adequacy

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m
Consolidated banking capital				
Tier 1				
Ordinary share capital	2,654	2,622	2,587	2,559
Preference share capital	244	244	244	246
Preconversion reserve	13	13	13	13
Retained profits	445	352	278	193
Less amortised goodwill for banking subsidiaries	(21)	(23)	(24)	(23)
Less unamortised intangible component of investment in non-banking subsidiaries	(1,209)	(1,203)	(1,204)	(1,204)
Less excluded assets	-	(1)	-	-
Less net future income tax benefit	(1)	(11)	(29)	(8)
Total tier 1 capital	2,125	1,993	1,865	1,776
Tier 2				
Asset revaluation reserve	8	8	8	8
General provision for doubtful debts	104	96	87	82
Perpetual subordinated notes	170	170	170	170
Subordinated notes	635	605	645	509
Total tier 2 capital	917	879	910	769
Tier 1 plus tier 2 capital	3,042	2,872	2,775	2,545
Less investments in non-banking subsidiaries (net of intangible component deducted from Tier 1)	(853)	(858)	(857)	(859)
Less guarantees and facilities to non-banking subsidiaries	(5)	(5)	(5)	(10)
Capital base	**2,184**	**2,009**	**1,913**	**1,676**
Reconciliation of deduction for investments in subsidiaries				
Investment securities – Assets and liabilities – Banking	2,065	2,067	2,067	2,068
Less intangible component deducted from Tier 1 capital – non-banking subsidiaries	(1,209)	(1,203)	(1,204)	(1,204)
Less non-subsidiary investment securities	(3)	(6)	(6)	(5)
Deduction from total capital for investment in subsidiaries	**853**	**858**	**857**	**859**
Retained earnings banking by half-year				
Retained earnings opening for the half-year	352	278	193	200
Opening retained profit adjustments	-	-	-	151
Add banking profit after tax for the half-year	128	115	116	109
Add sale of investment in Cashcard Australia Ltd	22	-	-	-
Less profit after tax of entities not consolidated for APRA purposes	-	(1)	-	-
Less APRA adjustments	9	(4)	-	-
Less dividend expense/accrual	(222)	(168)	(161)	(296)
Add estimated change in dividend reinvestment plan	9	25	-	-
Add dividends from non-banking subsidiaries	147	107	130	29
Retained earnings closing for the half-year	**445**	**352**	**278**	**193**
Reconciliation of banking deduction for intangible assets to group intangible assets				
Amortised goodwill for banking subsidiaries	21	23	24	23
Non-amortised goodwill for non-banking subsidiaries	1,209	1,203	1,204	1,204
Goodwill reflected in investments in associates	(33)	(33)	(33)	(33)
Amortisation of non-banking goodwill	(213)	(185)	(156)	(123)
Intangible assets	**984**	**1,008**	**1,039**	**1,071**

Banking capital adequacy (continued)

	Carrying Value Jun-04 $m	Carrying Value Dec-03 $m	Risk Weights %	Risk Weighted Balance Jun-04 $m	Risk Weighted Balance Dec-03 $m	Risk Weighted Balance Jun-03 $m	Risk Weighted Balance Dec-02 $m
Risk weighted assets							
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	1,044	677	0	-	-	-	-
Claims on banks and local governments	159	111	20	32	22	20	8
Loans secured against residential housing	15,058	13,817	50	7,529	6,909	6,504	6,360
All other assets	12,565	11,668	100	12,565	11,668	10,305	9,592
Other	13	15	200	26	30	-	-
Total banking assets [1]	**28,839**	**26,288**		**20,152**	**18,629**	**16,829**	**15,960**

Notes:

[1] Total banking assets differ from banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, non-qualifying shareholdings in other entities and general provision for impairment for capital adequacy purposes.

	Notional Amount Jun-04 $m	Credit Equiv-alent Jun-04 $m	Risk Weights %	Risk Weighted Balance Jun-04 $m	Risk Weighted Balance Dec-03 $m	Risk Weighted Balance Jun-03 $m	Risk Weighted Balance Dec-02 $m
Risk weighted assets							
Off balance sheet positions							
Guarantees entered into in the normal course of business	140	76	20–100	74	76	65	65
Commitments to provide loans and advances	5,181	1,160	0–100	751	714	704	563
Capital commitments	1	1	100	1	4	3	-
Foreign exchange contracts	12,184	431	20–50	87	113	60	78
Interest rate contracts	18,186	148		43	44	44	37
Total off balance sheet positions	35,692	1,816		956	951	876	743
Market risk capital charge				189	173	244	131
Total risk weighted assets				20,152	18,629	16,829	15,960
Total assessed risk				**21,297**	**19,753**	**17,949**	**16,834**
				%	%	%	%
Risk weighted capital ratios							
Tier 1				10.0	10.1	10.4	10.6
Tier 2				4.3	4.4	5.1	4.6
Deductions				(4.0)	(4.3)	(4.8)	(5.2)
Total risk weighted capital ratios				**10.3**	**10.2**	**10.7**	**10.0**

The banking capital adequacy ratio increased to 10.3% at June, from 10.2% at December, due to increased retained earnings.

Adjusted common equity – Consolidated bank only

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m
Ordinary share capital	2,654	2,622	2,587	2,559
Retained earnings	445	352	278	193
Reserves	21	22	21	21
	3,120	2,996	2,886	2,773
Less:				
Goodwill	(1,230)	(1,226)	(1,228)	(1,227)
Future income tax benefit	(1)	(11)	(29)	(8)
Investment in non-banking subsidiaries	(853)	(858)	(857)	(859)
Asset revaluation reserve	(8)	(8)	(8)	(8)
	(2,092)	(2,103)	(2,122)	(2,102)
Adjusted Common Equity	**1,028**	**893**	**764**	**671**
Risk-weighted assets including off-balance sheet positions	21,297	19,753	17,949	16,834
	%	%	%	%
Adjusted Common Equity ratio	**4.83**	**4.52**	**4.26**	**3.99**

The Adjusted Common Equity (ACE) for the bank only, which is a calculation of capital preferred by Standard & Poor's and which excludes subordinated notes, preference shares and investments in non-bank subsidiaries, increased to $1.03 billion at June, from $893 million at December. The ACE ratio increased to 4.83% from 4.52% at December, due to increased retained earnings following strong profit improvements.

The Company is planning a $200 million subordinated debt issue in the general insurance subsidiary during the current half-year, with the proceeds to be paid as a special dividend to the bank holding company. This should lead to a significant strengthening in the ACE ratio.

APRA changes to prudential treatment of capitalised expenditure

APRA has announced a change in the treatment of capitalised expenditure that will come into effect July 2004. 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 $58 million as at 30 June 2004.

General Insurance minimum capital ratio

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

- The risk that the provision for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium 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 (catastrophe risk).

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

At June 2004 the consolidated general insurance business has a strong capital position at 1.74 times the minimum requirement, up from 1.49 times at December due to increased retained earnings and higher insurance reserves in excess of liability valuations.

General Insurance is to issue term subordinated debt which will be eligible as tier two capital. The proceeds from the debt issue will fund a special dividend to the parent entity. This will reduce General Insurance tier one capital. The new tier two capital will offset the reduction in tier one capital so that the total capital base for MCR purposes will not be affected

	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m
General Insurance minimum capital ratio (continued)				
Paid up ordinary shares	1,395	1,395	1,395	1,395
Retained profits at end of reporting period	808	682	649	650
Technical provision in excess of liability valuation	389	278	267	272
Less: Tax effect of excess technical provisions	(117)	(83)	(80)	(82)
	2,475	2,272	2,231	2,235
Less:				
Goodwill	(859)	(879)	(904)	(929)
Net future income tax benefit	-	(27)	(19)	(9)
Total deductions from tier 1 capital	(859)	(906)	(923)	(938)
Adjusted total tier 1 capital/APRA capital base	**1,616**	**1,366**	**1,308**	**1,297**
Outstanding claims risk capital charge	448	446	448	425
Premium liabilities risk capital charge	183	188	184	169
Total insurance risk capital charge	631	634	632	594
Investment risk capital charge	246	233	210	233
Catastrophe risk capital charge	51	50	50	50
Total minimum capital requirement	**928**	**917**	**892**	**877**
MCR coverage ratio (times)	**1.74**	**1.49**	**1.47**	**1.48**
Retained earnings General Insurance by half-year				
Retained earnings opening for the half-year	682	649	650	664
Add general insurance profit after tax for the half-year	176	159	120	58
Less profit after tax of entities not consolidated for APRA purposes	(3)	(25)	(10)	(6)
Add (less) APRA adjustments	60	(36)	(41)	(66)
Less dividends paid	(107)	(65)	(70)	-
Retained earnings closing for the half-year	**808**	**682**	**649**	**650**

		Half-Year Ended		
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m
One-off items and changes in accounting policy				
One-off items included in profit from ordinary activities before income tax are:				
Sale of investment in Cashcard Australia Ltd	31	-	-	-
Sale of Suncorp Metway Plaza and Trittons site	-	-	16	-
Write back of previous year's performance fees for Workers' Compensation managed funds following finalisation of performance audits	-	-	(8)	-
Changes in accounting policy included in profit from ordinary activities before income tax are:				
Adoption of revised accounting standard AASB 1028 *'Employee Entitlements'*	-	-	(1)	1
	31	-	7	1
The above items affect the following captions in the contribution to profit:				
Sale of investment in Cashcard Australia Ltd	31	-	-	-
Profit on sale of property	-	-	16	-
Managed schemes net income	-	-	(8)	-
Operating expenses from ordinary activities	-	-	(1)	1
	31	-	7	1

	Half-Year Ended					Full Year Ended		
	Jun-04	Dec-03	Jun-03	Dec-02	Jun-04 vs Dec-03	Jun-04	Jun-03	Jun-04 vs Jun-03
	$m	$m	$m	$m	%	$m	$m	%
Operating expenses Excluding Life Insurance Policy Owners' Interests								
Staff expenses								
Salaries and wages	225	208	201	197	8.2	433	398	8.8
Other staff expenses [1]	87	95	89	92	(8.4)	182	181	0.6
Total staff expenses	312	303	290	289	3.0	615	579	6.2
Equipment and occupancy expenses								
Depreciation								
Buildings	1	-	1	1	n/a	1	2	(50.0)
Plant, equipment and software	39	37	36	30	5.4	76	66	15.2
Leasehold improvements	6	6	6	6	-	12	12	-
Loss on disposal of property, plant and equipment	-	1	6	-	(100.0)	1	6	(83.3)
Operating lease rentals	22	24	21	24	(8.3)	46	45	2.2
Other occupancy expenses [2]	7	7	8	7	-	14	15	(6.7)
Total equipment and occupancy expenses	75	75	78	68	-	150	146	2.7
Other								
Hardware, software and data line expenses	20	23	23	25	(13.0)	43	48	(10.4)
Advertising and promotion expenses	32	33	25	28	(3.0)	65	53	22.6
Office supplies, postage and printing	34	35	32	33	(2.9)	69	65	6.2
Amortisation of franchise systems	1	-	1	-	n/a	1	1	-
Other [3] [4]	35	28	26	46	25.0	63	72	(12.5)
Total other expenses	122	119	107	132	2.5	241	239	0.8
Expenses charged to the Wealth Management Statutory Funds	(32)	(32)	(30)	(32)	-	(64)	(62)	3.2
Expenses allocated to claims expense [5]	-	-	(18)	(24)	n/a	-	(42)	(100.0)
Total operating expenses from ordinary activities	**477**	**465**	**427**	**433**	**2.6**	**942**	**860**	**9.5**

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 general insurance 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.

Income tax

	Half-Year Ended					Full Year Ended		
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Jun-04 vs Dec-03 %	Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:								
Profit from ordinary activities before income tax expense	481	404	326	213	19.0	885	539	64.2
Prima facie income tax expense calculated at 30%	144	121	98	64	19.0	265	162	63.6
Tax effect of permanent differences:								
Non-deductible expenditure	3	4	3	2	(25.0)	7	5	40.0
Non-deductible write-downs	-	5	-	-	(100.0)	5	-	n/a
Amortisation of goodwill	10	9	10	9	11.1	19	19	-
Non-assessable income	1	(2)	(1)	-	(150.0)	(1)	(1)	-
Imputation gross up on dividends received	3	2	2	3	50.0	5	5	-
Dividend tax credits	(7)	(9)	(6)	(11)	(22.2)	(16)	(17)	(5.9)
Future income tax benefits not previously brought to account	-	-	4	(4)	n/a	-	-	n/a
Life and superannuation statutory funds	(6)	(8)	(8)	(6)	(25.0)	(14)	(14)	-
Other	(9)	4	-	1	(325.0)	(5)	1	(600.0)
Income tax adjusted for permanent differences	139	126	102	58	10.3	265	160	65.6
Over (under) provision in prior year	5	(3)	(5)	-	(266.7)	2	(5)	(140.0)
Income tax expense	**144**	**123**	**97**	**58**	**17.1**	**267**	**155**	**72.3**
Income tax expense by segment								
Banking	67	62	52	41	8.1	129	93	38.7
General Insurance	73	56	41	14	30.4	129	55	134.5
Wealth Management	2	3	2	1	(33.3)	5	3	66.7
Other	2	2	2	2	-	4	4	-
Total Income tax expense	**144**	**123**	**97**	**58**	**17.1**	**267**	**155**	**72.3**

Income tax expense for the full year increased by 72% to $267 million. This was equal to an effective tax rate of 30% of profit after goodwill. The increase in tax was largely attributable to the higher earnings base.

Implementation of Tax Consolidation

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

From 1 July 2003 the head entity which is reflected in the banking segment recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). A tax sharing agreement is in place whereby the head entity recharges shares of the group tax to subsidiaries. This may result in a different tax expense figure recorded in segments than if the tax was calculated on a stand alone basis.

	Jun-04	Half-Year Ended Dec-03	Jun-03	Dec-02	Full Year Ended Jun-04	Jun-03
	$m	$m	$m	$m	$m	$m
Statement of Cash Flows Excluding Life Insurance Policy Owners' Interests						
Cash flows from operating activities						
Interest received	1,017	913	960	916	1,930	1,876
Dividends received	16	10	15	18	26	33
Premiums received	1,343	1,317	1,170	1,227	2,660	2,505
Reinsurance and other recoveries received	187	125	55	157	312	223
Other operating revenue received	468	364	264	303	832	567
Interest paid	(671)	(622)	(547)	(557)	(1,293)	(1,104)
Outwards reinsurance premiums paid	(101)	(72)	(78)	(80)	(173)	(165)
Claims paid	(1,008)	(900)	(813)	(886)	(1,908)	(1,797)
Operating expenses paid	(838)	(255)	(453)	(706)	(1,093)	(1,173)
Income taxes paid – operating activities	(95)	(145)	(36)	(76)	(240)	(112)
Net cash inflow from operating activities	318	735	537	316	1,053	853
Cash flows from investing activities						
(Payments for purchase) proceeds from disposal of controlled entities	(10)	1	-	(1)	(9)	(1)
Payments for purchase of investments in associates	(4)	(9)	-	-	(13)	-
Payments for property, plant and equipment	(25)	(31)	(60)	(63)	(56)	(123)
Net (purchase) disposal of banking securities	451	181	(1,102)	(557)	632	(1,659)
Net increase in loans, advances and other receivables	(2,236)	(2,182)	(1,066)	(337)	(4,418)	(1,403)
Purchase of investments integral to insurance activities	(10,838)	(8,932)	(4,435)	(14,678)	(19,770)	(21,536)
Proceeds from disposal of insurance investments	11,186	8,234	4,194	14,375	19,420	20,992
Income taxes paid – investing activities	(18)	(34)	(29)	(2)	(52)	(31)
Net cash outflow from investing activities	(1,494)	(2,772)	(2,498)	(1,263)	(4,266)	(3,761)
Cash flows from financing activities						
Proceeds from issue of shares	5	7	1	5	12	6
Proceeds from (repayment of) subordinated notes	-	-	64	(51)	-	13
Net increase in borrowings	1,299	2,083	2,073	835	3,382	2,908
Dividends paid	(140)	(138)	(120)	(137)	(278)	(257)
Net cash inflow from financing activities	1,164	1,952	2,018	652	3,116	2,670
Net increase (decrease) in cash and cash equivalents	(12)	(85)	57	(295)	(97)	(238)
Cash at the beginning of the financial period	798	883	826	1,121	883	1,121
Cash acquired on acquisition of controlled entities	3	-	-	-	3	-
Cash at the end of the financial period	**789**	**798**	**883**	**826**	**789**	**883**

Dividend

The final dividend of 40 cents per share is fully franked and due to be paid on 1 October 2004. The record date for determining entitlements to the final dividend is 7 September 2004.

	Full Year Ended Jun-04	Jun-03
	$m	$m
Franking credits		
The franked portions of the final dividend recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2005.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2003: 30%) after proposed final dividend	264	169

Appendix 1A – Statement of Operating Profit – Full Year

Excluding Life Insurance Policy Owners' Interests

	Full Year Ended Jun-04 $m	Jun-03 $m	Jun-04 vs Jun-03 %
Banking interest revenue	1,950	1,668	16.9
Banking interest expense	(1,294)	(1,076)	20.3
	656	592	10.8
General insurance premium revenue (1)	2,341	2,156	8.6
Reinsurance and other recoveries revenue	260	240	8.3
Other revenue (2)	180	113	59.3
Banking fee and commission revenue	215	197	9.1
Banking fee and commission expense	(61)	(58)	5.2
General insurance investment revenue			
insurance provisions	148	281	(47.3)
managed schemes income	20	7	185.7
joint venture income	19	9	111.1
shareholder funds	130	11	1,081.8
Profit on sale of property	-	16	(100.0)
Total income from ordinary activities	3,908	3,564	9.7
Claims expense	(1,797)	(1,891)	(5.0)
Outwards reinsurance expense	(157)	(144)	9.0
Operating expenses from ordinary activities (1) (2)	(941)	(860)	9.4
Total expenses from ordinary activities	(2,895)	(2,895)	-
Profit from ordinary activities before bad and doubtful debts expense, GIO funding, amortisation of goodwill and income tax expense	1,013	669	51.4
Bad and doubtful debts expense	(49)	(49)	-
Profit from ordinary activities before GIO funding, amortisation of goodwill and related tax expense	964	620	55.5
Subordinated debt expense – GIO acquisition	(19)	(19)	-
Profit from ordinary activities before amortisation of goodwill and related income tax expense	945	601	57.2
Amortisation of goodwill	(60)	(62)	(3.2)
Profit from ordinary activities before related income tax expense	885	539	64.2
Income tax expense attributable to profit from ordinary activities	(267)	(155)	72.3
Net profit attributable to members of the parent entity	**618**	**384**	**60.9**

Notes:

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

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

Appendix 1B – Statement of Operating Profit – Half-Year

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Half-Year Ended Jun-04 vs Dec-03 %	Full Year Ended Jun-04 vs Jun-03 %
Banking interest revenue	1,024	926	847	821	10.6	16.9
Banking interest expense	(685)	(609)	(550)	(526)	12.5	20.3
	339	317	297	295	6.9	10.8
General insurance premium revenue [1]	1,193	1,148	1,080	1,076	3.9	8.6
Reinsurance and other recoveries revenue	131	129	130	110	1.6	8.3
Other revenue [2]	109	71	64	49	53.5	59.3
Banking fee and commission revenue	103	112	100	97	(8.0)	9.1
Banking fee and commission expense	(33)	(28)	(26)	(32)	17.9	5.2
General insurance investment revenue						
insurance provisions	125	23	116	165	443.5	(47.3)
managed schemes income	10	10	(7)	14	-	185.7
joint venture income	9	10	5	4	(10.0)	111.1
shareholder funds	71	59	28	(17)	20.3	1,081.8
Profit on sale of property	-	-	16	-	n/a	(100.0)
Total income from ordinary activities	2,057	1,851	1,803	1,761	11.1	9.7
Claims expense	(950)	(847)	(915)	(976)	12.2	(5.0)
Outwards reinsurance expense	(85)	(72)	(71)	(73)	18.1	9.0
Operating expenses from ordinary activities [1] [2]	(476)	(465)	(427)	(433)	2.4	9.4
Total expenses from ordinary activities	(1,511)	(1,384)	(1,413)	(1,482)	9.2	-
Profit from ordinary activities before bad and doubtful debt expense, GIO funding, amortisation of goodwill and income tax expense	546	467	390	279	16.9	51.4
Bad and doubtful debts expense	(25)	(24)	(22)	(27)	4.2	-
Profit from ordinary activities before GIO funding, amortisation of goodwill and related income tax expense	521	443	368	252	17.6	55.5
Subordinated debt expense – GIO acquisition	(10)	(9)	(10)	(9)	11.1	-
Profit from ordinary activities before amortisation of goodwill and related income tax expense	511	434	358	243	17.7	57.2
Amortisation of goodwill	(30)	(30)	(32)	(30)	-	(3.2)
Profit from ordinary activities before related income tax	481	404	326	213	19.1	64.2
Income tax expense attributable to profit from ordinary activities	(144)	(123)	(97)	(58)	17.1	72.3
Net profit attributable to members of the parent entity	**337**	**281**	**229**	**155**	**19.9**	**60.9**

Notes:

[1] Net of general insurance statutory fees and charges included in income and expenses in the Consolidated financial report.

[2] Other revenue is primarily made up of wealth management profit, dividend revenue, property income, trust distributions and royalty income and includes the sale of our investment in Cashcard Australia Ltd.

Appendix 2 – Statement of Assets and Liabilities Reconciliation

	as at 30 June 2004					
	Banking $m	GI $m	WM $m	Other $m	Consol[1] $m	Total $m
Assets						
Investment securities	2,065	5,114	48	2	(2,062)	5,167
Intangibles	22	859	-	-	103	984
Other	31,806	1,954	262	47	(712)	33,357
	33,893	7,927	310	49	(2,671)	39,508
Liabilities	30,486	5,686	34	14	(710)	35,510
Net assets	**3,407**	**2,241**	**276**	**35**	**(1,961)**	**3,998**

Notes:

(1) Group consolidation entries include the following:

- elimination of investments in controlled entities;
- recognition of goodwill; and
- elimination of intercompany cash deposits/loans

Appendix 3 – Definitions

Adjusted Common Equity	Tier 1 equity less hybrid capital less the tangible component of investment in subsidiaries.
Adjusted Common Equity ratio	Adjusted Common Equity divided by risk weighted assets, including off-balance sheet positions.
Basic shares	Ordinary shares on issue.
Cash earnings per share	Cash earnings per share adjusts the numerator in earnings per share by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.
Cash return on average shareholders' equity	Cash return on equity adjusts the numerator 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 investment income on shareholder and statutory funds (as per exclusions outlined at Restated Underlying Profit definition), one-off items and excluding the impact of life insurance accounting standard AASB 1038.
Gross banking loans, advances and other receivables	Total lending less securitised loan balances.
Gross non-performing loans	Gross impaired assets plus past due loans.
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. 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 3 – 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.
Operating income	Total income from ordinary activities.
Payout ratio – basic	Total dividends and distributions which relate to the year or 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 year or half-year plus preference share dividends, divided by operating profit after tax.
Return on average risk weighted assets	Banking operating profit after tax (based on assumed tax rate of 30%) divided by average risk weighted assets. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of the life insurance standard AASB 1038. Averages are based on beginning and end of period balances.
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 – diluted	Operating profit after tax divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes preference shares and outstanding options. Averages are based on beginning and end of period balances.
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 (cash)	Operating profit after tax less preference shares/capital notes add back goodwill amortisation less revaluation of life insurance subsidiaries, divided by adjusted average shareholders' equity. The adjusted shareholders' equity is the net assets less outside euqity interests less preference shares/capital notes.
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 General Insurance shareholder funds and one-off items.
Underlying profit – restated	Operating profit before tax, amortisation of goodwill, investment income on shareholder funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained earnings (statutory funds) and one-off items.

Appendix 4 – Ratio calculations

	Half-Year Ended				Full Year Ended	
	Jun-04 No. of Shares	Dec-03 No. of Shares	Jun-03 No. of Shares	Dec-02 No. of Shares	Jun-04 No. of Shares	Jun-03 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	535,349,818	532,533,933	529,365,728	526,588,517	533,924,887	527,965,709
Weighted average number of potential ordinary shares relating to:						
options on ordinary shares	671,763	445,055	472,009	709,238	496,290	548,471
partly paid ordinary shares	7,363	6,959	22,449	19,426	15,253	21,589
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	536,028,944	532,985,947	529,860,186	527,317,180	534,436,430	528,535,769

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.

Earnings per share (continued)

	Half-Year Ended Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Full Year Ended Jun-04 $m	Jun-04 $m
Earnings						
Reconciliations of earnings used in calculating earnings per share:						
Net profit	337	281	229	155	618	384
Preference share dividends	(8)	(8)	(8)	(8)	(16)	(16)
Earnings used in calculating basic and diluted earnings per share	329	273	221	147	602	368
Return on average shareholders' equity						
Adjusted average shareholders equity:						
Opening total equity	3,796	3,647	3,536	3,362	3,647	3,362
less outside equity interest	6	7	6	6	7	6
less preference shares	244	244	246	244	244	244
Opening adjusted equity	3,546	3,396	3,284	3,112	3,396	3,112
Closing total equity	3,998	3,796	3,647	3,536	3,998	3,647
less outside equity interest	6	6	7	6	6	7
less preference shares	244	244	244	246	244	244
Closing adjusted equity	3,748	3,546	3,396	3,284	3,748	3,396
Average adjusted equity	3,647	3,471	3,340	3,198	3,572	3,254

Earnings as per 'Earnings per share' information above.

KEY DATES [1]

Ordinary Shares (SUN)

2004

Final Dividend

Ex dividend date [2]	1 September
Record date	7 September
Dividend payment	1 October

2005

Interim Dividend

Ex dividend date [2]	2 March
Record date	8 March
Dividend payment	1 April

Final Dividend

Ex dividend date [2]	31 August
Record date	6 September
Dividend payment	3 October

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

2004

Ex interest date [2]	9 November
Record Date	15 November
Interest payment	30 November

2005

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

Reset Preference Shares (SUNPA)

2004

Ex dividend date [2]	1 September
Record date	7 September
Dividend payment	14 September

2005

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

Notes

[1] Dates may be subject to change

[2] Subject to ASX confirmation