Suncorp-Metway Ltd

and controlled entities

ABN 66 010 831 722

ANNOUNCEMENT OF

CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2005

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BANKING INSURANCE INVESTMENT

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Suncorp-Metway Ltd

Year End Results 2005

	Year Ended		
	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	%
Profit Overview			
Banking	458	371	23.5
General Insurance	651	465	40.0
Wealth Management	91	66	37.9
Other	9	43	(79.1)
Profit before tax and goodwill	1,209	945	27.9
Goodwill amortisation	(61)	(60)	1.7
Tax	(327)	(267)	22.5
Net profit	**821**	**618**	**32.8**

- Net profit up 33% to $821 million.
- Cash EPS up 29% to $1.60.
- Cash ROE up from 16.7% to 19.5%.
- Underlying profit up 27% to $955 million.
- Ordinary final dividend increased by 5 cents to 45 cents per share, fully franked, taking the full year ordinary dividend to 87 cents per share, fully franked, an increase of 24% over the prior year.
- Special dividend of 75 cents per share, fully franked.

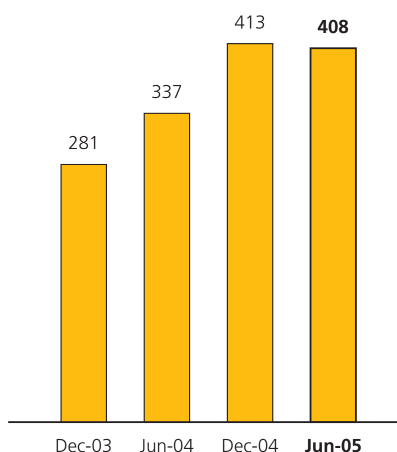
Review of operations

Except where otherwise stated, all figures relate to the year ended 30 June 2005, comparatives are for the year ended 30 June 2004, and life insurance policy owners' interests are excluded.

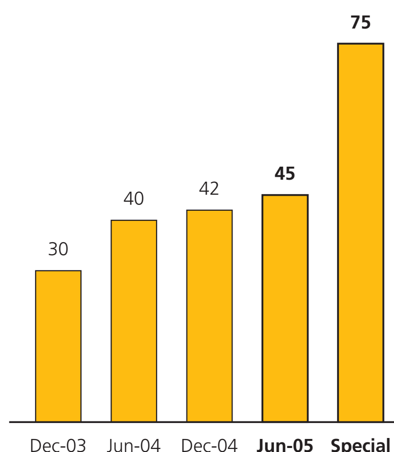
Group overview

- Suncorp has reported a 32.8% increase in net profit to $821 million for the year to June. Net profit in the June half was up 21.1% to $408 million.
- Final ordinary dividend increased 12.5% to 45 cents per share, fully franked, taking full year ordinary dividend to 87 cents per share, an increase of 24% over the prior year. This is equivalent to a diluted payout ratio of 59.9% for the full year.
- The Company has also announced plans to pay a special dividend of 75 cents per share to shareholders, payable in October 2005 (fully franked). This will be supported by a subordinated debt transaction of $200 million from the Bank.
- Earnings per share on a cash basis, fully diluted, increased 29.0% to $1.60 for the full year.
- Return on equity, on a cash basis, fully diluted, increased to 19.5% for the full year. After goodwill and other non-cash items, the return on equity was 19.2%.
- Underlying profit for the group increased by 26.7% to $955 million, demonstrating the strong operating performance of the business.
- The **Banking** division delivered strong improvement in profit before tax to $458 million for the year, up 23.5% on the prior year. The result was driven by robust lending growth, higher net interest margins, and historically low bad debt write-offs and provisions.
- In **General Insurance**, pre-tax profits grew by 40% to $651 million. This was driven by solid growth in premium revenue, favourable claims experience in long tail classes, and increased investment income, offset by well above average storm activity during the year.
- The insurance trading result (ITR), which is the underwriting result plus investment income on insurance provisions and the clearest indicator of performance in the underwritten general insurance business, increased by 35.6% to $427 million. This equates to an insurance margin of 17.7% on net earned premium for the year. A margin of 17.6% was achieved for the second half.
- **Wealth Management** profits before tax increased 37.9% to $91 million. The result includes a one-off gain of $16.7 million resulting from the sale of management rights. Removing this one-off, profits increased 12.1% to $74 million, from $66 million in the prior year, largely driven by strong investment earnings as well as increased planned profit. Funds under management (FUM) also benefited from strong investment earnings, with FUM rising by 8% for the year to $11.9 billion.
- Income tax expense increased by 22.5% to $327 million, due to higher taxable income.

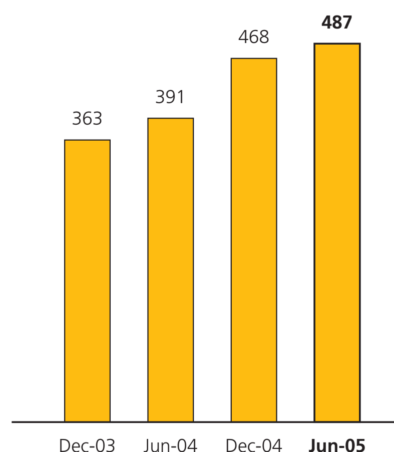
Operating profit after tax
Half-year, $m



Dividend
Half-year, cents per share



Underlying profit
Half-year, $m



Review of operations (continued)

Financial position

- At the end of June, the group had total assets of $44.3 billion, up 12.2% on the prior June. Liabilities totalled $39.8 billion, up 12.1%, leaving equity at $4.5 billion, up 12.9%.
- The group's capital position remains strong, with a capital adequacy ratio of 11.5% in the Bank, an MCR multiple of 1.88 times in the General Insurer, and strong capital reserves in the Life Company.
- The Adjusted Common Equity (ACE) ratio in the Bank increased to 6.85% from 4.83% at June 2004, due to increased retained profits following strong profit improvements, and the receipt of a special dividend from the General Insurance controlled entity in September 2004. The proceeds of the $200 million subordinated debt transaction were upstreamed to the Bank in the form of a special dividend, thereby creating ACE in the Bank.
- The group's credit ratings remained stable over the period. Standard & Poor's has an 'A' long term counterparty credit rating on the Company, whilst Moody's is at 'A2' and Fitch at 'A' reflecting the financial strength of the group.

Capital management initiative

- The Company has a strong capital position and some of this capital is surplus to what is required for anticipated growth. It is our intention to return some of this surplus to shareholders. The Company also has a significant accumulation of franking credits.
- The Company has announced a special dividend of 75 cents per share to shareholders, payable in October 2005 (fully franked). This will be supported by a subordinated debt transaction of $200 million from the Bank. The capital management initiative is aimed at returning Tier 1 surplus capital to the Company's shareholders, returning our capital position to target levels and improving our Tier 1/Tier 2 ratios. The special dividend is also an efficient means of transferring some of the franking credit balance to shareholders.

Operational highlights

The strong financial results for the year reflect a number of important operational improvements and demonstrate ongoing progress in implementation of the group's Diversified Financial Services strategy.

The major operational achievements for 2005 were:

- In **Banking**, total lending grew by 15.6%, which was above the total industry growth rate of 11.8% for the year, with a strong performance in both retail and business lending.
- Despite a softening of the home lending market particularly in the second half of the year, the Company has managed to drive continued strong home loan sales and retention, growing receivables by 14.5% for the year to $19.7 billion at June. This was above the annual system growth rate of 11.6%. While the market has remained more resilient than expected, system growth was well down on the 18.5% for the industry in the year to June 2004.
- These results show the effectiveness of initiatives aimed at lifting retention rates and increasing new lending. Rationalisation of the home loan product suite with improving functionality and pricing, as well as increased service standards particularly for the broker distribution networks, have improved broker and customer experience. A major focus on customer retention also led to a significant lift in receivables growth.
- In Business Banking, the relationship management model continues to support ongoing, sustainable growth in a slowing market. The division grew receivables by 17.7% to $14.4 billion at June compared to 11.5% for system. Strong growth was achieved in Commercial (SME), Corporate and Development Finance lending, with good growth in interstate markets due to a more sophisticated broker distribution model, and by successfully developing specialist status in key market segments. Agribusiness showed a strong turnaround, growing receivables 15.2% in the year.
- The success of our relationship management model has been acknowledged by our customers and measured as part of our customer feedback program. Business Banking has enjoyed a strong result with a better than competitive parity (100 is deemed to be competitive) in our results, with our 'worth what paid for' ratio across the board scoring 107. This is a Best in Class result for Business Banking.
- Growth in retail deposits continues to be a feature of the banking performance. Despite a period of intense competition, retail deposits grew by 13.4% outperforming the annual industry growth rate of 9.6%. This result largely reflects the on-going success of the Everyday Options (EDO) transaction and savings account. The initiative has generated more than $1.7 billion in retail funds since its launch in March 2004.
- Net interest margins for the year increased to 2.33% compared to 2.27% in the prior year. On a half-year basis, net interest margin rose 3bp in the second half to 2.34%, following a strong rise of 7bp to 2.31% at the December half, on a prior corresponding period comparison. The strong margin performance benefited from a continued focus on the mix of the lending book towards higher margin products, improved deposit spreads due to increases in official interest rates, and higher capital benefits.

Review of operations (continued)

Operational highlights

- Credit quality remains sound, with gross impaired assets of $69 million, equal to just 0.22% of gross loans. Total provisions increased to $156 million, equal to 247.6% of impaired assets.
- The **General Insurance** result featured strong underlying business growth, despite a highly competitive operating environment (particularly in commercial lines), as well as the constraint to topline growth from reducing prices across our sizeable compulsory third party portfolio. Total gross written premium (GWP) increased by 4.6% to $2.5 billion for the full year, underpinned by growth of risks in force. Excluding CTP, total GWP growth was a solid 8.2% for the full year, including growth of 6.4% in the second half-year, compared to the prior corresponding period.
- We were able to achieve this underlying business growth by leveraging our brands, our unique distribution model, and profitable business relationships. New business initiatives supporting growth were also implemented during the year, with the impacts already becoming evident.
- Activities have included a redesign of end-to-end sales processes and significant investment in frontline sales training (inFOCUS), as well as selected expansion of our distribution networks and optimisation of channel performance where opportunities exist. We have also undertaken targeted marketing campaigns of tailored product offerings to our valued customer segments.
- Retention initiatives included creation of centralised teams specialised in "saving" cancelled business, outbound call centre campaigns with offerings focussed on particular segments with a high propensity to cancel, and creation of a tiered customer service model for our SME sales force to focus on high value "at risk" customers.
- During the year, we successfully completed the roll-out of our new "risk engine" for the Motor book, and it is now being extended to Home, and later Commercial. The risk engine was developed to provide much more sophisticated pricing techniques and greater risk selection capabilities. In Motor, the results are already evident – with improved profitability, and lifted conversion rates for target customer segments.
- Focussed customer service initiatives during the year targeted improvements in high impact areas as identified by our customers through comprehensive customer feedback processes. As an example, first call resolution rates improved to 92% from 73%, resulting in significantly higher customer satisfaction ratings and productivity improvement benefits. Our Event Response Management initiative also helped to deliver superior response times for our customers following the major storm events during the year.
- Group cost synergies and our disciplined expense control has allowed us to maintain a position as one of the most efficient companies in the industry. We reinvested a significant share of achieved cost savings, whilst still improving our expense ratio to 21.2% from 22.0% in the prior year. We have a number of claims cost reduction initiatives underway, which will support profitable growth for the business in an increasingly competitive environment. The initiatives are focused on fraud prevention and detection, claims process optimisation and claims leakage reduction.
- In **Wealth Management**, a highlight was the strength of investment returns achieved by the investments team. Investment income was up 45% on the previous year, including gross returns of 26% on equities and 18% on listed property markets. The Suncorp Balanced Fund, our flagship diversified portfolio, has achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by Intech in their Growth Funds survey. All asset classes with the exception of International equities achieved 1st quartile results for the year ended June 2005.
- The sustained confidence in equity markets also supported growth in new business sales, which increased 21% for the year to $658 million. The value of new business was impacted by a reduction in the ongoing management fee in the superannuation and allocated pension products as at 1 July 2005. Despite this, the value increased by 4%, mainly driven by increased sales volumes and improved profitability of personal risk products.
- Funds under management grew 7.7% for the year to reach $11.9 billion at June 2005, benefiting from strong investment income earnings for the period. Funds under administration increased by 20% to $5.1 billion, benefiting from strong investment earnings as well as a strong improvement in net inflows, to $322 million, as a result of increased sales and strong retention.

Strategy update

During the year, the Company provided a Strategy Update to the market, which highlighted progress made to date in our goal to become Australia's most desirable financial services company. The briefing also outlined our strategic focus for the future.

The briefing reflected on the strong, sustainable, stand alone performances of each of our lines of businesses over the last five reporting halves, demonstrating that a platform for growth has been set. With the momentum and fundamentals in place, we are now better positioned to extract greater value from the synergy aspects of our model.

Review of operations (continued)

Strategy update (continued)

To do this, the Company identified critical areas which provide the basis for a sustainable competitive advantage over peers. These include:

- Further integrating our customer information systems and customer analytical capabilities to draw on our broader window of information to help us meet our customers needs more effectively;
- Refining our customer management protocols and deepening the application of our customer value algorithm across the group;
- Deepening application of design fundamentals to improve our ability to develop truly customised solutions including product optionality, pricing, and channel optimisation;
- Targeting and penetrating high impact opportunities within our existing customer base. Example initiatives include providing business banking solutions to Tier 1 commercial insurance customers and home loan solutions to existing home insurance only customers; and
- Continuing to identify and extract cost and operational synergies across the business.

We are supporting these efforts with programs designed to refine our cultural alignment, continuously lift our performance management standards and to motivate and incentivise our people in ways consistent with the strategic imperatives of the group.

We believe we have the right strategy for the future. Importantly we have a proven ability to execute that strategy and we are confident that over the medium to longer time frame we can deliver superior value to our customers and shareholders.

Outlook

At a macro level the economy is still performing well, with GDP growth for the year forecast to be approximately 3%. And Queensland, where we have approximately 50% of our business, is expected to out-perform that average. Inflation is under control and unemployment at record lows. Interest rates are expected to remain stable with a relatively flat yield curve. Mortgage lending growth rates have now moderated from the historic highs of recent years to more normal levels of around 10-12%. Generally competition in all our markets is intensifying, particularly in the sectors where foreign interests are increasing their presence.

In **Banking** we would expect to continue to grow both our asset and retail deposit bases faster than the annual industry growth rates and consequently increase our market shares. Margins are expected to contract as a result of intensifying competition in both the mortgage lending and the retail deposits sectors, a slowing in growth in some of our higher margin segments such as development finance, a relatively flat yield curve and a reduction of excess capital.

With regard to credit conditions, we see no indication of a deterioration. However, it would be unrealistic to expect loan losses to remain indefinitely at current historically low levels.

In **General Insurance** we would expect premium increases to moderate. Anticipated increases in personal lines will be partially offset by a continuing reduction in premiums in personal injury classes due to the benefits of tort law reform being passed onto customers, and increased competition in commercial lines. In terms of growth, we expect to grow market shares in most of our product lines.

With respect to claims we anticipate the potential size of long tail releases to moderate over time as premium prices realign with underlying valuation parameters. Weather events are clearly unpredictable but it is hoped that the 2004/2005 experience, which was the worst storm period for the last nine years (excluding the 1999 Sydney hailstorms), will not be repeated. In addition, we are targeting significant claims cost efficiencies.

We continue to believe that the medium to long term sustainable Insurance Trading Result (ITR) is in the range of 11-14%, which is below the 17.7% achieved this year. However, in the absence of any major weather events, we could expect to achieve an ITR towards the upper end, or even exceed this range in the near term.

In **Wealth Management**, we anticipate growing our Funds under Administration faster than the industry average through increased sales and continuing strong customer retention. An important source of sales growth will be our ability to increasingly penetrate the group's large banking and and insurance customer bases for Wealth Management solutions. Increased competition and factors such as Super Choice are creating margin compression and we expect this to continue.

Overall we anticipate that equity markets will remain sound, though compared to the performance of the last two years, we expect that returns will moderate towards longer-term norms.

Therefore at a group level, we expect a strong operating performance and increases in market shares from the majority of our business lines, however, increases in underlying profit will be slower if the General Insurance trading margin reverts to its long term sustainable range and if loan losses increase from current historic lows.

We would expect our ordinary dividend growth to be at least 10 percent for the full year.

Contribution to profit by division for the year ended 30 June 2005

Excluding Life Insurance Policy Owners' Interests

	Full Year Ended Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Banking			
Net interest income	771	656	17.5
Non-interest income [1]	162	177	(8.5)
Operating expenses	(447)	(414)	8.0
Bad debts	(28)	(48)	(41.7)
Contribution before tax	**458**	**371**	**23.5**
General Insurance			
Gross written premium[2]	2,542	2,430	4.6
Net earned premium[2]	2,412	2,184	10.4
Net incurred claims	(1,768)	(1,537)	15.0
Operating expenses[2]	(513)	(480)	6.9
Investment income on insurance provisions	296	148	100.0
Insurance trading result	427	315	35.6
Managed schemes net income	25	20	25.0
Joint venture income	26	19	36.8
Investment income on shareholder funds	199	130	53.1
Contribution before tax and capital funding	677	484	39.9
Subordinated debt expense - capital funding	(26)	(19)	36.8
Contribution before tax	**651**	**465**	**40.0**
Wealth Management			
Contribution from Life Company	64	57	12.3
Contribution from Funds Management	27	9	200.0
Contribution before tax	**91**	**66**	**37.9**
Other			
Sale of investment in Cashcard Australia Ltd	-	31	(100.0)
Other[3]	9	12	(25.0)
Contribution before tax	**9**	**43**	**(79.1)**
Total contribution before amortisation of goodwill	1,209	945	27.9
Amortisation of goodwill	(61)	(60)	1.7
Income tax	(327)	(267)	22.5
Total contribution after income tax and amortisation of goodwill	**821**	**618**	**32.8**
Underlying profit[4]	**955**	**754**	**26.7**

Notes:

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

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

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

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

Reconciliation of underlying profit to operating profit

	Full Year Ended Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Total operating profit before tax and amortisation of goodwill	1,209	945	27.9
General Insurance investment income on shareholder funds	(199)	(130)	53.1
Share of General Insurance investment income in joint venture shareholder funds	(10)	(6)	66.7
Wealth Management investment income in Life Company	(26)	(23)	13.0
Wealth Management investment income in Funds Management	(2)	(1)	100.0
One-off items	(17)	(31)	(45.2)
Underlying profit	**955**	**754**	**26.7**

Contribution to profit by division for the half-year ended 30 June 2005

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended					
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Banking						
Net interest income	394	377	339	317	4.5	16.2
Non-interest income[1]	80	82	87	90	(2.4)	(8.0)
Operating expenses	(226)	(221)	(208)	(206)	2.3	8.7
Bad debts	(10)	(18)	(24)	(24)	(44.4)	(58.3)
Contribution before tax	238	220	194	177	8.2	22.7
General Insurance						
Gross written premium[2]	1,287	1,255	1,251	1,179	2.5	2.9
Net earned premium[2]	1,215	1,197	1,108	1,076	1.5	9.7
Net incurred claims	(876)	(892)	(819)	(718)	(1.8)	7.0
Operating expenses[2]	(263)	(250)	(244)	(236)	5.2	7.8
Investment income on insurance provisions	138	158	125	23	(12.7)	10.4
Insurance trading result	214	213	170	145	0.5	25.9
Managed schemes net income	14	11	10	10	27.3	40.0
Joint venture income	15	11	9	10	36.4	66.7
Investment income on shareholder funds	81	118	71	59	(31.4)	14.1
Contribution before tax and capital funding	324	353	260	224	(8.2)	24.6
Subordinated debt expense - capital funding	(14)	(12)	(10)	(9)	16.7	40.0
Contribution before tax	310	341	250	215	(9.1)	24.0
Wealth Management						
Contribution from Life Company	28	36	27	30	(22.2)	3.7
Contribution from Funds Management	21	6	3	6	250.0	600.0
Contribution before tax	49	42	30	36	16.7	63.3
Other						
Sale of investment in Cashcard Australia Ltd	-	-	31	-	n/a	(100.0)
Other[3]	4	5	6	6	(20.0)	(33.3)
Contribution before tax	4	5	37	6	(20.0)	(89.2)
Total operating profit before tax and amortisation of goodwill	601	608	511	434	(1.2)	17.6
Amortisation of goodwill	(30)	(31)	(30)	(30)	(3.2)	-
Income tax	(163)	(164)	(144)	(123)	(0.6)	13.2
Total operating profit after income tax and amortisation of goodwill	**408**	**413**	**337**	**281**	**(1.2)**	**21.1**
Underlying profit[4]	**487**	**468**	**391**	**363**	**4.1**	**24.6**

Notes:

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

[2] Net of certain statutory fees and charges "grossed-up" in income and expenses in the Consolidated Financial Report.

[3] Other is primarily the property management activities of LJ Hooker.

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

Reconciliation of underlying profit to operating profit

	Half-Year Ended					
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Dec-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	%
Total operating profit before tax and amortisation of goodwill	601	608	511	434	(1.2)	17.6
General Insurance investment income on shareholder funds	(81)	(118)	(71)	(59)	(31.4)	14.1
Share of General Insurance investment income in joint venture shareholder funds	(4)	(6)	(4)	(2)	(33.3)	-
Wealth Management investment income in Life Company	(11)	(15)	(13)	(10)	(26.7)	(15.4)
Wealth Management investment income in Funds Management	(1)	(1)	(1)	-	-	-
One-off items	(17)	-	(31)	-	n/a	(45.2)
Underlying profit	**487**	**468**	**391**	**363**	**4.1**	**24.6**

Statement of assets and liabilities

Excluding Life Insurance Policy Owners' Interests

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Assets						
Cash and liquid assets	999	816	696	764	22.4	43.5
Receivables due from other financial institutions	67	18	163	56	272.2	(58.9)
Trading securities	3,396	3,429	2,549	2,997	(1.0)	33.2
Investment securities	5,618	5,486	5,167	5,427	2.4	8.7
Investments in joint ventures	112	99	100	96	13.1	12.0
Loans, advances and other receivables	32,007	31,057	28,744	26,637	3.1	11.4
Property, plant and equipment	181	179	184	204	1.1	(1.6)
Unlisted investment in life insurance statutory funds	200	214	185	181	(6.5)	8.1
Deferred tax assets	149	136	149	136	9.6	-
Intangible assets	922	953	984	1,008	(3.3)	(6.3)
Excess of net market value of interests in life insurance controlled entities	18	17	15	14	5.9	20.0
Other financial assets[(1)]	663	616	572	442	7.6	15.9
Total assets	44,332	43,020	39,508	37,962	3.0	12.2
Liabilities						
Deposits and short term borrowings	27,172	27,742	24,290	22,584	(2.1)	11.9
Payables due to other financial institutions	66	39	70	22	69.2	(5.7)
Payables	1,130	900	840	1,518	25.6	34.5
Current tax liabilities	182	103	104	73	76.7	75.0
Provisions	152	121	130	97	25.6	16.9
Deferred tax liabilities	221	203	169	133	8.9	30.8
Outstanding claims and unearned premium provisions	5,518	5,366	5,176	5,100	2.8	6.6
Bonds, notes and long term borrowings	4,408	3,323	3,926	3,864	32.7	12.3
Subordinated notes	969	962	805	775	0.7	20.4
Total liabilities	39,818	38,759	35,510	34,166	2.7	12.1
Net assets	**4,514**	**4,261**	**3,998**	**3,796**	**5.9**	**12.9**
Equity						
Contributed equity - ordinary shares	2,796	2,725	2,654	2,622	2.6	5.4
Contributed equity - preference shares	244	244	244	244	-	-
Reserves	27	26	24	22	3.8	12.5
Retained profits	1,433	1,260	1,070	902	13.7	33.9
Total parent entity interest	4,500	4,255	3,992	3,790	5.8	12.7
Outside equity interests	14	6	6	6	133.3	133.3
Total equity	**4,514**	**4,261**	**3,998**	**3,796**	**5.9**	**12.9**

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 assets and liabilities with the individual segments' assets and liabilities.

Ratios and statistics for the year ended 30 June 2005

Excluding Life Insurance Policy Owners' Interests

		Full Year Ended Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Performance ratios				
Earnings per share				
Basic	(cents)	148.7	112.8	31.8
Diluted	(cents)	148.5	112.7	31.8
Cash earnings per share				
Basic	(cents)	159.6	123.7	29.0
Diluted	(cents)	159.5	123.6	29.0
Return on average shareholders' equity				
Basic	(%)	20.1	16.9	18.9
Diluted	(%)	19.2	16.0	20.0
Cash return on average shareholders' equity				
Basic	(%)	20.4	17.6	15.9
Diluted	(%)	19.5	16.7	16.8
Return on average total assets	(%)	1.96	1.65	25.0
Insurance trading ratio	(%)	17.7	14.4	22.9
Shareholder summary				
Dividend per ordinary share	(cents)	87.0	70.0	24.3
Dividend per preference share	($)	6.25	6.27	-
Payout ratio				
Basic	(%)	59.6	63.2	(5.7)
Diluted	(%)	59.9	63.8	(6.1)
Weighted average number of shares				
Basic	(million)	541.8	533.9	1.5
Diluted	(million)	542.2	534.4	1.5
Number of shares at end of period				
Basic	(million)	545.8	536.6	1.7
Diluted	(million)	547.1	540.8	1.2
Net tangible asset backing per share				
Basic	($)	6.11	5.15	18.6
Diluted	($)	6.57	5.65	16.3
Share price at end of period	($)	20.11	14.20	41.6
Productivity				
Group efficiency ratio	(%)	23.6	25.3	(6.7)
Financial position				
Total assets	($million)	44,332	39,508	12.2
Capital				
Bank capital adequacy ratio	(%)	11.5	10.3	11.7
Bank Adjusted Common Equity ratio	(%)	6.85	4.83	43.8
General Insurance minimum capital ratio coverage	(times)	1.88	1.74	11.8

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 2005
Excluding Life Insurance Policy Owners' Interests

		Half-Year Ended Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Performance ratios							
Earnings per share							
Basic	(cents)	73.6	75.1	61.5	51.3	(2.0)	19.7
Diluted	(cents)	73.5	75.0	61.4	51.2	(2.0)	19.7
Cash earnings per share							
Basic	(cents)	79.1	80.5	67.0	56.7	(1.7)	18.1
Diluted	(cents)	79.1	80.4	66.9	56.7	(1.6)	18.2
Return on average shareholders' equity							
Basic	(%)	19.5	20.7	18.1	15.6	(5.8)	7.7
Diluted	(%)	18.7	19.7	17.3	14.9	(5.1)	8.1
Cash return on average shareholders' equity							
Basic	(%)	19.7	21.0	18.7	16.5	(6.2)	5.3
Diluted	(%)	19.0	20.1	17.8	15.7	(5.5)	6.7
Return on average total assets	(%)	1.88	1.99	1.75	1.52	(5.0)	11.8
Insurance trading ratio	(%)	17.6	17.8	15.3	13.5	(1.1)	15.0
Shareholder summary							
Dividend per ordinary share	(cents)	45.0	42.0	40.0	30.0	7.1	12.5
Dividend per preference share	($)	3.07	3.18	3.10	3.17	(3.1)	-
Payout ratio							
Basic	(%)	62.2	57.0	66.1	59.9	9.1	(5.9)
Diluted	(%)	62.3	57.2	66.6	60.4	8.9	(6.5)
Weighted average number of shares							
Basic	(million)	543.9	539.7	535.4	532.5	0.8	1.6
Diluted	(million)	544.4	540.1	536.0	533.0	0.8	1.6
Number of shares at end of period							
Basic	(million)	545.8	542.0	536.6	534.1	0.7	1.7
Diluted	(million)	547.1	543.5	540.8	538.7	0.7	1.2
Net tangible asset backing per share							
Basic	($)	6.11	5.64	5.15	4.75	8.9	17.3
Diluted	($)	6.57	6.11	5.65	5.21	8.2	15.8
Share price at end of period	($)	20.11	17.38	14.20	12.39	15.5	41.5
Productivity							
Group efficiency ratio	(%)	24.0	23.2	24.6	26.1	3.4	(2.4)
Financial position							
Total assets	($million)	44,332	43,020	39,508	37,962	3.0	12.2
Capital							
Bank capital adequacy ratio	(%)	11.51	10.44	10.25	10.17	10.6	11.7
Bank Adjusted Common Equity ratio	(%)	6.85	5.59	4.83	4.52	23.2	43.8
General Insurance minimum capital ratio coverage	(times)	1.88	1.95	1.74	1.49	-	11.8

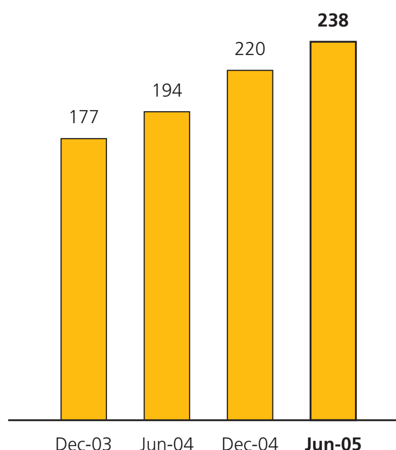
Refer Appendix 3 for definitions.
Refer Appendix 4 for details of Earnings per share and Return on average shareholders' equity calculations.

Segment information – Banking

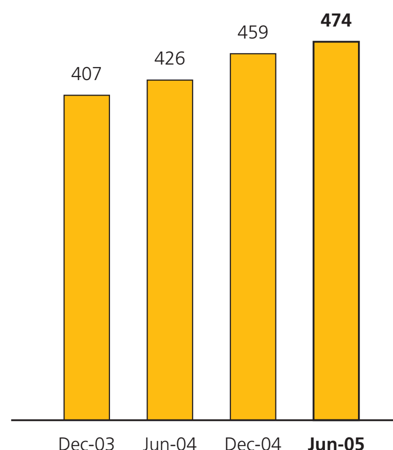
Overview

- The Banking division reported a pre-tax profit of $458 million for the full year, up 23.5% from the previous year, driven by robust lending growth, increased net interest margins and outstanding credit quality.
- Pre-tax profit for the half-year to June 2005 was $238 million, up 8.2% on the preceding six months to December 2004 and 22.7% on the half-year to June 2004.
- Return on equity for the year was at 17.2%, up from 16.3% in the prior year.
- A highlight of the result was the strong lending performance, with credit growth showing some resilience to a softening in housing and property markets. Total receivables (including securitised assets) reached $34.8 billion at June, up 15.6% for the year and outperforming the industry at 11.8%. Growth was evident across each of the different lending portfolios.
- Business lending remained particularly strong, with receivables growing 17.7% for the full year in comparison to a system growth of 11.5%. Strong growth was achieved in Commercial (SME) and Corporate lending which grew by 18.3% and 58.5% respectively, while Agribusiness showed a strong turnaround, with receivables growing 15.2% for the full year.
- Home lending also maintained strong momentum, with receivables, including securitised assets, up 14.5% to $19.7 billion during the year to June 2005. This was above the annual system growth rate of 11.6%. The performance demonstrates the continued effectiveness of initiatives aimed at lifting retention rates and increased new lending.
- Retail deposits continued to grow strongly during the period outperforming system, despite intensifying competition. In the year to June 2005 retail deposits were up 13.4% compared to the annual system growth rate of 9.6%. This was driven by continued growth in the popular Everyday Options transaction and saving account and an increase in Cash Management account funds.
- Net interest margins for the year increased to 2.33% compared to 2.27% in the prior year. On a half-year basis, margins increased to 2.34% in the second half, from 2.31% at December. The strong margin performance benefited from a continued focus on the mix of the lending book towards higher margin products, improved liability spreads due to increases in official interest rates, and earnings on surplus capital.
- Net interest income increased strongly by 17.5% to $771 million for the year. In the half-year to June, net interest income increased by an annualised 9.0% to $394 million, compared with the preceding December half.
- Non-interest income for the year was down 8.5% to $162 million, reflecting increases in broker commissions as higher lending volumes are sourced via the broker channel. Non-interest income in the prior year was also bolstered by higher revenue relating to profit share arrangements.
- Banking expenses increased 8.0% to $447 million for the full year, mainly due to additional staff expenses. However, this was exceeded by revenue growth of 12%, reducing the cost to income ratio to 47.9% for the full year. Operating expenses increased 2.3% in the second half year to June (compared to Dec 04), and the cost to income ratio reduced to 47.7%.
- Asset quality is extremely strong, with the charge for bad and doubtful debts falling to $28 million for the twelve months to June, equal to just 0.1% of risk weighted assets. Total non-performing loans, including impaired assets and past due loans increased to $174 million, equal to 0.56% of gross loans. Total provisions increased 9.9% to $156 million, equal to 247.6% of impaired assets.
- The capital adequacy ratio increased to 11.51%, despite strong growth in risk weighted assets. Increased risk weighted assets were offset by increased retained profits in the capital base.
- The Adjusted Common Equity (ACE) ratio in the Bank increased to 6.85% from 4.83% at June 2004, due to increased retained profits following strong profit improvements, and the receipt of a special dividend from the General Insurance controlled entity in September 2004. The proceeds of the $200 million subordinated debt transaction were upstreamed to the Bank in the form of a special dividend, thereby creating ACE in the Bank.
- The Company has announced capital management initiatives aimed at returning surplus capital to the Company's shareholders, returning our capital position closer to benchmark levels, as well as efficiently transferring some of the franking credit balance to shareholders.

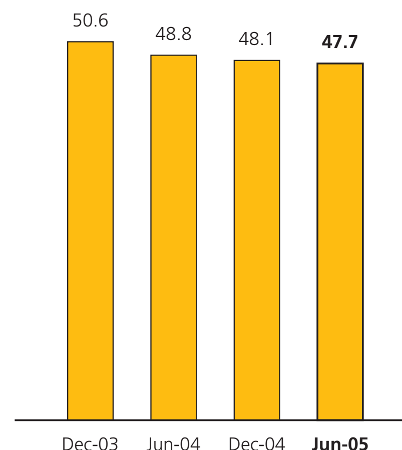
Contribution to profit
Half-year, $m



Total banking income
Half-year, $m



Cost to income ratio
Half-year, %



	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Dec-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Profit contribution – Banking								
Net interest income								
Interest revenue	1,195	1,135	1,024	926	5.3	2,330	1,950	19.5
Interest expense	(801)	(758)	(685)	(609)	5.7	(1,559)	(1,294)	20.5
	394	377	339	317	4.5	771	656	17.5
Net banking fee income								
Banking fee and commission revenue	114	111	103	112	2.7	225	215	4.7
Banking fee and commission expense	(44)	(38)	(33)	(28)	15.8	(82)	(61)	34.4
	70	73	70	84	(4.1)	143	154	(7.1)
Other operating revenue								
Net profits on trading and investment securities	2	2	-	-	-	4	-	n/a
Net profits on derivative and other financial instruments	4	6	4	6	(33.3)	10	10	-
Other income	4	1	13	-	300.0	5	13	(61.5)
	10	9	17	6	11.1	19	23	(17.4)
Non-interest income	80	82	87	90	(2.4)	162	177	(8.5)
Total income from ordinary banking activities	474	459	426	407	3.3	933	833	12.0
Operating expenses								
Staff expenses	(132)	(126)	(122)	(118)	4.8	(258)	(240)	7.5
Occupancy expenses	(12)	(12)	(12)	(11)	-	(24)	(23)	4.3
Computer and depreciation expenses	(22)	(24)	(22)	(23)	(8.3)	(46)	(45)	2.2
Communication expenses	(15)	(16)	(16)	(17)	(6.3)	(31)	(33)	(6.1)
Advertising and promotion expenses	(14)	(10)	(13)	(11)	40.0	(24)	(24)	-
Other operating expenses[1]	(31)	(33)	(23)	(26)	(6.1)	(64)	(49)	30.6
	(226)	(221)	(208)	(206)	2.3	(447)	(414)	8.0
Contribution to profit from Banking activities before bad and doubtful debts	248	238	218	201	4.2	486	419	16.0
Bad and doubtful debts expense	(10)	(18)	(24)	(24)	(44.4)	(28)	(48)	(41.7)
Contribution to profit before tax from Banking activities	**238**	**220**	**194**	**177**	**8.2**	**458**	**371**	**23.5**
Cash return on equity (%)	**17.1**	**17.2**	**17.3**	**16.3**	**(0.5)**	**17.2**	**16.3**	**5.7**

Notes:

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

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Assets and liabilities – Banking						
Assets						
Cash and liquid assets	653	496	324	522	31.7	101.5
Receivables due from other financial institutions	67	18	163	56	272.2	(58.9)
Trading securities	3,396	3,429	2,549	2,997	(1.0)	33.2
Investment securities	2,065	2,065	2,065	2,067	-	-
Loans, advances and other receivables[1]	30,936	30,044	28,015	25,891	3.0	10.4
Property, plant and equipment	180	177	182	203	1.7	(1.1)
Deferred tax assets	148	135	147	135	9.6	0.7
Intangible assets	20	21	22	23	(4.8)	(9.1)
Other financial assets[2]	387	423	426	332	(8.5)	(9.2)
Total assets	37,852	36,808	33,893	32,226	2.8	11.7
Liabilities						
Deposits and short term borrowings	27,220	27,812	24,684	23,054	(2.1)	10.3
Payables due to other financial institutions	66	39	70	22	69.2	(5.7)
Payables	885	699	612	954	26.6	44.6
Current tax liabilities	185	104	104	73	77.9	77.9
Provisions	149	119	116	83	25.2	28.4
Deferred tax liabilities	218	203	169	133	7.4	29.0
Bonds, notes and long term borrowings	4,408	3,323	3,926	3,864	32.7	12.3
Subordinated notes	770	763	805	775	0.9	(4.3)
Total liabilities	33,901	33,062	30,486	28,958	2.5	11.2
Net assets	**3,951**	**3,746**	**3,407**	**3,268**	**5.5**	**16.0**

Notes:

[1] Excludes securitised home loan balances of $3.7 billion (Dec 04:$2.4billion; Jun 04:$2.3 billion; Dec 03:$1.7 billion).

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

	Half-Year Ended				Full Year Ended	
	Jun-05 %	Dec-04 %	Jun-04 %	Dec-03 %	Jun-05 %	Jun-04 %
Banking ratios and statistics						
Cost to income ratio	47.7	48.1	48.8	50.6	47.9	49.7
Cost to average total banking assets ratio	1.25	1.26	1.30	1.34	1.26	1.32
Capital adequacy ratio	11.51	10.44	10.25	10.17	11.51	10.26
Return on average risk weighted assets ratio	1.49	1.45	1.41	1.39	1.48	1.40
Net interest margin	2.34	2.31	2.30	2.24	2.33	2.27
Net interest spread	2.07	2.03	2.06	2.02	2.05	2.04

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Asset growth						
Housing loans	19,739	18,465	17,238	15,548	6.9	14.5
Consumer receivables	637	582	543	485	9.5	17.3
Retail loans	20,376	19,047	17,781	16,033	7.0	14.6
Commercial (SME's)	2,337	2,099	1,975	1,807	11.3	18.3
Corporate	1,217	988	768	702	23.2	58.5
Development finance	2,846	2,683	2,381	2,072	6.1	19.5
Property investment	3,277	3,233	2,920	2,761	1.4	12.2
Lease finance	2,106	2,035	1,918	1,825	3.5	9.8
Agribusiness	2,626	2,458	2,279	2,111	6.8	15.2
Business loans	14,409	13,496	12,241	11,278	6.8	17.7
Structured finance	8	8	8	8	-	-
Other receivables[1]	23	43	87	80	(46.5)	(73.6)
Total lending	34,816	32,594	30,117	27,399	6.8	15.6
Provision for impairment	(155)	(153)	(142)	(134)	1.3	9.2
	34,661	32,441	29,975	27,265	6.8	15.6
Intragroup receivables	-	64	354	400	(100.0)	(100.0)
Total loans, advances and other receivables including securitised balances	34,661	32,505	30,329	27,665	6.6	14.3
Less: Securitised loan balances (housing)	(3,725)	(2,461)	(2,314)	(1,774)	51.4	61.0
Loans, advances and other receivables	**30,936**	**30,044**	**28,015**	**25,891**	**3.0**	**10.4**
Gross banking loans, advances and other receivables	**31,091**	**30,133**	**27,803**	**25,625**	**3.2**	**11.8**
Risk weighted assets	**23,132**	**22,054**	**20,152**	**18,629**	**4.9**	**14.8**
Geographical breakdown - total lending						
Queensland	21,244	19,871	18,589	17,189	6.9	14.3
New South Wales	7,732	7,182	6,483	5,969	7.7	19.3
Victoria	4,446	4,326	3,927	3,365	2.8	13.2
Western Australia	1,198	1,027	848	696	16.7	41.3
South Australia and other	196	188	270	180	4.3	(27.4)
Total lending	**34,816**	**32,594**	**30,117**	**27,399**	**6.8**	**15.6**

Notes:

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

	Half-Year Ended					Full Year Ended		
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Asset growth (continued)								
Disbursements								
By segment								
Housing	3,349	3,213	3,340	3,105	4.2	6,562	6,445	1.8
Consumer	116	109	131	92	6.4	225	223	0.9
Business	3,937	4,586	3,600	4,549	(14.2)	8,523	8,149	4.6
Total	**7,402**	**7,908**	**7,071**	**7,746**	**(6.4)**	**15,310**	**14,817**	**3.3**
Geographical breakdown								
Queensland	4,430	4,583	4,089	4,501	(3.3)	9,013	8,590	4.9
New South Wales	1,634	1,938	1,610	2,045	(15.7)	3,572	3,655	(2.3)
Victoria	905	967	998	940	(6.4)	1,872	1,938	(3.4)
Western Australia	405	377	316	214	7.4	782	530	47.5
South Australia and other	28	43	58	46	(34.9)	71	104	(31.7)
Total	**7,402**	**7,908**	**7,071**	**7,746**	**(6.4)**	**15,310**	**14,817**	**3.3**

Total lending

Total receivables, including securitised assets, rose by 15.6% to $34.8 billion over the year to June, compared with overall industry credit growth of 11.8%. In the half-year to June, asset growth remained strong at 6.8% (13.6% annualised), above the annualised 11.0% growth rate for system for that period.

Despite a dampening of growth rates, the domestic economic environment remains resilient. Unemployment remains historically low, inflation under control, and interest rates have stabilised following recent rises. While the housing market has clearly cooled, business confidence remains strong, supportive of lending growth across the portfolio. Furthermore, improvements in the Company's distribution network, product mix and service levels, has enabled the achievement of market outperformance during the period.

The geographical diversity of the portfolio continues to improve. Assets outside Queensland now account for 39% of total assets, with receivables growing by 17.7% to $13.6 billion during the year. Growth was particularly strong in Western Australia reflecting the benefits of expansion initiatives and reducing the concentration risk of the total book. The strong economy in Queensland also continued to support growth, with receivables up 14.3% for the year to $21.2 billion.

Growth in disbursements, or new lending, showed a marked slowdown during the year, growing 3.3% to $15.3 billion following the exceptionally strong performance in the year to June 2004 (growth of 34.4%). Business lending disbursements rose 4.6% to $8.5 billion, while housing was up by 1.8% to $6.6 billion.

Asset growth (continued)

Housing lending

The home loan portfolio, including securitised assets, totalled $19.7 billion at June 2005, up 14.5% compared with June 2004 and well above industry growth, which slowed to a more sustainable pace of 11.6% for the period. Portfolio growth for the half-year to June was 6.9% compared with industry growth of 5.5%.

Disbursements grew modestly, up by 2% in the year to June 2005, compared to 32% growth for the 2004 year, reflecting a slowdown in demand. However, the overall level of home loan sales remains strong, at $6.6 billion, enabling asset growth rates to be maintained at a healthy rate.

In Queensland, home lending receivables increased by 13.1% in the twelve months to June. Outside Queensland, assets grew by 15.7% with particularly strong growth in New South Wales and the ACT reflecting the success of mortgage broker introduced business. Assets outside Queensland now account for 36.5% of the mortgage book.

This good performance in housing, despite the clear market slowdown has been achieved through initiatives such as rationalisation of the home loan product suite while improving functionality and pricing, as well as increased service standards, aimed at improving broker and customer experience. A major focus on mortgage retention enabled receivables growth to be maintained despite the reduction in disbursements growth.

We continued to successfully expand on growth achieved through our broker distribution network. Home loan portfolio assets generated through the broker channel now amount to approximately 39% of the housing portfolio. This is up from 35% at June 2004, and reflects the continued success of our focus on this channel, which is expected to remain a dominant distribution vehicle for the Company in markets outside Queensland.

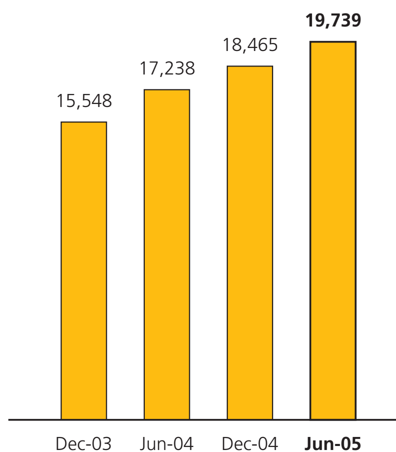
Within Queensland, where our direct channels remain the principal vehicle of distribution, the Company's disbursement performance improved considerably. The direct channel accounts for 74% of Queensland's disbursements, and were up by 6% over the prior year despite a slower market.

In owner-occupied home lending, portfolio growth of 17.7% to $10.7 billion for the year to June reflects continued strength of new business performance, with growth in disbursements of 21% for the period. This included second half disbursements growth of 15.8%. Owner-occupied receivables growth exceeded the industry rate of 12.4% for the year.

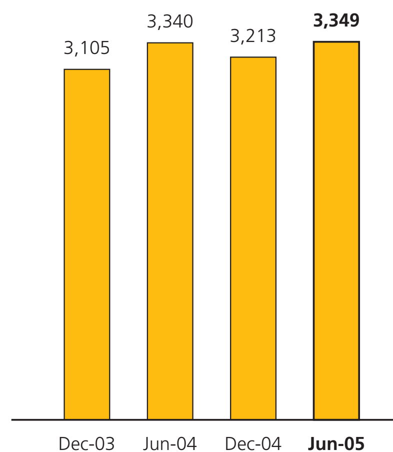
In trend with experience in the first half year, disbursements for investment purposes continued to slow in the half-year to June, reflecting the weakening demand in a softening market. For the year as a whole, investment housing receivables grew 12.7% compared to industry investment lending growth of 10.5%.

"Low-doc" lending assets totalled $1.7 billion at year end, down from $2.0 billion at December 2004 and $1.8 billion at June 2004, with portfolio run-off exceeding new asset growth. The Company's low-doc product is conservatively structured, with a maximum loan to valuation ratio (LVR) of 80% and with all loans over 60% LVR mortgage insured. Credit quality in the low doc portfolio therefore is strong.

Housing lending assets
Half-year, $m



Housing lending disbursements
Half-year, $m



Asset growth (continued)

Consumer Lending

Consumer Lending, a relatively small part of the portfolio, is made up principally of personal loans, credit cards and margin lending. Total consumer receivables grew by 17.3% to $637 million in the 12 months to June 2005, boosted by strong growth in Clear Options credit card balances (up 97% to $94 million at June 2005). Personal loans grew by 13%, benefiting from the implementation of product and process simplification. The improved climate in equities markets and business model changes contributed to strong growth in margin lending balances for the year, up 16% to $243 million.

Business lending

Business lending grew strongly in the year to June, increasing 17.7% to $14.4 billion. This compares to system growth of 11.5% for the year.

Growth slowed in the second half of the year in line with the continued cooling of property markets. The July to December 2004 increase in receivables of 10.2% compared to 6.8% for the half-year to June. Overall business confidence remains relatively solid. In particular the strong economic outlooks for Queensland and Western Australia provide sustainable growth prospects. Furthermore, the strength of the Company's relationship model and specialised sector knowledge, such as for agribusiness and property development, have underpinned above system lending growth rates. Greater focus in corporate lending has also provided good growth, albeit off a small base.

Commercial (SME). Lending growth to small to medium sized enterprises (SME's) was strong, with assets in this segment increasing by 18.3% in the year to June to $2.3 billion. Competition in this sector has strengthened, particularly as a result of the shift in focus from the slowing housing market to the SME market. Growth was strongest in New South Wales during the year, driven by effective relationship management within key broker distribution channels. Queensland also remains strong, leveraging the group's extensive network and strong brand position.

Corporate lending. The business banking result benefited from successful growth in the Corporate book (predominately customers with turnovers of $10 million to $100 million), with Corporate receivables growing by 58.5% to in excess of $1.2 billion. The Bank has built on its strong niche position and are targeting profitable new business growth in line with the devised strategy for the sector. Significant growth was seen in high quality, individual corporate clients, and good participation achieved in quality loan syndications. Participation in these syndicates has given the Bank access to industries and segments which would not otherwise be available either due to size or industry expertise.

Work is also underway to refine our focus on selected industries. We have identified a number of areas where we have achieved specialist status, such as in management rights, hotels and clubs, and we are building programs of work aimed at leveraging that position.

Development finance. This portfolio 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, which reflects our portfolio focus in specific markets. Lending growth moderated during the year in line with a marked slowdown of demand in property markets, particularly evident in New South Wales and Victoria. However, underlying activity remained resilient, particularly in the strong economic growth states of Queensland and Western Australia.

Portfolio growth eased, but remained very healthy at 19.5% for the year to June 2005, taking assets to $2.8 billion. This was well down on the 61.4% growth achieved in the year to June 2004, when the market was at its peak. In the final six months of this year, growth was 12.2% (annualised) compared to annualised growth of 25% in the preceding December half.

This portfolio continues to be widely diversified geographically, with approximately 38% of assets in NSW, 43% in Queensland and 11% in Victoria. In the year to June 2005, the Queensland portfolio grew by 34%, and Western Australia by 82% (from a low base) reflecting strong development activities in those states. The greatest moderation occurred in New South Wales and ACT, where assets increased 1.6% compared to around 70% for the prior corresponding period.

This sector is expected to soften further over the next 12 months, with asset growth expected to be lower as assets are completed and settled. Strong levels of pre-sales are held for our apartment exposures and settlement default rates remain low. Credit quality remains excellent and interest margins have also continued to be strong.

Asset growth (continued)

Business lending (continued)

Property investment includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects. Retail shopping centres account for 45% of the portfolio, commercial premises 33% and the remainder is a mixture of industrial, residential and other investment classes.

Property investment assets growth also moderated, but remained healthy at 12.2% to $3.3 billion for the year to June 2005.

The portfolio remains well diversified geographically with 40% of assets held outside of Queensland. In the year to June 2005 the strongest growth was recorded in Queensland and Western Australia followed by NSW. Disbursement and asset growth in Victoria was most impacted by slowing markets.

Asset quality is high and whilst margins are expected to come under pressure over the next year, continued momentum in this market coupled with increases in our property investment team are expected to generate further growth in the size and profitability of this segment.

Agribusiness showed a strong turnaround for the year, with receivables up by 15.2% to $2.6 billion for the year to June, with annualised growth in the second half-year of 13.6%. This is despite the prolonged drought period across the Eastern Seaboard, which is more prevalent in some districts than others. The recent rainfall has brought some relief to the primary producers across Eastern Australia and allowed planting of winter crops in many districts. However, follow-up rain will be required for the yields and restocking to continue. Increased farm values have also boosted farm equity, though property activity has moderated.

The position of our sugar portfolio (around 8% of agribusiness receivables) improved markedly throughout the year with a recovery in prices. The outlook for the beef industry remains favourable, with cattle prices firm, while some decline is expected in grain and cotton prices, relative to the prices received in 2003/2004.

Agribusiness credit quality has improved since the beginning of the financial year, with low losses and further reductions in impaired assets.

Leasing assets grew to $2.1 billion at June 2005, up 9.8% on the prior corresponding period. This division continues to grow steadily with a focus on low risk, high volume equipment and vehicle leasing on the Eastern Seaboard. The majority of leasing business is referred via third party brokers with whom we continue to build a strong reputation. The strong performance was driven by good growth in car sales during the year. The Company also expanded into so-called "yellow goods" such as construction equipment and forklifts, leading to solid growth. Equipment Finance, which is highly supportive of the SME market and agribusiness, was a strong performer in a highly competitive environment.

Securitisation of loans

Outstanding securitised assets totalled $3.7 billion at the end of June 2005, up from $2.3 billion at June 2004, with two new tranches undertaken during the period (offset by run-off).

During the year, the Company completed two securitisation transactions. APOLLO Series 2004-2 was issued domestically in September 2004 for $700 million and APOLLO Series 2005-1E Trust in March 2005 was issued offshore in Euro and A$, for A$2.0 billion equivalent, which included low-doc loans for the first time.

The impact of the securitisation program undertaken during the year was to reduce net interest income by $12.1 million, and increase fee income by $9.1 million. The impact on the second half was to reduce net interest income by $9.7 million, and increase fee income by $7.2 million.

The Company has just completed an $800 million securitisation via the APOLLO Series 2005-2 Trust. The transaction, which is our sixth domestic issue, settled on 19 July 2005. Consistent with our previous offshore transaction in March 2005 it includes low-doc loans, representing approximately 9.5% of the total pool of mortgages.

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).

Funding and deposits

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Retail funding						
Australian retail deposits						
Transaction	4,305	4,134	3,146	2,646	4.1	36.8
Investment	3,958	3,741	3,556	3,751	5.8	11.3
Term	4,413	4,202	4,479	4,142	5.0	(1.5)
Core retail deposits	12,676	12,077	11,181	10,539	5.0	13.4
Retail treasury	2,576	2,360	2,241	2,718	9.2	14.9
Total retail funding	15,252	14,437	13,422	13,257	5.6	13.6
Wholesale funding						
Domestic funding sources						
Senior wholesale funding	9,246	8,981	8,524	6,504	3.0	8.5
Subordinated debt	445	446	445	444	(0.2)	-
	9,691	9,427	8,969	6,948	2.8	8.0
Overseas funding sources						
Euro commercial paper market	3,645	3,313	2,749	3,243	10.0	32.6
Euro medium term note market	3,485	4,404	3,915	3,914	(20.9)	(11.0)
Subordinated debt program (USD)	325	317	360	331	2.5	(9.7)
	7,455	8,034	7,024	7,488	(7.2)	6.1
Total wholesale funding	17,146	17,461	15,993	14,436	(1.8)	7.2
Total funding	**32,398**	**31,898**	**29,415**	**27,693**	**1.6**	**10.1**
Total funding is represented by:						
Deposits and short term borrowings[1]	27,220	27,812	24,684	23,054	(2.1)	10.3
Bonds, notes and long term borrowings	4,408	3,323	3,926	3,864	32.7	12.3
Subordinated debt	770	763	805	775	0.9	(4.3)
Total	**32,398**	**31,898**	**29,415**	**27,693**	**1.6**	**10.1**
Retail funding as a percentage of total funding	**47%**	**45%**	**46%**	**48%**	**4.4**	**2.2**

Notes:

(1) Includes term issuance that is presently within one year of maturity.

Retail funding

Retail deposits featured strongly, achieving positive inflows during the period outperforming system despite intensifying competition and a softening of growth rates. On an underlying basis, core retail deposits (excluding treasury), grew by 13.4% to $12.7 billion for the year to June 2005, outperforming the annual industry growth rate of 9.6%. For the half-year to June, the Company grew deposits by an annualised 10%, compared to 8.33% for the banking sector.

Above system growth was achieved across all product lines, including strong Everyday Options (EDO) transaction and saving account growth, and an increase in Cash Management account funds.

Transaction deposits includes personal transaction, savings accounts and small business deposits. Deposits in this category grew by 36.8% to $4.3 billion, largely reflecting the on-going EDO success. The initiative has attracted more than $1.7 billion in retail funds since its launch in March 2004.

A strong point of the deposits performance for the year was growth outside of Queensland. The interstate deposits portfolio grew 41% in the year to June to $1.4 billion.

Funding and deposits (continued)

Wholesale funding

During the year, the Company successfully raised funds through its General Insurance controlled entity for the first time. In September 2004, Suncorp Metway Insurance Limited issued subordinated debt, raising A$200 million, split between fixed and floating tranches. The purpose of raising subordinated debt in the General Insurance controlled entity was to better reflect the consumption of capital by the insurance business and reduce the capital strain on the Bank. The proceeds were upstreamed to the Bank via a special dividend, improving the Bank's ACE ratio to above the 5% target minimum. The quantity and diversity of the participants (20 domestic investors) ensured a strong pricing outcome.

Consistent with last year's benchmark wholesale transaction undertaken in the European and Asian markets (October 2003), Suncorp undertook a Euro 500 million 5 year floating rate note issue (equivalent to approximately A$860 million) in October 2004. Once again the objectives were to increase investor diversification (Basel II considerations) and to lengthen the weighted average term and dispersion of the balance sheet. Approximately 40% of participants were new investors while in total there were 41 investors from 14 countries.

No benchmark transactions were undertaken in the second half of the financial year.

To balance liquidity and funding requirements around benchmark transactions, private placements and wholesale short term issuance (domestic and offshore) were initiated.

Profit overview

Net interest income

Net interest income rose by 17.5% to $771 million for the year, driven by strong lending growth and increased net interest margins. Growth was strongest in the first half, with net interest income rising 18.9% compared with the prior corresponding December half, and 16.2% growth for the June half-year compared to the prior June half.

As noted above, the impact of the securitisation program led to a $12.1 million reduction in net interest income. The impact on the second half was to reduce net interest income by $9.7 million.

Net interest margins for the full year were up six basis points to 2.33% compared to 2.27% in the prior year, reflecting the Company's focus on maintaining pricing disciplines and strong profit management. Year on year margin improvement was also influenced by an increase in capital. On a half-year basis, margins increased to 2.34% in the second half, from 2.31% at December, with improved funding margins due to positioning of the overall balance sheet delivering value in the rising interest rate environment.

Other factors which contributed to the strong margin performance included:

- a continued focus on the mix of the lending book towards higher margin products. This has contributed a small improvement to the net interest margin over the year with good growth in higher margin business lending products as well as in lower margin housing.
- improved spreads due to increases in official interest rates, which more than offset the negative impact of a change in the liability mix, due to increased competition in retail deposits.
- earnings on surplus capital.
- a narrowing of the cash 90-day bank bill spread.

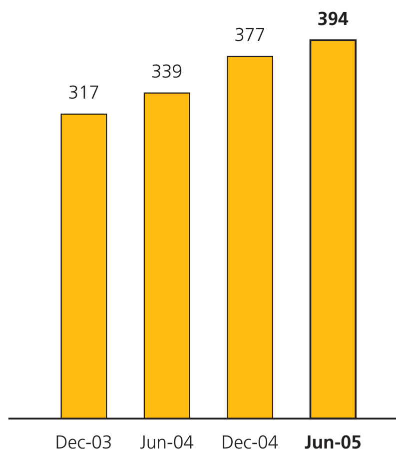
Net banking fee income

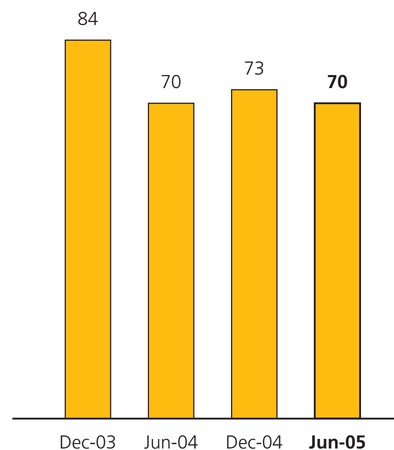
Bank fee income for the full year was down 7.1% to $143 million. Net lending fees were impacted by increased broker commissions paid and higher retention rates reducing growth in break fees. For the half-year to June, fee income was down 4.1% to $70 million, due mainly to reduced lending fees, which fell to $14 million from $21 million in the preceding December half.

Net lending fees during the June half-year were also impacted by:

- a move towards packaging of core banking products, resulting in reduced establishment and on-going fees, as well as higher fee rebates. This is in line with industry experience.
- reduced disbursements during the second half-year, leading to a lower level of establishment fees.
- an increase in broker commissions paid, which are netted off against this line. Broker commissions increased from $23 million for the half-year ended December 2004, to $26 million for the half-year to June, due to the increase in assets generated via the broker channel.

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Dec-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Net banking fee income								
Lending fees revenue	40	44	35	43	(9.1)	84	78	7.7
Lending fees expense	(26)	(23)	(19)	(15)	13.0	(49)	(34)	44.1
Net lending fees	14	21	16	28	(33.3)	35	44	(20.5)
Transaction fees	44	43	43	43	2.3	87	86	1.2
Securitisation fees	11	8	10	11	37.5	19	21	(9.5)
Interchange fees	1	1	1	2	-	2	3	(33.3)
	70	73	70	84	(4.1)	143	154	(7.1)





Operating expenses

Operating expenses increased by 8.0% to $447 million for the year to June, mainly due to additional staff-related costs, including increases in performance-based remuneration. The increase in 'other' operational expenses relates largely to additional consultancy and regulatory/compliance costs associated with projects such as Basel II and IFRS. Other major categories remained fairly stable. However, the rate of cost growth was lower than the revenue increase of 12%, leading to a reduction in the cost to income ratio to 47.9% for the full year.

The increase in expenses was mainly felt in the first half, with second half expense growth restricted to 2.3% compared with the December half. The cost to income ratio was 47.7% for the June half.

Bad and doubtful debts

The charge for bad and doubtful debts was $28 million for the year to June 2005, well down from $48 million in 2004. As a proportion of average loans, advances and other receivables, the bad debt charge amounts to just 9 basis points for the year, reflecting the extremely strong credit quality of the book, as well as the strong underlying credit conditions in the market as a whole.

A large portion of the bad debt charge was the normal increase in the general provision due to growth in the book. Bad debts written off were $8 million for the total lending portfolio for the year. Approximately 57% of total lending is made up of low risk housing loans, and the portfolio has very low exposure to corporate lending or unsecured consumer finance. The bulk of lending, including housing, development finance, property investment, agribusiness and commercial lending is secured by land and buildings at conservative valuations.

	Half-Year Ended					Full Year Ended		
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Charge for bad and doubtful debts								
General provision for impairment	4	12	9	10	(66.7)	16	19	(15.8)
Specific provision for impairment	3	4	11	11	(25.0)	7	22	(68.2)
Bad debts written off	4	4	6	4	-	8	10	(20.0)
Bad debts recovered	(1)	(2)	(2)	(1)	(50.0)	(3)	(3)	-
	10	18	24	24	(44.4)	28	48	(41.7)

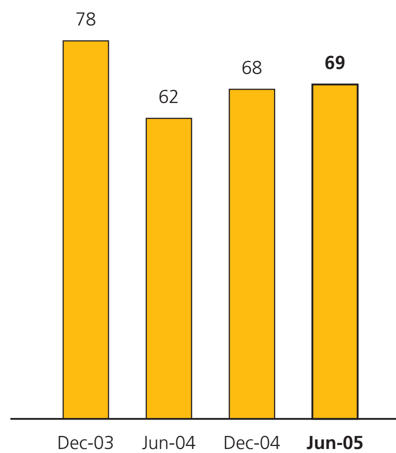
Impaired assets

Gross impaired assets totalled $69 million at June, equivalent to just 0.22% of gross loans, advances and other receivables. Past 90 day due loans increased to $105 million, taking total non-performing loans to $174 million, up from $121 million in the preceding December half. However, as a proportion of gross loans, non-performing loans represent just 0.56%. The increase in past 90 days due loans is a result of a small number of business banking loans migrating into that category. It is not an indication of a deteriorating trend, and there is a very limited likelihood of loss being incurred.

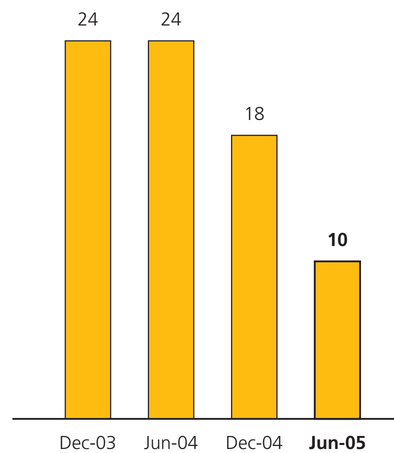
Of the $69 million in impaired assets, Agribusiness remains the biggest segment at $24 million, although this is well down on the $46 million at the prior June half reflecting more positive operating conditions in rural industries.

It is important to note that the majority of the Company's loan book is secured by hard assets and property. Therefore, while a loan may become non-performing, it typically does not result in a bad debt charge due to the strength of the security position underpinning the loan.

Gross impaired assets
Half-year, $m



Bad and doubtful debts
Half-year, $m



	Half-Year Ended					
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Impaired assets (continued)						
Gross balances of non-accrual loans						
With specific provisions set aside	35	32	32	48	9.4	9.4
Without specific provisions set aside	34	36	30	30	(5.6)	13.3
Gross impaired assets	69	68	62	78	1.5	11.3
Interest reserved	(6)	(7)	(8)	(10)	(14.3)	(25.0)
Net balances	63	61	54	68	3.3	16.7
Specific provision for impairment	(17)	(18)	(19)	(20)	(5.6)	(10.5)
Net impaired assets	46	43	35	48	7.0	31.4
Size of gross impaired assets						
Less than one million	27	25	25	34	8.0	8.0
Greater than one million but less than ten million	32	32	27	44	0.0	18.5
Greater than ten million	10	11	10	-	(9.1)	0.0
	69	68	62	78	1.5	11.3
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	105	53	67	55	98.1	56.7
Gross non-performing loans	174	121	129	133	43.8	34.9
Interest income foregone on impaired assets						
Net interest charged but not recognised as revenue in the contribution to profit during the half-year was	4	4	4	4	0.0	0.0
Interest income on impaired assets recognised in the statement of operating profit						
Net interest charged and recognised as revenue in the contribution to profit during the half-year was	3	1	3	4	200.0	0.0
Analysis of movements in gross impaired assets						
Balance at the beginning of the half-year	68	62	78	116	9.7	(12.8)
Recognition of new impaired assets and increases in previously recognised impaired assets	24	30	22	26	(20.0)	9.1
Impaired assets written off during the half-year	(4)	(5)	(12)	(8)	(20.0)	(66.7)
Impaired assets which have been restated as performing assets or repaid	(19)	(19)	(26)	(56)	0.0	(26.9)
Balance at the end of the half-year	69	68	62	78	1.5	11.3
	%	%	%	%		
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.22	0.23	0.22	0.30	(4.3)	0.0
Gross non-performing loans as a percentage of gross loans,advances and other receivables	0.56	0.40	0.46	0.52	40.0	21.7

Impaired assets (continued)

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

Industry breakdown of impaired assets and specific provisions as at 30 June 2005 are as follows:

	Total lending $m	Impaired assets $m	Specific provision $m
Agribusiness	2,377	24	9
Construction and development	3,319	15	-
Financial services	453	-	-
Hospitality	890	2	1
Manufacturing	501	-	-
Professional services	597	2	-
Property investment	3,822	6	-
Real estate mortgage	20,427	-	-
Personal	637	3	-
Government and public authorities	2	-	-
Other commercial and industrial	1,791	17	7
	34,816	**69**	**17**

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

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

Impaired assets (continued)

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

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

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

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

Provision for impairment

	Half-Year Ended Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
General provision						
Balance at the beginning of the period	135	123	114	104	9.8	18.4
Charge against contribution to profit	4	12	9	10	(66.7)	(55.6)
Balance at the end of the period	139	135	123	114	3.0	13.0
Specific provision						
Balance at the beginning of the period	18	19	20	17	(5.3)	(10.0)
Charge against contribution to profit						
- new and increased provisions	9	6	15	14	50.0	(40.0)
Write back of provisions no longer required	(6)	(2)	(4)	(3)	200.0	50.0
Bad debts written-off	(4)	(5)	(12)	(8)	(20.0)	(66.7)
Balance at the end of the period	17	18	19	20	(5.6)	(10.5)
Total provision for impairment - Banking activities	156	153	142	134	2.0	9.9

	%	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
Specific provision	27.0	29.5	35.2	29.4
Total provision	247.6	250.8	263.0	197.1
General provision for impairment expressed as a percentage of risk weighted assets, including off balance sheet positions	**0.57**	**0.58**	**0.58**	**0.58**

Provisioning levels remain prudent given the low loss history of the portfolio. The general provision was increased by $16 million during the year, to $139 million, which represents 0.57% of risk weighted assets. This represents a reduction from 0.58% in prior periods. Analysis conducted in preparation for the introduction of the Australian equivalents of International Financial Reporting Standards concluded that the general provisioning rate of 0.58% generates surplus provisions. Consequently the rate of general provisioning was reduced to the APRA benchmark of 0.5% of the growth in risk weighted assets from 1 July 2004. Unlike major bank competitors, the general provision is only partially tax effected. If it were fully tax effected, the provision would increase by $21 million to $160 million, which would be equal to 0.65% of risk weighted assets.

The specific provision reduced by $2 million during the year to $17 million, equal to 0.07% of risk weighted assets, confirming the strong credit quality of the portfolio and high security position.

Total provisions are equivalent to a conservative 247.6% of gross impaired assets less interest reserved, down marginally from 250.8% at December 2004.

Average banking assets and liabilities

	Half-Year Ended Jun-05			Half-Year Ended Dec-04		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Trading securities	3,450	96	5.61	3,028	83	5.44
Gross loans, advances and other receivables	30,025	1,089	7.31	28,921	1,043	7.15
Other interest earning assets	423	10	4.77	380	9	4.70
Total interest earning assets	33,898	1,195	7.11	32,329	1,135	6.96
Non-interest earning assets						
Provision for impairment	(156)			(146)		
Property, plant and equipment	169			175		
Other financial assets	2,570			2,352		
Total non-interest earning assets	2,583			2,381		
Total assets	**36,481**			**34,710**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	27,481	674	4.95	26,263	637	4.81
Bonds, notes and long term borrowings	3,931	106	5.44	3,688	102	5.49
Subordinated notes[1]	621	21	6.82	568	19	6.64
Total interest bearing liabilities	32,033	801	5.04	30,519	758	4.93
Non-interest bearing liabilities						
Other liabilities	752			656		
Total non-interest bearing liabilities	752			656		
Total liabilities	**32,785**			**31,175**		
Net assets	**3,696**			**3,535**		
Analysis of interest margin and spread						
Interest earning assets	33,898	1,195	7.11	32,329	1,135	6.96
Interest bearing liabilities	32,033	801	5.04	30,519	758	4.93
Net interest spread			2.07			2.03
Net interest margin	33,898	394	2.34	32,329	377	2.31

Notes:

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

Average banking assets and liabilities (continued)

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

Changes in net interest income: Volume and rate analysis

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

	Full Year Jun-05 vs Jun-04 Changes due to:		
	Volume $m	Rate $m	Total $m
Interest earning assets			
Trading securities	22	12	34
Gross loans, advances and other receivables	268	75	343
Other interest earning assets	1	2	3
Change in interest income	291	89	380
Interest bearing liabilities			
Deposits and short term borrowings	199	92	291
Bonds, notes and long term borrowings	(26)	(5)	(31)
Subordinated notes	3	2	5
Change in interest expense	176	89	265
Change in net interest income	115	-	115

	Half-Year Jun-05 vs Dec-04 Changes due to:			Half-Year Dec-04 vs Jun-04 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	12	1	13	8	-	8
Gross loans, advances and other receivables	40	6	46	84	17	101
Other interest earning assets	1	-	1	2	-	2
Change in interest income	53	7	60	94	17	111
Interest bearing liabilities						
Deposits and short term borrowings	29	8	37	71	17	88
Bonds, notes and long term borrowings	7	(3)	4	(17)	1	(16)
Subordinated notes	2	-	2	1	-	1
Change in interest expense	38	5	43	55	18	73
Change in net interest income	**15**	**2**	**17**	**39**	**(1)**	**38**

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

	Half-Year Jun-04 vs Dec-03 Changes due to:			Half-Year Dec-03 vs Jun-03 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**

Segment information – General Insurance

Overview

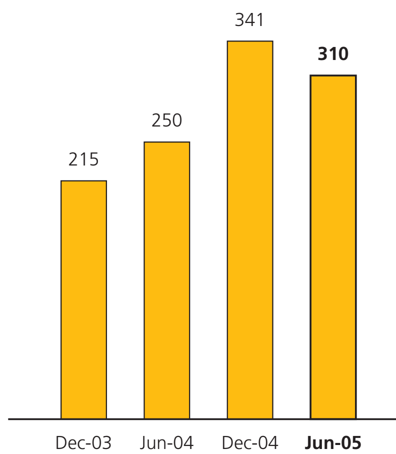
- General Insurance pre-tax profit rose by 40.0% to $651 million for the full year, driven by solid growth in premium revenue, favourable claims experience in long tail classes as well as improved investment returns, offset by higher than average storm activity. For the half-year to June, pre-tax profit was $310 million, up 24.0% from $250 million in the prior corresponding half-year.
- The insurance trading result, which excludes non-underwritten business and investment income on Shareholder Funds, increased by 35.6% to $427 million, equal to a margin of 17.7% on net earned premium. The ITR for the June half was $214 million, equal to a margin of 17.6% of net earned premium.
- Full year cash return on equity for the General Insurance division increased to 21.3%, up from 16.5% at June 2004. Cash ROE for the half-year to June was 20.0%.
- Gross written premium (GWP) for the full year rose by 4.6% to $2.5 billion driven by strong growth of risks in force. This highlights the positive momentum in the underlying business growth, despite a highly competitive operating environment (particularly in commercial lines), as well as the constraint to topline growth from reducing prices across our sizeable compulsory third party (CTP) portfolio. Second half gross written premium growth was 2.9% compared to prior corresponding period, reflective of tightening market conditions. Excluding CTP, total GWP growth was a solid 8.2% for the full year, including growth of 6.4% in the second half-year, compared to the prior corresponding period.
- Net earned premium for the full year increased by 10.4% to $2.4 billion reflecting volume growth and rate increases in the prior periods that flow through to earned premium. The cancellation of the Quota share agreement as well as a restructure of the reinsurance program also contributed to a rise in net earned premium.
- Net incurred claims, before the impact of discount rate movements, increased by 5.6% to $1.7 billion in line with growth in business volumes. Aside from higher storm related costs, particularly in the second half, improved claims experience was seen in most segments of the portfolio. Tort Law reforms continued to have a favourable impact on personal injury claims costs. This, and other improvements in claims management, led to releases from outstanding claims provisions. As a result, the loss ratio before the impact of discount rate movements improved from 74.2% to 70.9%.
- Total operating expenses for the full year increased by 6.9% to $513 million. Growth in the business led to increases in acquisition costs, which rose by 12.4% to $300 million. Operating efficiency continued to improve during the year, with the other underwriting expense ratio falling to 8.8% from 9.8% at June 2004. In turn, the total expense ratio improved to 21.2% from 22.0%. This reduction reflects improved efficiency, that enabled the business to undertake significant reinvestment in future growth initiatives.
- The underwriting result was $189 million before the impact of discount rate movements, up substantially from $84 million, and the combined operating ratio improved to 92.1% from 96.2% for the full year.

Segment information – General Insurance (continued)

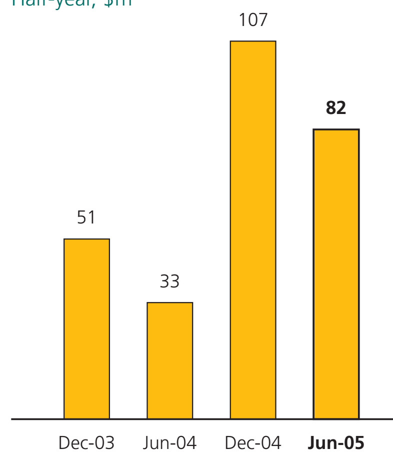
Overview (continued)

- For the half-year to June, the underwriting profit, before discount rate movements, was $82 million, which was up from $33 million at the prior June half, but down from $107 million in the preceding December half mainly due to the higher storms cost in the second half.
- Investment income on insurance provisions increased 3.0% for the full year, to $238 million before the impact of discount rate movements reflecting higher yields and funds under management.
- The managed schemes contribution for the year increased 25.0% to $25 million, benefiting from improved scheme management and higher incentive fees achieved through stronger performance of the NSW WorkCover and Treasury Managed Funds businesses.
- Income from the Company's insurance joint ventures with motoring clubs in Queensland and South Australia increased 36.8% to $26 million due to improved operating performance and increased investment returns.
- The combination of the managed schemes division, joint venture contribution and insurance trading profit led to a 35.0% increase in the underlying general insurance operational earnings to $478 million for the full year.
- Contribution to profit benefited significantly from the improvement in investment returns on Shareholder Funds, which increased 53.1% to $199 million, from $130 million for the prior year. The result was underpinned by the strength of the domestic equities markets to which Shareholder Funds has a benchmark weighting of 40%. An active return of 3.5% above the benchmark ASX 200 Accumulation index was achieved for the full year for that portion of its portfolio.

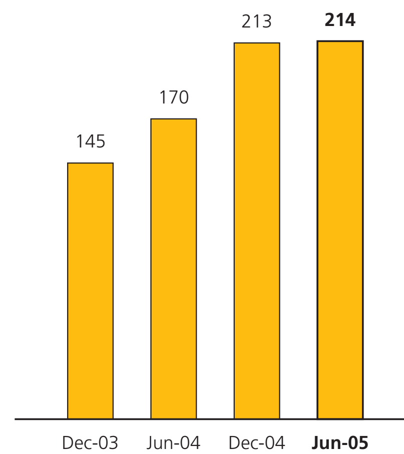
Contribution to profit
Half-year, $m



Underwriting result (before the impact of discount rate movements)
Half-year, $m



Insurance trading result
Half-year, $m



Profit contribution – General Insurance before impact of discount rate movements

The table below presents the General Insurance profit contribution before the impact of movements in interest rates within the trading result, to provide a clearer indication of underlying performance (the impact of market interest rate movements on the profit contribution statement is explained further on page 40).

	Full Year Ended Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Gross written premiums [1]	2,542	2,430	4.6
Gross unearned premium movement	(13)	(89)	(85.4)
Gross earned premiums	2,529	2,341	8.0
Outwards reinsurance expense	(117)	(157)	(25.5)
Net earned premium	2,412	2,184	10.4
Net incurred claims			
Claims expense	(2,026)	(1,880)	7.8
Reinsurance and other recoveries revenue	316	260	21.5
	(1,710)	(1,620)	5.6
Total operating expenses			
Acquisition costs[2]	(300)	(267)	12.4
Other underwriting expenses	(213)	(213)	-
	(513)	(480)	6.9
Underwriting result	189	84	125.0
Investment revenue - insurance provisions	238	231	3.0
Insurance trading result	427	315	35.6
Managed schemes net contribution	25	20	25.0
Joint venture income	26	19	36.8
General Insurance operational earnings	478	354	35.0
Investment revenue - Shareholder Funds			
Interest, dividends, rent and other	105	62	69.4
Realised and unrealised gains/(losses) on investments	107	74	44.6
Other revenue [3]	10	13	(23.1)
Other expenses [4]	(23)	(19)	21.1
	199	130	53.1
Contribution to profit from General Insurance activities before tax and capital funding	677	484	39.9
Subordinated debt expense - capital funding	(26)	(19)	36.8
Contribution to profit from General Insurance activities before tax	**651**	**465**	**40.0**
Cash return on equity (%)	**21.3**	**16.5**	**28.6**

Notes:

(1) Net of Fire Service Levies of $66 million for the full 2005 year.

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

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

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

	Full Year Ended Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Profit contribution – General Insurance before impact of discount rate movements (continued)			
Contribution to profit from General Insurance activities before tax	**651**	**465**	**40.0**
General Insurance investment income on Shareholder Funds	(199)	(130)	53.1
Share of General Insurance investment income in joint venture Shareholder Funds	(10)	(6)	66.7
Underlying profit	**442**	**329**	**34.3**

	Half-Year Ended Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Gross written premiums[1]	1,287	1,255	1,251	1,179	2.5	2.9
Gross unearned premium movement	(14)	1	(58)	(31)	LARGE	(75.9)
Gross earned premiums	1,273	1,256	1,193	1,148	1.4	6.7
Outwards reinsurance expense	(58)	(59)	(85)	(72)	(1.7)	(31.8)
Net earned premium	1,215	1,197	1,108	1,076	1.5	9.7
Net incurred claims						
Claims expense	(1,014)	(1,012)	(962)	(918)	0.2	5.4
Reinsurance and other recoveries revenue	144	172	131	129	(16.3)	9.9
	(870)	(840)	(831)	(789)	3.6	4.7
Total operating expenses						
Acquisition costs[2]	(154)	(146)	(142)	(125)	5.5	8.5
Other underwriting expenses	(109)	(104)	(102)	(111)	4.8	6.9
	(263)	(250)	(244)	(236)	5.2	7.8
Underwriting result	82	107	33	51	(23.4)	148.5
Investment revenue - insurance provisions	132	106	137	94	24.5	(3.6)
Insurance trading result	214	213	170	145	0.5	25.9
Managed schemes net contribution	14	11	10	10	27.3	40.0
Joint venture income	15	11	9	10	36.4	66.7
General Insurance operational earnings	243	235	189	165	3.4	28.6
Investment revenue - Shareholder Funds						
Interest, dividends, rent and other	41	64	36	26	(35.9)	13.9
Realised and unrealised gains/(losses) on investments	46	61	42	32	(24.6)	9.5
Other revenue[3]	6	4	3	10	50.0	100.0
Other expenses[4]	(12)	(11)	(10)	(9)	9.1	20.0
	81	118	71	59	(31.4)	14.1
Contribution to profit from General Insurance activities before tax and capital funding	324	353	260	224	(8.2)	24.6
Subordinated debt expense	(14)	(12)	(10)	(9)	16.7	40.0
Contribution to profit from General Insurance activities before tax	**310**	**341**	**250**	**215**	**(9.1)**	**24.0**
Cash return on equity (%)	**20.0**	**22.5**	**17.1**	**15.3**	**(11.1)**	**17.0**

Notes:

(1) Net of Fire Service Levies of $34 million for the first half and $32 million for the second half in 2005.

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

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

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

	Half-Year Ended					
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Profit contribution – General Insurance before impact of discount rate movements (continued)						
Contribution to profit from General Insurance activities before tax	**310**	**341**	**250**	**215**	**(9.1)**	**24.0**
General Insurance investment income on Shareholder Funds	(81)	(118)	(71)	(59)	(31.4)	14.1
Share of General Insurance investment income in joint venture Shareholder Funds	(4)	(6)	(4)	(2)	(33.3)	-
Underlying profit	**225**	**217**	**175**	**154**	**3.7**	**28.6**

Profit contribution – General Insurance including the impact of discount rate movements

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

Movements in market interest rates, which are outside the Company's control, have a significant effect on two items of the profit contribution – net incurred claims and investment revenue on insurance provisions.

Because the Statement of Assets and Liabilities outstanding claims provision, which represents claims to be paid in future periods, is discounted to present value using market interest rates, movements in these interest rates affect the incurred claims in any period.

However, the funds held to pay outstanding claims are invested in fixed interest securities matched to the settlement durations of the outstanding claims. Therefore movements in market interest rates affect the value of the fixed interest securities (and therefore investment revenue on insurance provisions) by an amount that approximately offsets the impact of movements in discount rates on claims provisions (and net incurred claims).

This is called "immunisation", and it means that movements in market interest rates wash through and do not distort the insurance trading result.

To eliminate these movements, and gain a better understanding of the underlying claims and underwriting performance, we have produced the table on page 38, which removes the impact of changes in discount rates. The adjustment assumes perfect matching of insurance assets and liabilities.

For the full year discount rates reduced, resulting in a $58 million increase in net incurred claims and an offsetting increase in investment income on insurance provisions. The table on page 41 includes the impact of those movements.

Net incurred claims therefore increases to $1.8 billion and the underwriting result reduces to $131 million for the full year. Investment income on insurance provisions increases to $296 million, and the Insurance Trading Result remains unchanged at $427 million.

Profit contribution – General Insurance including the impact of discount rate movements (continued)

	Full Year Ended Jun-05 $m	Full Year Ended Jun-04 $m	Jun-05 vs Jun-04 %
Gross written premiums[1]	2,542	2,430	4.6
Gross unearned premium movement	(13)	(89)	(85.4)
Gross earned premiums	2,529	2,341	8.0
Outwards reinsurance expense	(117)	(157)	(25.5)
Net earned premium	2,412	2,184	10.4
Net incurred claims			
Claims expense	(2,084)	(1,797)	16.0
Reinsurance and other recoveries revenue	316	260	21.5
	(1,768)	(1,537)	15.0
Total operating expenses			
Acquisition costs[2]	(300)	(267)	12.4
Other underwriting expenses	(213)	(213)	-
	(513)	(480)	6.9
Underwriting result	131	167	(21.6)
Investment revenue - insurance provisions			
Interest, dividends, rent and other	260	236	10.2
Realised gains/(losses) on investments	(6)	(71)	(91.5)
Unrealised gains/(losses) on investments	42	(17)	(347.1)
	296	148	100.0
Insurance trading result	427	315	35.6
Managed schemes net contribution	25	20	25.0
Joint venture income	26	19	36.8
General Insurance operational earnings	478	354	35.0
Investment revenue - Shareholder Funds			
Interest, dividends, rent and other	105	54	94.4
Realised gains/(losses) on investments	13	(1)	LARGE
Unrealised gains/(losses) on investments	94	75	25.3
Other revenue[3]	10	13	(23.1)
Other expenses[4]	(23)	(11)	109.1
	199	130	53.1
Contribution to profit from General Insurance activities before tax and capital funding	677	484	39.9
Subordinated debt expense	(26)	(19)	36.8
Contribution to profit from General Insurance activities before tax	**651**	**465**	**40.0**
Cash return on equity (%)	**21.3**	**16.5**	**28.6**

Notes:

(1) Net of Fire Service Levies of $66 million for the full 2005 year.

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

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

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

	Half-Year Ended					
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Profit contribution – General Insurance including the impact of discount rate movements (continued)						
Gross written premiums[1]	1,287	1,255	1,251	1,179	2.5	2.9
Gross unearned premium movement	(14)	1	(58)	(31)	LARGE	(75.9)
Gross earned premiums	1,273	1,256	1,193	1,148	1.4	6.7
Outwards reinsurance expense	(58)	(59)	(85)	(72)	(1.7)	(31.8)
Net earned premium	1,215	1,197	1,108	1,076	1.5	9.7
Net incurred claims						
Claims expense	(1,020)	(1,064)	(950)	(847)	(4.1)	7.4
Reinsurance and other recoveries revenue	144	172	131	129	(16.3)	9.9
	(876)	(892)	(819)	(718)	(1.8)	7.0
Total operating expenses						
Acquisition costs[2]	(154)	(146)	(142)	(125)	5.5	8.5
Other underwriting expenses	(109)	(104)	(102)	(111)	4.8	6.9
	(263)	(250)	(244)	(236)	5.2	7.8
Underwriting result	76	55	45	122	38.2	68.9
Investment revenue - insurance provisions						
Interest, dividends, rent and other	135	125	120	116	8.0	12.5
Realised gains/(losses) on investments	(9)	3	(2)	(69)	(400.0)	350.0
Unrealised gains/(losses) on investments	12	30	7	(24)	(60.0)	71.4
	138	158	125	23	(12.7)	10.4
Insurance trading result	214	213	170	145	0.5	25.9
Managed schemes net contribution	14	11	10	10	27.3	40.0
Joint venture income	15	11	9	10	36.4	66.7
General Insurance operational earnings	243	235	189	165	3.4	28.6
Investment revenue - Shareholder Funds						
Interest, dividends, rent and other	41	64	32	22	(35.9)	28.1
Realised gains/(losses) on investments	29	(16)	-	(1)	(281.3)	n/a
Unrealised gains/(losses) on investments	17	77	42	33	(77.9)	(59.5)
Other revenue[3]	6	4	3	10	50.0	100.0
Other underwriting expenses[4]	(12)	(11)	(6)	(5)	9.1	100.0
	81	118	71	59	(31.4)	14.1
Contribution to profit from General Insurance activities before tax and capital funding	324	353	260	224	(8.2)	24.6
Subordinated debt expense	(14)	(12)	(10)	(9)	16.7	40.0
Contribution to profit from General Insurance activities before tax	**310**	**341**	**250**	**215**	**(9.1)**	**24.0**
Cash return on equity (%)	**20.0**	**22.5**	**17.1**	**15.3**	**(11.1)**	**17.0**

Notes:

[1] Net of Fire Service Levies of $34 million for the first half and $32 million for the second half in 2005.

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

[3] Other revenue consists mainly of allocated service fee revenue.

[4] Other expenses is primarily made up of investment management expenses.

Assets and liabilities – General Insurance

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Assets						
Cash and liquid assets	343	270	382	248	27.0	(10.2)
Investment securities	5,582	5,449	5,114	5,375	2.4	9.2
Investments in joint ventures	112	98	100	96	14.3	12.0
Reinsurance and other recoveries - outstanding claims	430	415	388	495	3.6	10.8
Other receivables	721	700	805	610	3.0	(10.4)
Deferred tax assets	2	1	1	1	100.0	100.0
Intangible assets	808	833	859	879	(3.0)	(5.9)
Other financial assets[1]	308	287	278	247	7.3	10.8
Total assets	8,306	8,053	7,927	7,951	3.1	4.8
Liabilities						
Interest bearing liabilities	31	23	33	23	34.8	(16.1)
Payables	363	300	475	629	21.0	(23.6)
Current income tax liabilities	-	1	-	-	(100.0)	n/a
Provisions	2	2	2	4	-	-
Outstanding claims provision[2]	4,172	4,044	3,854	3,849	3.2	8.3
Unearned premiums provision[2]	1,346	1,322	1,322	1,251	1.8	1.8
Subordinated notes	199	199	-	-	-	n/a
Total liabilities	6,113	5,891	5,686	5,756	3.8	7.5
Net assets	**2,193**	**2,162**	**2,241**	**2,195**	**1.4**	**(2.1)**

Notes:

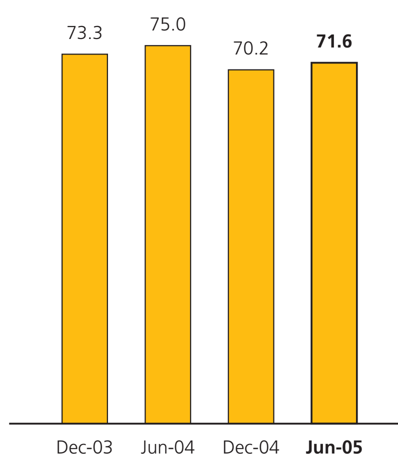
(1) Other financial assets is primarily made up of accrued interest and deferred acquisition costs.

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

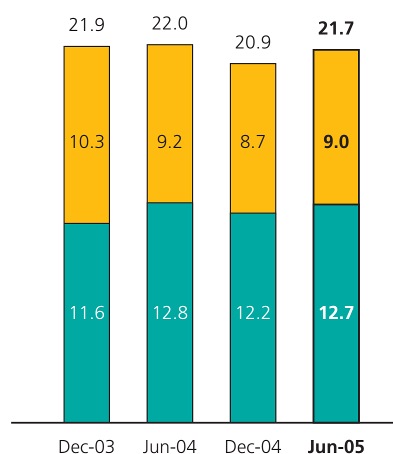
	Half-Year Ended				Full Year Ended	
	Jun-05 %	Dec-04 %	Jun-04 %	Dec-03 %	Jun-05 %	Jun-04 %
General Insurance ratios						
Excluding impact of discount rate movement						
Acquisition expense ratio	12.7	12.2	12.8	11.6	12.4	12.2
Other underwriting expenses ratio	9.0	8.7	9.2	10.3	8.8	9.8
Total operating expenses ratio	21.7	20.9	22.0	21.9	21.2	22.0
Loss ratio	71.6	70.2	75.0	73.3	70.9	74.2
Combined operating ratio	93.3	91.1	97.0	95.2	92.1	96.2
Insurance trading ratio	17.6	17.8	15.3	13.5	17.7	14.4
Including the impact of discount rate movements						
Loss ratio	72.1	74.5	73.9	66.7	73.3	70.4
Combined operating ratio	93.8	95.4	95.9	88.6	94.5	92.4

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.

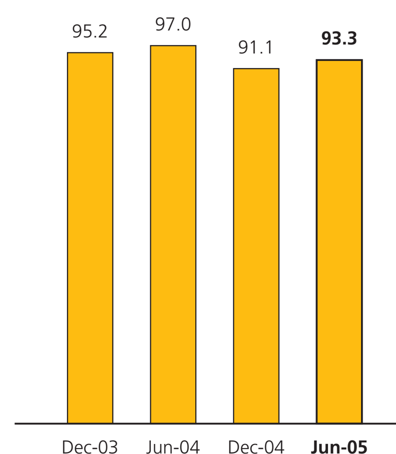
Loss ratio [(1)]
Half-year, %



Expense ratio [(1)]
Half-year, %



Combined operating ratio [(1)]
Half-year, %



Notes:

(1) Before impact of discount rate movements.

Profit overview

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Jun-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Gross written premium by product								
Compulsory third party	269	271	294	286	(8.5)	540	580	(6.9)
Home[1]	258	256	242	232	6.6	514	474	8.4
Motor	366	350	331	332	10.6	716	663	8.0
Commercial	284	291	294	253	(3.4)	575	547	5.1
Workers' compensation	103	76	89	62	15.7	179	151	18.5
Other	7	11	1	14	600.0	18	15	20.0
	1,287	1,255	1,251	1,179	2.9	2,542	2,430	4.6

Notes:

(1) Following restructures during the year, Personal Marine products have been transferred to the Home portfolio from Other Products. Premiums of $11 million are included in Home for the full year with $10 million restated for the prior year.

Premium

Gross written premium increased by 4.6% to $2.5 billion during the year. Growth was driven mainly by strong growth in risks in force. This highlights the positive momentum in the underlying business, despite the highly competitive environment (particularly in commercial), as well as the constraint to topline growth from premium rate reductions across our sizeable compulsory third party portfolio (CTP). First half growth was stronger than second half, reflective of tightening market conditions in commercial insurance, and continued price reductions in CTP.

On the whole, price increases in short tail classes were modest during the period, following significant repricing over the past two years. The Company's concentration of exposure to the SME market, and direct distribution channels have provided some insulation against the significant premium rate reductions due to intense competition in the upper end or large corporate commercial classes. Average premium size per risk increased in some classes as rate increases from the prior year flowed through to renewals.

The continued improvement in personal injury claims experience due to Tort Law reforms has brought stability and profitability to the CTP schemes and public liability business. In particular, CTP premium rate reductions of up to 11% during the period continued to flow through in line with favourable claims experience, but impacting gross written premium growth for the business as a result. To illustrate, total gross written premium growth excluding CTP was a solid 8.2% for the full year, improving on prior year growth of 6.1%. Excluding CTP, growth was 6.4% in the second half-year, compared to the prior corresponding period.

Major initiatives have been implemented to lift underlying revenue growth. These include distribution channel expansion and channel optimisation, leveraging group assets/customers for cross-sell opportunities and refining our segmentation and marketing strategy. We continue to build on our sales culture, through improved sales reporting, leadership and skilling of our frontline staff (inFOCUS). We are also now starting to see some momentum in our GIO branded business as a result of initiatives and investment in the GIO brand.

Net earned premium rose 10.4% to $2.4 billion, with the increase due to the reduction in outward reinsurance expense and a combination of growth in risks and as price increases from prior periods flowed through as earned premium. Growth in the second half was 9.7% which was strong compared with the prior comparative period, due in part to the flow through effect of solid gross written premium growth in the first half.

Outward reinsurance expense for the full year was $117 million, a decrease of 25.5% over the prior year, due to an optimisation of our reinsurance program. In particular, we terminated a Quota Share agreement in relation to Sydney household insurance ($37m premium paid) and restructured the commercial property covers.

Gross written premium by product (continued)

Compulsory third party

The Company underwrites compulsory third party (CTP) insurance in Queensland and New South Wales as a participant in statutory schemes. Gross written premium declined 6.9% for the full year to $540 million, principally reflecting the premium rate reductions in Queensland, with New South Wales rate reductions impacting to a lesser degree.

Consumer prices continued to fall in Queensland, with headline rates reducing by 6.8% in the first half and a further 4.7% in the second half as the benefits of Tort Law reforms were shared with consumers. In Queensland, risks in force grew by 3.5% over the year, with our market share relatively stable at around 53% (MAIC-Premium based rolling year to date market share at June 2005). Retention rates overall remained very stable, including renewal of all key Motor Dealer accounts, which represents a significant part of overall new business.

Maintaining our dominant market position in Queensland CTP was a solid result, particularly in the light of aggressive competition as insurers attempt to grow their book in what is now seen as an acceptably attractive business.

In the NSW scheme, conditions remain generally favourable. While headline rates reduced by 8.7% over the year (2.8% in the first half-year, 6.1% in the second), reflecting the impact of legislative reforms, GIO grew risks in force by 4.1%, and market share of risks improved to approximately 7.5% (MAA-Premium based 4-quarter average market share at June 2005). The quality of the book has improved during the year through the effectiveness of cross-sell programs to GIO comprehensive motor risks, and higher retention of preferred risks.

Home

Gross written premium increased by 8.4% to $514 million for the full year, with second half growth of 6.6% over the prior corresponding period, driven by new business growth and improved retention.

Premium rates increased in line with industry average of around 5%, with an increase in average premiums impacted by increases in sums insured and rate increases in the prior year flowing through the renewing book.

Underlying growth in risks in force has remained stable. Strong brand position, improved call centre conversion rates, cross-sell and a branch optimisation initiative have supported positive growth momentum, particularly in Suncorp branded business.

The branch initiative involved a comprehensive review of the group's end to end branch sales processes and upgrade of capability to offer the full range of insurance services within branches. An increase in branch sales by 10% for the full year demonstrates the success of these efforts. In cross-sell the point of sale penetration rate of home insurance to home loan customers improved from 59% to 68% over the year.

In Queensland, the group's market share was stable despite competitive market conditions, with competitors attracted by Queensland's strong housing growth outlook. Growth outside Queensland remained stable, with call volumes marginally up following the initial investment in the relaunch of the GIO brand during the year. The group is currently undertaking market research and design in the lead up to a reinvigorated, more targeted marketing campaign in the coming year. The rate of decline in the AMP portfolio has been contained.

Motor

Gross written premium increased by 8% to $716 million for the full year, with second half growth of 11% over the prior corresponding period, showing strong positive momentum.

Solid underlying business growth was underpinned by above average system growth in Queensland, where risks in force grew by nearly 6%. Outside Queensland risks in force increased to achieve growth broadly in line with system. Strong brands, cross-sell initiatives progress and the positive impact of the new risk engine were key drivers of the result.

The introduction of the risk engine has enabled superior pricing and higher conversion rates in target segments.

Commercial insurance

Gross written premium increased 5.1% to $575 million for the full year, with strong first half growth of 15.0% on prior corresponding period, offset by a small decline for the second half of 3.4%.

A cyclical change in the market saw premium rates fall by 20% in certain classes, particularly in the upper-end or large corporate market. However, a degree of insulation has been provided by the weighting of the portfolio to the SME market (greater than 75% of total commercial portfolio), which has to date been impacted to a lesser degree by rate pressures. Furthermore, a significant part of the group's commercial business is sourced through direct distribution channels and the AMP partnership, with less than 30% sourced through traditional broker distribution channels.

The SME packaged business performed well with underlying policy growth of 3.2% and a marginal gain in market share during the period. Pricing for packaged business remained relatively stable.

New initiatives such as a scheme to provide professional indemnity cover for architects in Victoria, and the acquisition of 15% of the QBSA Home warranty book have been very successful, also contributing to solid premium growth.

Gross written premium by product (continued)

Workers' compensation

The Company underwrites Workers' Compensation insurance in Western Australia, ACT and Tasmania. Total gross written premium for the three regions increased by 18.5% to $179 million for the full year, including strong second half growth of 15.7% over the prior corresponding period. Included in gross written premium is the impact of prior year adjustments relating to 'cost adjusting' policies written over a number of years prior to 30 June 2004. Gross written premium growth was around 7% for the full year excluding the above mentioned prior year adjustments.

Growth in the underlying business as measured by 'wages in force' was 8.5%, largely attributable to 11% growth in Western Australia. The group's market share is estimated to have increased in Western Australia and remained steady in other underwritten states. The underlying growth was driven mainly by improved retention of preferred risks, through good relationship management and a focus on customer service.

In all underwritten states, Workers' Compensation premium rates fell on average by 4-5% due to the softening market conditions and to a lesser degree the impact of improved claims experience. As a result new business growth has been significantly lower than prior year.

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Jun-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Gross written premium by state								
Queensland	551	568	553	538	(0.4)	1,119	1,091	2.6
New South Wales	406	394	392	388	3.6	800	780	2.6
Victoria	131	130	131	122	-	261	253	3.2
Western Australia	114	94	97	76	17.5	208	173	20.2
Other	85	69	78	55	9.0	154	133	15.8
	1,287	**1,255**	**1,251**	**1,179**	**2.9**	**2,542**	**2,430**	**4.6**

The table above sets out premium by State, showing that the Company's portfolio is broadly diversified geographically. Premiums sourced in Queensland (44% of the total portfolio) grew by 2.6% over the prior year. This was largely due to very strong growth in short tail classes offset by the decline in CTP premium rates. Excluding CTP, full year premium growth for Queensland was 10.9%, with a second half growth of 6.7% on prior comparative period.

Outside Queensland, cyclical downturn in commercial insurance impacted, in particular, premium growth in New South Wales and Victoria. This was more than offset by solid second half growth momentum across personal lines in New South Wales and Victoria with full year growth of 2.6% and 3.2% respectively. Excluding CTP, full year premium growth for New South Wales was 3.0%, with a second half growth of 4.4% on prior comparative period.

Outward reinsurance expense

Outward reinsurance expense for the full year was $117 million, a decrease of 25.5% over the prior year expense of $157 million. This was largely due to the cancellation of a Sydney Householders Quota Share Treaty at 30 June 2004 ($37m premium paid) and restructure of the commercial property covers.

The largest element of the group's reinsurance program relates to a Property Catastrophe Treaty, which covers the home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire and earthquake. The group's joint venture partners participate in the treaty, allowing economies of scale and a degree of leverage in buying power.

Substantial investment was made during the year on developing the group's dynamic financial analysis capability around reinsurance, in lead up to the program renewal for 2005/06. An outcome of this was the decision to increase retention per specific catastrophic event claim from $50 million to $100 million, effective 1 July 2005. The upper limit for each catastrophe event was also increased by $500 million to $2.2 billion, reflecting an increase in the return period to 1 in 250 years across all parts of the whole portfolio and including exposure growth during the year. The renewal outcome reflects an optimisation of reinsurance expense, while maintaining the Company's conservative risk position.

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

Claims expense

Net claims expense increased 5.6% to $1.7 billion for the full year, before the impact of discount rate adjustments. This increase was well below the rate of growth in NEP, leading to a reduction in net loss ratio to 70.9% from 74.2% at the prior year. For the second half, net claims expense increased 4.7% to $870 million with the net loss ratio improving to 71.6% from 75.0% in the prior comparative period.

The following factors affected claims expense:

- General growth in earned premiums, plus the cessation of the Sydney Householders Quota Share Reinsurance Treaty, led to an increase in net claims.
- Storm related claims costs were abnormally high in the year, particularly in the second half. The most significant events were the NSW and Victoria February 2005 storms and Southeast Queensland storms in June 2005. Total storms cost were the Company's highest in nine years, excluding the 1999 Sydney hailstorms which were the largest reported catastrophe event since 1967 (Source: Insurance Disaster Response Organisation – Event list since 1967). In total the full year costs are estimated at $192 million which is in the order of 1.9 times the average cost for the past nine years, excluding the 1999 Sydney hailstorms. Storm costs for the second half of the year are estimated at $116 million.
- Claims experience in other short tail classes was generally favourable during the year, particularly in commercial property which experienced lower working incidence rates and lower average size claims for large events. This was partially offset by higher incidence rates in commercial motor driven by a higher new business mix. The risk engine improved working loss ratios in personal motor, however this was offset by the increase in new business mix due to strong sales, and the changes introduced to the no-claim discount rules.
- Underlying claims incidence and settlement experience in long tail insurance, particularly personal injury classes, showed favourable trends in the year with little evidence of superimposed inflation. This flowed through into the valuation of outstanding claims at June. Current year profitability was also favourable, with claims assumptions reducing ahead of earned premium and implicit pricing assumptions.
- The favourable experience above resulted in a valuation release of $143 million in the second half following valuation releases of $62 million in the first half. It is assumed that approximately $70 million per annum would normally be recurring in future years as long as superimposed inflation remains in check.
- Due to the uncertainty surrounding future claims development, risk margins were strengthened by $70 million for the full year, all of which occured in the first half. Overall, risk margins increased to a total 26% of the central estimate with an estimated probability of adequacy of 93-94%.

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Outstanding claims and unearned premiums provisions						
Expected future claims payments - undiscounted	5,013	4,783	4,614	4,625	4.8	8.6
Discounting to present value	(841)	(739)	(760)	(776)	13.8	10.7
Outstanding claims provision	4,172	4,044	3,854	3,849	3.2	8.3
Unearned premiums provision	1,346	1,322	1,322	1,251	1.8	1.8
	5,518	**5,366**	**5,176**	**5,100**	**2.8**	**6.6**

The undiscounted value of outstanding claims increased 8.6% over the year to $5.0 billion, mostly reflecting the increase in business written.

The discount rate fell from 5.6% at June 2004 to 5.2% in December 2004, and to 5.1% in June 2005. The impact of this was to reduce the market rate movement or increase claims expense by $52 million and $6 million in the first and second half respectively. Outstanding claims on long tail business are discounted to their present values by reference to the yield curve derived from Commonwealth Government bonds. Changes to the discount amount are caused by movements in the yield curve, the size of the outstanding claims base, and the duration of outstanding claims. As noted earlier, movements in discount rates have a minimal impact on the insurance trading result due to offsetting movements in investment income on insurance provisions.

Operating expenses

Total operating expenses continue to be tightly managed. The dollar amounts of acquisition costs and other underwriting expenses have increased year on year but expense ratios have generally declined or remained flat.

Operating expenses (continued)

The acquisition expense ratio increased marginally to 12.4% from 12.2% for the prior year. In the second half, the acquisition cost ratio declined marginally to 12.7% from 12.8% in the prior comparative period. The increase in full year acquisition ratio was due to increased marketing, and the change in the broker sourced business mix, offset in part by channel cost optimisation initiatives. CTP rate reductions also had an impact on the acquisition ratio, as costs to acquire reduced at a slower rate than falling premiums.

The other underwriting expenses ratio for the full year improved to 8.8% from 9.8% and for the second half improved to 9.0% from 9.2% in the prior comparative period. This demonstrates the continuing scale benefits as the General Insurance business grows.

Total operating expenses ratio for the full year improved to 21.2% from 22.0% in the prior year. The second half ratio improved to 21.7% from 22.0% in the prior comparative period. The favourable result is attributable to tight cost management and synergies achieved through leveraging group assets whilst continuing to invest in future growth initiatives.

Investment income on insurance provisions

Investment income on insurance provisions (the total return as shown on page 41) increased by 100% to $296 million for the full year. The increase was due to a more favourable bond market during the year and an increase in the funds backing insurance provisions, which grows as the business grows. The insurance provisions investment portfolio returned 7.2% for the full year, outperforming the weighted average portfolio benchmark return by 0.3%.

Investment income on insurance provisions increased 3.0% to $238 million before the impact of discount rate movements.

Insurance trading result

The insurance trading result increased by 35.6% to $427 million, equivalent to an insurance trading margin of 17.7%, up from a trading margin of 14.4% in the prior year. The second half insurance margin of 17.6% remained relatively flat compared with the first half. The group exceeded the long term trading margin guidance of 11-14%, a result of solid growth in premium revenue (particularly personal lines), favourable claims experience in long tail classes as well as improved investment returns, offset by higher than average storm related costs.

Managed schemes

The managed schemes business consists largely of three operations:

- The NSW Government self-insurance schemes 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 the group manages self insurance schemes, predominantly workers' compensation, for other corporations.

Profit from managed schemes increased 25% from $20 million to $25 million during the year. Profitability in the scheme has been maintained since 31 December 2003 despite the decision to strategically exit the Workers' Compensation Law Department and Self Insurance Solutions businesses. The reduction in revenue and increase in expenses in relation to these exits were more than offset by an increase in the group's core underlying performance for TMF and NSW WorkCover. This improvement has been due to significantly better management of claims which has produced higher fee income.

The outcome of the TMF contract renewal in July 2005 was very favourable for GIO in terms of business retained and transitional arrangements put in place. The NSW Government is investing in higher claims staffing to reduce case loads, and hence reduce liabilities for the TMF scheme. As a result, it is expected the managed funds will continue to produce a similar level of fee income over the near future. The NSW WorkCover contract is currently up for renewal, however it is premature to estimate the potential impact for GIO.

Joint venture income

Suncorp participates in insurance joint ventures with motoring clubs in Queensland and South Australia. The joint venture contribution for the year to June 2005 was $26 million, up from $19 million in the prior year, largely due to increased investment returns from the joint venture entities. The joint venture contribution increased in the second half to $15 million, from $9 million in the previous June half.

Investment income on Shareholder Funds

Investment income on Shareholder Funds increased to $199 million for the year compared to $130 million in the prior year. The increase was in line with investment market returns, particularly Australian equities. The Shareholder Funds' Australian equity portfolio returned 29.8%, outperforming the benchmark S&P/ASX 200 Accumulation by 3.5% through successful stock selection.

Investment income on Shareholder Funds’

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	1,284	1,114	1,120	1,065
Fixed interest	3,080	3,099	3,002	2,895
Australian equities	-	-	-	(2)
Overseas equities	-	-	2	-
Property	76	77	69	94
Infrastructure	-	-	4	3
	4,440	**4,290**	**4,197**	**4,055**
Shareholder funds				
Cash and short term deposits	238	221	431	663
Fixed interest	506	522	203	-
Australian equities	565	614	520	543
Overseas equities	100	103	114	-
Property	19	13	-	-
	1,428	**1,473**	**1,268**	**1,206**

The investment funds managed by the Company’s investment manager. The total is different to the cash and investment balances in the General Insurance balance sheet on page 43, because of the different classification of items such as operating cash and accrued interest. Reconciling items such as timing differences and premium debtors arise between insurance provisions and associated investment assets. The balance of Shareholder Funds shown above excludes non-investment market assets such as goodwill relating to the acquisition of GIO and the investments in joint ventures.

	Jun-05 %	Dec-04 %	Jun-04 %	Dec-03 %
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	29	26	27	26
Fixed interest	69	72	71	72
Property	2	2	2	2
	100	**100**	**100**	**100**
Shareholder funds				
Cash and short term deposits	17	15	34	55
Fixed interest	35	35	16	-
Australian equities	40	42	41	45
Overseas equities	7	7	9	-
Property	1	1	-	-
	100	**100**	**100**	**100**

Credit risk exposure

The General Insurance fixed interest portfolios are restricted to investment grade securities to ensure there is adequate capital protection of the assets under all market conditions. The weighted average credit rating of the fixed interest portfolio for the General Insurance business is AAA as shown in the table below.

Average	Half-Year Ended		Half-Year Ended		Full Year Ended	
	Jun-05 %	Dec-04 %	Jun-04 %	Dec-03 %	Jun-05 %	Jun-04 %
AAA	66.8	67.2	68.9	61.0	67.0	64.9
AA	10.9	10.3	7.0	9.8	10.6	8.4
A	21.3	20.2	23.5	28.8	20.8	26.2
BBB	0.9	2.4	0.5	0.4	1.6	0.5
	100	**100**	**100**	**100**	**100**	**100**

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

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

Short tail

The short tail business, including home, motor and the non-liability part of the commercial book, reported an insurance trading profit of $93 million for the year, equal to a trading margin of 6.2%. The result was down from $106 million in the prior year, impacted largely by:

- Strong full year gross written premium growth in home which grew 8.4%, and motor insurance, up 8.0%. Commercial insurance had a strong first half, up 15.0% on the prior corresponding period, but declined in the second half (3.4% pcp) due to softening market conditions.
- Abnormally high storm related claims costs, particularly in the second half. The second half net loss ratio increased to 78.2% from 67.4% in the first half, resulting in a decline in the insurance trading result to $13 million from $80 million in the first half.
- Cost efficiencies leading to an improvement in operating expense ratio of 23.5% from 25.3% in the prior corresponding period.

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Jun-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Product summary								
Gross written premium	811	801	765	748	6.0	1,612	1,513	6.5
Net earned premium	758	740	672	650	12.8	1,498	1,322	13.3
Net claims incurred	(593)	(499)	(475)	(460)	24.8	(1,092)	(935)	16.8
Acquisition costs	(112)	(108)	(107)	(92)	4.7	(220)	(199)	10.6
Other underwriting expenses	(69)	(63)	(63)	(72)	9.5	(132)	(135)	(2.2)
Total operating expenses	(181)	(171)	(170)	(164)	6.5	(352)	(334)	5.4
Underwriting result	(16)	70	27	26	(159.3)	54	53	1.9
Investment revenue - insurance provisions	29	10	33	20	(12.1)	39	53	(26.4)
Insurance trading result	13	80	60	46	(78.3)	93	106	(12.3)
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	14.8	14.6	15.9	14.2	(6.9)	14.7	15.1	(2.6)
Other underwriting expenses ratio	9.1	8.5	9.4	11.1	(3.2)	8.8	10.2	(13.7)
Total operating expenses ratio	23.9	23.1	25.3	25.3	(5.5)	23.5	25.3	(7.1)
Loss ratio	78.2	67.4	70.7	70.8	10.6	72.9	70.7	3.1
Combined operating ratio	102.1	90.5	96.0	96.1	6.4	96.4	96.0	0.4
Insurance trading ratio	1.7	10.8	8.9	7.1	(80.9)	6.2	8.0	(22.5)

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

Long tail

The long tail business, including CTP, underwritten workers' compensation and commercial liability classes, reported an insurance trading result of $334 million for the year, equal to a trading margin of 36.5%. The result was up from $209 million in the prior year, reflecting:

- Strong gross written premium growth in commercial liability and workers' compensation largely offset by a decline in CTP gross written premium growth as a result of premium rate reductions.
- The favourable underlying claims experience, with improved claims incidence and settlement experience and little evidence of superimposed inflation resulting in significant prior year releases. Current year profitability was also favourable, with claims assumptions reducing ahead of earned premium and implicit pricing assumptions.
- An increase in operating expenses ratio largely as a result of lower CTP premium revenue and the change in mix for intermediary distribution channels.

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Jun-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Product summary								
Gross written premium	476	454	486	431	(2.1)	930	917	1.4
Net earned premium	457	457	436	426	4.8	914	862	6.0
Net claims incurred	(277)	(341)	(356)	(329)	(22.2)	(618)	(685)	(9.8)
Acquisition costs	(42)	(38)	(35)	(33)	20.0	(80)	(68)	17.6
Other underwriting expenses	(40)	(41)	(39)	(39)	2.6	(81)	(78)	3.8
Total operating expenses	(82)	(79)	(74)	(72)	10.8	(161)	(146)	10.3
Underwriting result	98	37	6	25	LARGE	135	31	335.5
Investment revenue - insurance provisions	103	96	104	74	(1.0)	199	178	11.8
Insurance trading result	201	133	110	99	82.7	334	209	59.8
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	9.2	8.3	8.0	7.7	15.0	8.8	7.9	11.4
Other underwriting expenses ratio	8.8	9.0	8.9	9.2	(1.1)	8.9	9.0	(1.1)
Total operating expenses ratio	18.0	17.3	16.9	16.9	6.5	17.7	16.9	4.7
Loss ratio	60.6	74.6	81.7	77.2	(25.8)	67.6	79.5	(15.0)
Combined operating ratio	78.6	91.9	98.6	94.1	(20.3)	85.3	96.4	(11.5)
Insurance trading ratio	44.0	29.1	25.2	23.2	74.6	36.5	24.2	50.8

Profit contribution by class of business – commercial and personal lines

Commercial lines

The commercial lines including underwritten workers' compensation reported an insurance trading profit of $98 million for the year, equal to a trading margin of 14.0%. The result was down from $117 million in the prior year largely due to:

- Strong first half gross written premium growth in workers' compensation (22.6% pcp) and commercial insurance (15.0% pcp). Softening market conditions resulted in a marginal second half decline in commercial insurance growth (-3.4%) compared with prior comparative period, however workers' compensation growth, including the impact of prior year adjustments, remained strong (15.7%).
- An increase in the full year loss ratio to 66.9% from 61.1% in the prior year. While Tort Law reforms and other legislative changes continued to deliver improved claim experience for liability classes, the downward trend is stabilising, which resulted in lower prior period releases compared with prior year. Further, considerable uncertainty surrounds the development of large claims and recent experience has required some strengthening of large and small average claim size assumptions.
- Operating expense ratios improved to 29.1% from 29.6% as net earned premium growth exceeded acquisition and management expense growth.

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Jun-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Product summary								
Gross written premium	389	367	383	316	1.6	756	699	8.2
Net earned premium	359	339	304	292	18.1	698	596	17.1
Net claims incurred	(236)	(231)	(175)	(189)	34.9	(467)	(364)	28.3
Acquisition costs	(70)	(64)	(66)	(50)	6.1	(134)	(116)	15.5
Other underwriting expenses	(33)	(36)	(25)	(35)	32.0	(69)	(60)	15.0
Total operating expenses	(103)	(100)	(91)	(85)	13.2	(203)	(176)	15.3
Underwriting result	20	8	38	18	(47.4)	28	56	(50.0)
Investment revenue - insurance provisions	38	32	38	23	-	70	61	14.8
Insurance trading result	58	40	76	41	(23.7)	98	117	(16.2)
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	19.5	18.9	21.7	17.1	(10.1)	19.2	19.5	(1.5)
Other underwriting expenses ratio	9.2	10.6	8.2	12.0	12.2	9.9	10.1	(2.0)
Total operating expenses ratio	28.7	29.5	29.9	29.1	(4.0)	29.1	29.6	(1.7)
Loss ratio	65.7	68.1	57.6	64.7	14.1	66.9	61.1	9.5
Combined operating ratio	94.4	97.6	87.5	93.8	7.9	96.0	90.7	5.8
Insurance trading ratio	16.2	11.8	25.0	14.0	(35.2)	14.0	19.6	(28.6)

Profit contribution by class of business – commercial and personal lines (continued)

Personal lines

The personal lines including home, motor and compulsory third party reported an insurance trading profit of $329 million for the year, equal to a trading margin of 19.2%. The result was up from $198 million in the prior year, impacted largely by:

- Strong gross written premium growth in home (8.4%) and motor (8.0%) partly offset by a decline in CTP gross written premium (6.9%) led by premium rate reductions.
- The favourable underlying claims experience, with improved claims incidence and settlement experience and little evidence of superimposed inflation resulting in significant prior year releases. Current year profitability was also favourable, with claims assumptions reducing ahead of earned premium and implicit pricing assumptions.
- Operating expense ratios improved to 18.1% from 19.1% largely due to cost synergies and management expense containment initiatives.

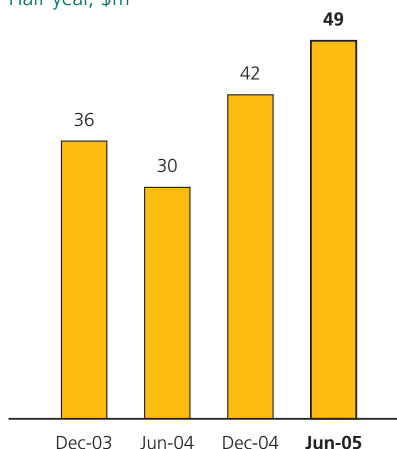
	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Jun-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Product summary								
Gross written premium	898	888	863	863	4.1	1,786	1,726	3.5
Net earned premium	856	858	804	784	6.5	1,714	1,588	7.9
Net claims incurred	(634)	(609)	(656)	(600)	(3.4)	(1,243)	(1,256)	(1.0)
Acquisition costs	(84)	(82)	(76)	(75)	10.5	(166)	(151)	9.9
Other underwriting expenses	(76)	(68)	(77)	(76)	(1.3)	(144)	(153)	(5.9)
Total operating expenses	(160)	(150)	(153)	(151)	4.6	(310)	(304)	2.0
Underwriting result	62	99	(5)	33	LARGE	161	28	475.0
Investment revenue - insurance provisions	94	74	99	71	(5.1)	168	170	(1.2)
Insurance trading result	156	173	94	104	66.0	329	198	66.2
	%	%	%	%		%	%	
Ratios								
Acquisition expense ratio	9.8	9.6	9.5	9.6	3.2	9.7	9.5	2.1
Other underwriting expenses ratio	8.9	7.9	9.6	9.7	(7.3)	8.4	9.6	(12.5)
Total operating expenses ratio	18.7	17.5	19.1	19.3	(2.1)	18.1	19.1	(5.2)
Loss ratio	74.1	71.0	81.6	76.5	(9.2)	72.5	79.1	(8.3)
Combined operating ratio	92.8	88.5	100.7	95.8	(7.8)	90.6	98.2	(7.7)
Insurance trading ratio	18.2	20.2	11.7	13.3	55.6	19.2	12.5	53.6

Segment information – Wealth Management

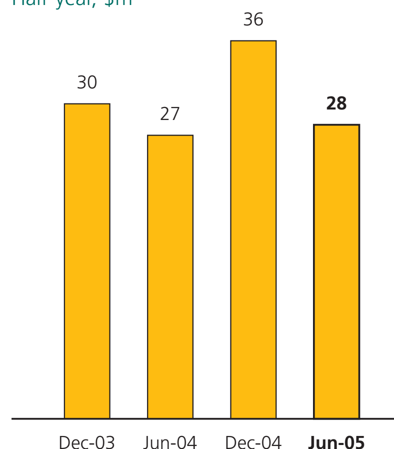
Overview

- The Wealth Management division recorded profit before tax of $91 million for the year to June 2005. This includes a one-off gain of $16.7 million resulting from the sale of rights to investment advisory fees in relation to property fund management. Removal of this item results in an increase in profit of 12.1% to $74 million, from $66 million in the prior year.
- Continued strong investment earnings, as well as higher planned profits largely drove the increase.
- In the June half, profit before tax, excluding the one-off gain was $32 million, down from $42 million in the preceding six months. Lower investment earnings and an experience loss impacted this second half result. In addition, the sale of the fee agreement reduces the ongoing underlying profitability of the funds management activities.
- New business sales increased 21% to $658 million for the year to June 2005. This is despite a softening of new business sales across all business lines, but primarily in low margin external products, in the second half to June.
- The value of new business was impacted by a reduction in the ongoing management fee in the superannuation and allocated pension products as at 1 July 2005. Despite this, the value increased by 4%, mainly driven by increased sales volumes and improved profitability of personal risk products.
- Funds under administration increased from $4.3 billion at the start of the financial year to $5.2 billion at the end of June 2005, a 20% increase. Strong investment earnings underpinned this increase, in addition to very strong net flows resulting from increased sales and sound retention, improving to $322 million in 2005 from $39 million in 2004.
- The embedded value of the Life Company increased by 12% to $492 million in the year to June 2005 compared to $439 million in the prior year. This is mainly the result of strong investment performance and good retention on older investment and large corporate investment business. This was partly offset by a reduction in value due to a transfer of capital up to the group and fee reductions in some superannuation and allocated pension products.
- Funds under management totalled $11.9 billion at June 2005, up from $11.0 billion at June 2004. Funds benefited from an increase in investment income of 45% compared to the prior year. However, outflows exceeded inflows in the year, impacted by the withdrawal of funds from a cash mandate that is managed in a manner similar to a cash accumulation fund.
- The active asset management performance was very strong. All asset classes with the exception of International Equities achieved 1st quartile results for the year ended June 2005 as measured by the Intech Growth Funds survey. The Suncorp balanced fund achieved 1st quartile returns over 1, 3, 5 and 7 years.
- 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 $64 million in the 12 months to June 2005, compared to $57 million in the previous year. The increase in earnings was due to increased investment returns and higher planned profits partly offset by lower experience profits.
- Funds Management recorded a pre-tax profit of $27 million in the period. After adjusting for non-recurring items profit increased 11% to $10 million.

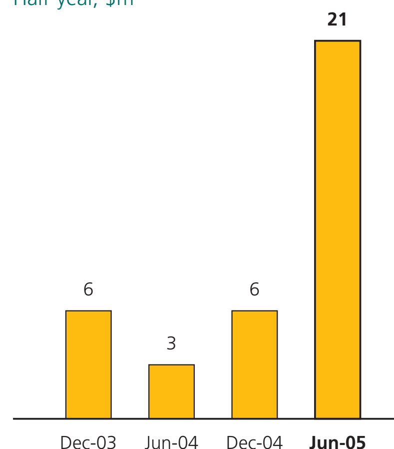
Wealth Management operating profit before tax
Half-year, $m



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



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



	Half-Year Ended					Full Year Ended		
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Profit contribution – Wealth Management Excluding Life Insurance Policy Owners' Interests								
Life Company								
Shareholder's share of Statutory Funds								
Planned profit margins	16	16	13	13	-	32	26	23.1
Experience (losses)/profits	(2)	1	-	4	(300.0)	(1)	4	(125.0)
Investment income on capital and retained earnings	9	12	9	8	(25.0)	21	17	23.5
Group interest in earnings of Life Insurance Statutory Funds	23	29	22	25	(20.7)	52	47	10.6
Shareholder Fund								
Investment income	2	3	4	2	(33.3)	5	6	(16.7)
Revaluation of subsidiaries	1	2	1	2	(50.0)	3	3	-
Other revenue	8	9	7	8	(11.1)	17	15	13.3
Operating expenses	(6)	(7)	(7)	(7)	(14.3)	(13)	(14)	(7.1)
Contribution to profit before tax from activities in the Life Company	28	36	27	30	(22.2)	64	57	12.3
Funds management								
Investment income	1	1	1	-	-	2	1	100.0
Fee income funds management	42	24	21	23	75.0	66	44	50.0
Other expenses funds management	(22)	(19)	(19)	(17)	15.8	(41)	(36)	13.9
Contribution to profit before tax from Funds Management activities	21	6	3	6	250.0	27	9	200.0
Contribution to profit before tax from Wealth Management activities	**49**	**42**	**30**	**36**	**16.7**	**91**	**66**	**37.9**
Cash return on equity (%)	**29.1**	**27.7**	**21.3**	**28.5**	**4.9**	**28.2**	**25.5**	**10.3**

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Dec-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Reconciliation of underlying profit to profit before tax								
Contribution to profit before tax from Wealth Management activities	49	42	30	36	16.7	91	66	37.9
Less investment earnings:								
Life Company								
Shareholder's share of statutory fund	(9)	(12)	(9)	(8)	(25.0)	(21)	(17)	23.5
Shareholder fund	(2)	(3)	(4)	(2)	(33.3)	(5)	(6)	(16.7)
Funds Management	(1)	(1)	(1)	-	-	(2)	(1)	100.0
	(12)	(16)	(14)	(10)	(58)	(28)	(24)	16.7
One-off items	(17)	-	-	-	n/a	(17)	-	n/a
	(29)	(16)	(14)	(10)	81.3	(45)	(24)	87.5
Underlying profit	**20**	**26**	**16**	**26**	**(23.1)**	**46**	**42**	**9.5**
Reconciliation of contribution to profit before tax including policy owners' interests to contribution to profit before tax Excluding Policy Owners' Interests								
Contribution to profit from ordinary Wealth Management activities before income tax	110	122	77	74	(9.8)	232	151	53.6
Profit attributable to outside equity interests	(31)	(49)	(25)	(19)	(36.7)	(80)	(44)	81.8
Income tax attributable to policy owners	(30)	(31)	(22)	(19)	(3.2)	(61)	(41)	48.8
Contribution to profit from ordinary Wealth Management activities before tax excluding policy owners' interests	**49**	**42**	**30**	**36**	**16.7**	**91**	**66**	**37.9**

Assets and liabilities – Wealth Management

Excluding Life Insurance Policy Owners' Interests

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Assets						
Cash and liquid assets	37	19	22	22	94.7	68.2
Investments	38	40	48	45	(5.0)	(20.8)
Excess of net market value of interests in life insurance controlled entities	18	17	15	14	5.9	20.0
Loans, advances and other receivables	58	15	40	12	286.7	45.0
Unlisted investment in life insurance Statutory Funds	200	214	185	181	(6.5)	8.1
Other assets	3	4	-	1	(25.0)	n/a
Total assets	354	309	310	275	14.6	14.2
Liabilities						
Deposits and short term borrowings	17	15	19	14	13.3	(10.5)
Accounts payable and other liabilities	9	8	8	7	12.5	12.5
Provisions	25	-	7	-	n/a	257.1
Total liabilities	51	23	34	21	121.7	50.0
Net assets						
Net assets Life Company - Shareholder Fund	80	38	65	43	110.5	23.1
Net assets Life Company - Statutory Funds	200	214	185	181	(6.5)	8.1
Net assets Fund Management	23	34	26	30	(32.4)	(11.5)
Total net assets	**303**	**286**	**276**	**254**	**5.9**	**9.8**

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 the shareholder, with 80% allocated to policyholders, and 20% to the shareholder. Profits on non-participating business are all allocated to the shareholder.

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

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

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

Sources of profit for the Statutory Funds are investment earnings on capital and retained profits, planned margins and experience profits. In the year to June 2005, the shareholder's interest in profits from these sources increased 10.6% to $52 million, compared to $47 million in the previous year.

Sources of profit for the Shareholder Fund consist of earnings on Shareholder Fund investments, revaluations of investments in controlled entities (embedded value) and management fees. These other revenues amounted to $12 million for the year to June 2005 compared with $10 million for the prior year to June 2004.

The profit contribution from the funds is outlined below.

Profit overview (continued)

Planned profits

Planned profits of $32 million in the year to June 2005 were up from $26 million in the prior year. The increase in planned profits was largely due to improved profitability of personal risk products and higher long term investment earnings assumptions applied to various investment asset classes.

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

Experience profits

Experience losses were $1 million in the year to June 2005, compared with experience profits of $4 million in the previous year. This was mainly the result of a loss on income protection claims and a reduction in the quality of mastertrust investment business (as measured by size of average annual premium) offset by the effect of strong investment earnings.

Under Margin on Services (MoS) accounting, losses on new business are incurred in the year the business is written, while returns on profitable business are spread over future periods. However, if circumstances change, for example favourable assumption changes are made or new business is written on more profitable terms, then these previously booked losses can be reversed. During the year to June 2004, profitable new investment business written allowed for the reversal of associated profits, resulting in a $2.1 million experience profit. In 2005 $1.6 million in losses were recognised due largely to fee reductions on some investment business.

Statutory Fund investment income

Investment income on capital and retained earnings in the Statutory Funds increased 24% to $21 million, mainly due to the performance of equity markets. Investment returns exceeded benchmarks in most asset classes.

Shareholder Fund income

Shareholder Fund income includes investment income, revaluation of controlled entities and other revenues including management fees and commission. Shareholder Fund income increased from $24 million in June 2004, to $25 million in June 2005.

Changes to the market value of Life Company investment controlled entities 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 controlled entity that operates the customer service activities of the retail unit trusts business. Higher investment earnings and a net inflow of unit trust business resulted in an increase of the embedded value of $3 million in the year to June 2005. This is consistent with the $3 million increase in the embedded value in the prior year.

	Half-Year Ended					Full Year Ended		
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
New business sales								
Risk sales								
Personal risk products	4	5	4	6	(20.0)	9	10	(10.0)
Group life and CCI	3	13	1	3	(76.9)	16	4	300.0
Total risk sales	7	18	5	9	(61.1)	25	14	78.6
Superannuation and Investment Product Sales	283	301	200	190	(6.0)	584	390	49.7
External Product Sales	7	42	41	98	(83.3)	49	139	(64.7)
Total Superannuation, Investment and External Product Sales	290	343	241	288	(15.5)	633	529	19.7
Total sales new business	**297**	**361**	**246**	**297**	**(17.7)**	**658**	**543**	**21.2**

Total new business sales increased 21% to $658 million in the year to June 2005. Sales in the group's superannuation and allocated pension products were strong reflecting a sustained level of confidence in equity markets during the year. A large portion of the increase in group life sales in the December 2004 half- year was due to a major group life client increasing the level of cover required for its members.

Despite the negative impact on new business value as a result of a reduction in ongoing management fees on the group's superannuation and allocated pension products the total value increased by 4% in comparison with previous year. The profitability of personal risk products improved, driven by improved retention and expected claims, despite the lower sales levels. Further, the Easy Invest product (a 'wrap' platform service introduced in the 2004 financial year) continues to support the growth of higher margin products.

Value of new sales

The table below shows the value, to shareholders, of new business written over the year to June 2005. The values are based on:

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

The writing of profitable business will benefit future planned profits.

	Full Year Ended		
	Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Statutory Fund new business: Present value of MoS profit margins[(1)]	14.1	15.1	(6.6)
Unit Trust/Easy Invest new business embedded value[(2)]	2.5	0.9	177.8

Notes:

[(1)] Excludes Group Life. Discount rates used were between 4.10% and 10.50% (Dec-04: between 4.25% and 10.50%; Jun-04: between 5.00% and 11.00%; and Dec-03: between 4.50% and 10.75%).

[(2)] Discount rate used was 11.75% pa (Dec-04:11.83%; Jun-04: 12.45%; and Dec-03: 12.55%).

Embedded value

A valuation of the shareholder's interests in the Statutory Funds, Shareholder Fund, and controlled entities was undertaken as at 30 June 2005. During 2005 the market bond yield decreased sharply, impacting the long term earnings assumptions. This movement has a negative impact on value and profitability. If this effect is ignored the embedded value increased by 12% to $492 million (11% discount factor) in the year to June 2005 when compared to the $439 million reported at June 2004 (12% discount factor). This is mainly the result of strong investment performance, improved retention, and increased retained profits. The increase is partly offset by a reduction in the value of the Shareholder Fund due to a transfer of capital up to the group and fee reductions on superannuation and allocation pension products as at 1 July 2005.

	Discount rate		
	11.0% $m	12.0% $m	13.0% $m
Embedded value at 30 June 2005			
Shareholder Fund excluding controlled entities			
Value of profits/net assets	61	60	59
Value of imputation credits at 70% full value	4	4	3
Statutory Funds			
Value of profits/net assets	346	334	323
Value of imputation credits at 70% full value	59	55	52
Controlled entities			
Value of profits/net assets	18	17	17
Value of imputation credits at 70% full value	4	4	3
Total June 2005	**492**	**474**	**457**
Total December 2004	**466**	**448**	**433**
Total June 2004	**457**	**439**	**422**
Total December 2003	**407**	**389**	**374**

	Opening balance Jul-04 $m	Net Inflows $m	Investment income & other [(1)] $m	Closing balance Jun-05 $m
Funds under administration				
Statutory life and superannuation	3,395	63	410	3,868
Retail unit trust products/Easy Invest	498	51	50	599
Assets managed internally	3,893	114	460	4,467
Statutory life and superannuation - external	402	143	70	615
Easy Invest - external	-	65	3	68
Assets managed externally	402	208	73	683
Total Life Company	**4,295**	**322**	**533**	**5,150**

Notes:

(1) Investment income and Other include expenses and tax.

Funds under administration for the Life Company includes funds placed with internal and external fund managers. Funds under administration totalled $5.2 billion at June 2005, up from $4.3 billion at June 2004, benefiting from strong investment income as well as net inflows of $322 million for the year. This is well up on net inflows of $39 million in the full year to June 2004. The increase also reflects improved retention of customer accounts.

	Half-Year Ended					
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Dec-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	%
Risk annual premium						
Personal risk	64	62	60	58	3.2	6.8
Group life	35	34	32	31	2.9	9.5
Total Risk Annual Premium	99	96	92	89	3.1	7.7

Despite lower personal risk sales, annual premiums on risk products have increased 7.7%. This is primarily due to improved retention.

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Portfolio allocation of investments – Wealth Management				
Allocation of investments held against:				
Statutory Funds				
Equities	1,983	1,804	1,545	1,276
Interest bearing securities	1,566	1,226	1,243	1,371
Property	297	577	571	542
(1), (2)	**3,846**	**3,607**	**3,359**	**3,189**
Shareholder net assets in Statutory Funds				
Equities	84	105	87	74
Interest bearing securities	100	75	70	78
Property	16	34	28	29
(1)	**200**	**214**	**185**	**181**
Shareholder Fund				
Equities	20	22	32	30
Interest bearing securities	1	1	2	2
Property	1	1	1	1
(2)	**22**	**24**	**36**	**32**

Notes:

(1) Statutory Funds allocation includes shareholder net assets.

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

Funds management activities

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

Approximately $4.5 billion in funds are managed for the Life Company, $5.8 billion in funds are managed on behalf of the General Insurance division and a further $1.6 billion in funds are managed on behalf of external parties.

Funds Management profit was $27 million to June 2005 compared with $9 million in the prior year. This profit includes $16.7 million of one-off income resulting from the sale of a property fund management fee arrangement during the second half. Adjusted for this, profit increased 11% to $10 million for the year, with underlying fee income and expenses relating to Funds Management activities consistent year on year.

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %	Jun-05 vs Jun-04 %
Funds under management						
General Insurance	5,849	5,743	5,467	5,261	1.8	7.0
Life Company - Shareholder Funds	22	24	36	32	(8.3)	(38.9)
Life Company - Statutory Funds	3,846	3,607	3,359	3,189	6.6	14.5
Life Company - Retail unit trusts/Easy Invest	599	563	498	471	6.4	20.3
Other managed funds[1]	1,570	2,082	1,676	1,277	(24.6)	(6.3)
	11,886	**12,019**	**11,036**	**10,230**	**(1.1)**	**7.7**

Notes:

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

	Opening balance Jul-04 $m	Inflows $m	Out-flows [1] $m	Invest-ment income $m	Closing balance Jun-05 $m
Funds management activities (continued)					
Funds under management					
General Insurance	5,467	2,203	2,322	501	5,849
Statutory life and superannuation[2]	3,395	876	919	516	3,868
Retail unit trusts/Easy Invest	498	137	89	53	599
Life Company	3,893	1,013	1,008	569	4,467
External wholesale	1,676	1,263	1,585	216	1,570
Total	**11,036**	**4,479**	**4,915**	**1,286**	**11,886**

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 $11.9 billion at June 2005, up from $11.0 billion in June 2004. Investment income was up 45% on the prior year, contributing to the increase in funds under management. Retail unit trusts inflows continued positive momentum, with a net inflow of $48 million compared to an outflow of $5 million for the previous period. External wholesale funds under management, however, has decreased since June 2004, primarily resulting from the withdrawal of funds from a cash mandate managed in a manner similar to a cash accumulation fund.

Group investment performance

The majority of the markets in which the funds management area invests, with the exception of unhedged offshore equity markets, recorded positive investment returns in the 12 months to June 2005. The Suncorp Balanced Fund, the flagship diversified portfolio, achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by the Intech Growth Funds survey. The annual return for the balanced fund was 14.35% (net of fees). This result was in the top 10 fund returns from major industry, commercial, corporate and government super funds as measured by Intech. All asset classes with the exception of International Equities achieved 1st quartile results for the year ended June 2005.

As noted above investment income was up 45% on the previous year largely on the back of strong domestic equities and listed property markets that had gross returns of 26.4% and 18.1% respectively. Active investment management in the wholesale equities trust added an additional 3.3% to the gross market return.

Group capital

Group capital position

The Adjusted Common Equity (ACE) ratio increased to 6.85% from 5.59% at December 2004. The regulatory capital ratio increased to 11.51%, despite strong growth in risk weighted assets. Increased risk weighted assets were offset by increased retained profits in the capital base.

The Company has a strong capital position and some of this capital is surplus to what is required for anticipated growth. It is our intention to return some of this surplus to shareholders. The Company also has a significant franking account balance.

The Company has announced a special dividend of 75 cents per share to shareholders, payable in October 2005. To maximise the distribution to shareholders, the special dividend will be preceded by a qualifying (as lower Tier 2 regulatory capital) subordinated debt transaction of $200 million from the Bank. The capital management initiative is aimed at returning surplus Tier 1 capital to the Company's shareholders. The special dividend is also an efficient means of transferring some of the franking credit balance to shareholders and improving our Tier 1/Tier 2 ratios.

Group capital table

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

	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidated $m	Total $m
	as at 30 June 2005					
Group capital position (continued)						
Tier 1						
Ordinary share capital	2,796	-	-	-	-	2,796
Preference share capital	244	-	-	-	-	244
Funding provided by Bank holding company	-	1,395	46	26	(1,467)	-
Preconversion reserve	13	-	-	-	-	13
Retained profits[1]	1,018	424	211	6	(500)	1,159
Technical provisions in excess of liability valuation	-	336	-	-	-	336
Excluded assets	-	-	(13)	-	-	(13)
Less goodwill	(1,234)	(808)	-	-	1,120	(922)
Less other intangible assets	(67)	(3)	-	-	-	(70)
Total Tier 1 capital	2,770	1,344	244	32	(847)	3,543
Tier 2						
Asset revaluation reserve	8	-	6	-	-	14
Net general provision for impairment	118	-	-	-	-	118
Subordinated notes	772	199	-	-	-	971
Total Tier 2 capital	898	199	6	-	-	1,103
Deductions from capital						
Investments in subsidiaries	(851)	-	-	-	851	-
Guarantees and facilities to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(856)	-	-	-	856	-
Total capital base	**2,812**	**1,543**	**250**	**32**	**9**	**4,646**
Required minimum capital base[2]	2,322	1,196	122	28	-	3,668
Excess	**490**	**347**	**128**	**4**	**9**	**978**

Notes:

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

[2] Where applicable the minimum capital base is as specified by APRA. For Banking this is 9.5% of risk weighted assets and for General Insurance this is 1.25 times the minimum capital requirement. For Wealth Management, the excess assets shown above represent amounts which could be distributed to shareholders and are the sum of a) assets above APRA required minimums for Suncorp Life & Superannuation Limited's Shareholder Fund and Suncorp Metway Investment Management Ltd, and b) Shareholder non-participating profits within Suncorp Life & Superannuation Limited's Statutory Funds.

It should be noted that this calculation excludes policy owner retained profits within the Statutory Funds, which can be used to meet APRA solvency and Capital Adequacy requirements. At June 2005 the assets available for solvency reserve was 2.7 times the solvency reserve.

For certain investment entities the minimum capital base represents net tangible asset requirements under Australian Financial Services licences. For Other entities minimum capital is the actual capital base. Required capital for Other entities includes capital of entities which are not consolidated for APRA purposes.

The table shows that the group has total capital over and above regulatory minimum levels of $978 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 exceeds that policy. Some of the excess is to be returned to shareholders by way of a special dividend.

	Banking $m	General Insurance $m	as at 30 June 2005 Wealth Management[1] $m	Other $m	Con-solidated[2] $m	Total $m
Group capital position (continued)						
Reconciliation of net assets to total capital base						
Net assets	3,951	2,193	303	37	(1,970)	4,514
Difference relating to APRA definition of retained profits	129	(357)	(40)	(5)	-	(273)
Additional items allowable for capital for APRA purposes						
Technical provisions in excess of liability valuation	-	336	-	-	-	336
Net general provision for doubtful debts	118	-	-	-	-	118
Subordinated notes	772	199	-	-	-	971
Deductions from capital for APRA purposes						
Goodwill [3]	(1,234)	(808)	-	-	1,120	(922)
Other intangible assets	(67)	(3)	-	-	-	(70)
Excluded assets/other	(1)	1	(13)	-	-	(13)
Outside equity interest in controlled entities	-	(18)	-	-	3	(15)
Funding of capital and guarantees by Bank holding company	(856)	-	-	-	856	-
Total capital base	**2,812**	**1,543**	**250**	**32**	**9**	**4,646**

Notes:

[1] Excludes outside equity interests which relate to the Statutory Funds.

[2] Consolidation mainly represents the Bank's investments in non-banking controlled entities and amortisation of goodwill.

[3] APRA requires the intangible component of the book value of investments in non-banking controlled entities to be deducted from Tier 1 capital. As it relates to non-banking controlled entities, it is not amortised at the Banking level. Amortisation occurs within General Insurance and when the entire group is consolidated. The total intangible deduction from group capital in the table above of $922 million represents the total unamortised balance of goodwill for the group.

	Banking $m	General Insurance $m	as at 30 June 2005 Wealth Management $m	Other $m	Con-solidated $m	Total $m
Reconciliation of reported retained profits to APRA retained profits						
Reported Retained profits	889	781	251	11	(500)	1,432
Retained profits of entities not consolidated for APRA purposes	-	139	-	-	-	139
Differences in retained profits for APRA purposes	(172)	(240)	-	-	-	(412)
Expected intragroup dividends[1]	301	(256)	(40)	(5)	-	-
	129	(357)	(40)	(5)	-	(273)
APRA retained profits	**1,018**	**424**	**211**	**6**	**(500)**	**1,159**

Notes:

[1] Intragroup dividends are not deducted from the General Insurance capital position shown on page 72 in accordance with APRA instructions.

Banking capital adequacy

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Consolidated banking capital				
Tier 1				
Ordinary share capital	2,796	2,725	2,654	2,622
Preference share capital	244	244	244	244
Preconversion reserve	13	13	13	13
Retained profits	1,018	710	445	352
Less amortised goodwill for banking controlled entities	(20)	(20)	(21)	(23)
Less unamortised goodwill component of investment in non-banking controlled entities	(1,214)	(1,209)	(1,209)	(1,203)
Less other intangible assets	(67)	(62)	-	-
Less excluded assets	-	(1)	-	(1)
Less net future income tax benefit	-	-	(1)	(11)
Total Tier 1 capital	2,770	2,400	2,125	1,993
Tier 2				
Asset revaluation reserve	8	8	8	8
Net general provision for doubtful debts	118	118	104	96
Perpetual subordinated notes	170	170	170	170
Subordinated notes	602	593	635	605
Total Tier 2 capital	898	889	917	879
Deductions from capital				
Investments in non-banking controlled entities (net of goodwill component deducted from Tier 1)	(851)	(853)	(853)	(858)
Guarantees and facilities to non-banking controlled entities	(5)	(5)	(5)	(5)
Capital base	**2,812**	**2,431**	**2,184**	**2,009**
Total assessed risk	**24,439**	**23,292**	**21,297**	**19,753**
Risk weighted capital ratio	**11.51%**	**10.44%**	**10.25%**	**10.17%**
Reconciliation of deduction for investments in controlled entities				
Investment securities - Assets and liabilities - Banking	2,065	2,065	2,065	2,067
Less intangible component deducted from Tier 1 capital - non-banking controlled entities	(1,214)	(1,209)	(1,209)	(1,203)
Less non-controlled entity investment securities	-	(3)	(3)	(6)
Deduction from total capital for investment in controlled entities	**851**	**853**	**853**	**858**
Retained profits movement				
Retained profits opening for the half-year	710	445	352	278
Add Banking profit after tax for the half-year	167	145	128	115
Add sale of investment in Cashcard Australia Ltd	-	-	22	-
Less profit after tax of entities not consolidated for APRA purposes	1	-	-	(1)
Add/(less) APRA adjustments	(28)	-	9	(4)
Less dividend expense/accrual	(253)	(236)	(222)	(168)
Add estimated change in dividend reinvestment plan	38	2	9	25
Add dividends from non-banking controlled entities	383	354	147	107
Retained profits closing for the half-year	**1,018**	**710**	**445**	**352**
Reconciliation of banking deduction for intangible assets to group intangible assets				
Amortised goodwill for banking controlled entities	20	21	21	23
Non-amortised goodwill for non-banking controlled entities	1,214	1,209	1,209	1,203
Goodwill reflected in investments in associates	(38)	(33)	(33)	(33)
Amortisation of non-banking goodwill	(274)	(244)	(213)	(185)
Group intangible assets	**922**	**953**	**984**	**1,008**

Banking capital adequacy (continued)

	Carrying value			Risk weighted balance			
	Jun-05 $m	Dec-04 $m	Risk weights %	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Risk weighted assets							
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	637	787	0	-	-	-	-
Claims on banks and local governments	212	66	20	42	13	32	22
Loans secured against residential housing	16,208	15,921	50	8,104	7,961	7,529	6,909
Other assets	14,954	14,036	100	14,954	14,036	12,565	11,668
Loans with loan valuation ratio in excess of 80%	16	22	200	32	44	26	30
Total banking assets[1]	**32,027**	**30,832**		**23,132**	**22,054**	**20,152**	**18,629**

	Notional amount	Credit equiv-alent		Risk weighted balance			
	Jun-05 $m	Jun-05 $m	Risk weights %	jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Off balance sheet positions							
Guarantees entered into in the normal course of business	237	133	20-100	119	106	74	76
Commitments to provide loans and advances	5,471	1,214	0-100	814	780	751	714
Capital commitments	4	4	100	4	6	1	4
Foreign exchange contracts	13,250	265	20-50	55	88	87	113
Interest rate contracts	24,402	238	20-50	73	49	43	44
Total off balance sheet positions	43,364	1,854		1,065	1,029	956	951
Market risk capital charge				242	209	189	173
Total risk weighted assets				23,132	22,054	20,152	18,629
Total assessed risk				**24,439**	**23,292**	**21,297**	**19,753**
				%	%	%	%
Risk weighted capital ratios							
Tier 1				11.34	10.30	9.98	10.09
Tier 2				3.67	3.82	4.31	4.45
Deductions				(3.50)	(3.68)	(4.04)	(4.37)
Total risk weighted capital ratios				**11.51**	**10.44**	**10.25**	**10.17**

Notes:

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

The banking capital adequacy ratio increased to 11.51%. There are increased retained profits in the capital base reflecting increases in dividends receivable from controlled entities. An ongoing securitisation programme has reduced the growth in risk-weighted assets.

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Adjusted Common Equity – consolidated Bank				
Ordinary share capital	2,796	2,725	2,654	2,622
Retained profits	1,018	710	445	352
Reserves	21	21	21	22
	3,835	3,456	3,120	2,996
Less:				
Goodwill	(1,234)	(1,229)	(1,230)	(1,226)
Other intangible assets	(67)	(62)	-	-
Excluded assets	-	(1)	-	-
Future income tax benefit	-	-	(1)	(11)
Investment in non-banking controlled entities (net of goodwill)	(851)	(853)	(853)	(858)
Asset revaluation reserve	(8)	(8)	(8)	(8)
	(2,160)	(2,153)	(2,092)	(2,103)
Adjusted Common Equity	**1,675**	**1,303**	**1,028**	**893**
Risk-weighted assets including off-balance sheet positions	24,439	23,292	21,297	19,753
	%	%	%	%
Adjusted Common Equity ratio	**6.85**	**5.59**	**4.83**	**4.52**

The Adjusted Common Equity (ACE) for the Bank only, which excludes subordinated debt, preference shares and investments in non-bank controlled entities, increased to $1.67 billion at June, from $1.30 billion at December. The ACE ratio therefore increased to 6.85% from 5.59%, due to increased retained profits following strong profit improvements, and receipt of a special dividend from the General Insurance controlled entity during the first half of the year. The current capital levels are in excess of the target range of 5%-5.5%. Some of the excess is to be returned to shareholders by way of a special dividend.

General Insurance minimum capital ratio

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

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

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

At June 2005 the consolidated General Insurance business has a strong capital position at 1.88 times the minimum requirement. This is down from 1.95 times at December 2004. Capital in excess of the target level is repatriated to the parent entity by way of dividends.

General Insurance minimum capital ratio (continued)

	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Tier 1				
Ordinary share capital	1,395	1,395	1,395	1,395
Retained profits	680	718	808	682
Technical provisions in excess of liability valuation	480	466	389	278
Less: Tax effect of excess technical provisions	(144)	(140)	(117)	(83)
	2,411	2,439	2,475	2,272
Less:				
Goodwill	(807)	(833)	(859)	(879)
Net future income tax benefit	(3)	-	-	(27)
Total deductions from tier 1 capital	(810)	(833)	(859)	(906)
Total tier 1 capital	**1,601**	**1,606**	**1,616**	**1,366**
Tier 2				
Subordinated notes	199	199	-	-
APRA capital base	**1,800**	**1,805**	**1,616**	**1,366**
Outstanding claims risk capital charge	470	458	448	446
Premium liabilities risk capital charge	192	182	183	188
Total insurance risk capital charge	662	640	631	634
Investment risk capital charge	245	238	246	233
Catastrophe risk capital charge	50	50	51	50
Total minimum capital requirement (MCR)	**957**	**928**	**928**	**917**
MCR coverage ratio (times)	**1.88**	**1.95**	**1.74**	**1.49**

		Half-Year Ended		
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m
Retained profits movement				
Retained profits opening for the half-year	718	808	682	649
Add General Insurance profit after tax for the half-year	227	258	176	159
Less profit after tax of entities not consolidated for APRA purposes	(34)	(15)	(3)	(25)
Add/(less) APRA adjustments	(27)	(25)	60	(36)
Less dividends paid	(204)	(308)	(107)	(65)
Retained profits closing for the half-year	**680**	**718**	**808**	**682**

Notes:

1. The MCR in this table, $957 million, differs from the MCR figure of $1.2 billion in the table on page 67 because the figure on page 67 is 1.25 times the MCR, as required by APRA.

One-off items

	Jun-05 $m	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m
One-off items included in profit from ordinary activities before income tax are:				
Sale of investment in Cashcard Australia Ltd	-	-	31	-
Sale of management rights over Australian Prime Property Fund (APPF)	17	-	-	-
	17	**-**	**31**	**-**
The above items affect the following captions in the contribution to profit:				
Sale of investment in Cashcard Australia Ltd	-	-	31	-
Contribution from Funds Management	17	-	-	-
	17	**-**	**31**	**-**

In April 2005, Suncorp Metway Investment Management Ltd ("SMIML") organised the sale of the Wealth Management units in the property trust Australian Prime Property Fund ("APPF"). There are two limbs of the transaction, firstly SLSL sold its units in APPF resulting in a realised profit before tax of $45 million for the Statutory Number 1 Fund (of which $30 million represents the premium negotiated as part of the sale and therefore is a one-off item). This is not recognised in the statement of financial performance currently as it relates to policy owners' interests. As the majority of the assets of this fund support participating business, approximately 20% of the gain will flow to the Shareholder over time. The second limb involved the sale by SMIML of its management rights with Lend Lease resulting in a one-off gain of $16.7 million.

Dividends

Ordinary Dividend

The final dividend of 45 cents per share and special dividend of 75 cents per share are fully franked and due to be paid on 3 October 2005. The record date for determining entitlements to the dividends is 6 September 2005.

	Jun-05 $m	Half-Year Ended Dec-04 $m	Jun-04 $m	Dec-03 $m
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%) after proposed dividend	**399**	**325**	**264**	**219**

Special Dividend

The Company has a strong capital position and some of this capital is surplus to what is required for anticipated growth. The Company also has a significant accumulation of franking credits on the Statement of Assets and Liabilities.

The Company has announced plans to pay a special dividend of 75 cents per share to shareholders, payable in October 2005 (fully franked). This will be supported by a subordinated debt transaction of $200 million from the Bank. The capital management initiative is aimed at returning surplus Tier 1 capital to the Company's shareholders, and returning the group capital position to target levels. The special dividend is also an efficient means of transferring some of the franking credit balance to shareholders and improving Tier 1/Tier 2 ratios.

	Half-Year Ended					Full Year Ended		
	Jun-05	Dec-04	Jun-04	Dec-03	Jun-05 vs Dec-04	Jun-05	Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
Operating expenses								
Excluding Life insurance Policy Owners' Interests								
Staff expenses								
Salaries and wages	241	242	225	208	(0.4)	483	433	11.5
Other staff expenses[1]	96	81	87	95	18.5	177	182	(2.7)
Total staff expenses	337	323	312	303	4.3	660	615	7.3
Equipment and occupancy expenses								
Depreciation								
Buildings	1	-	1	-	n/a	1	1	-
Plant, equipment and software	34	37	39	37	(8.1)	71	76	(6.6)
Leasehold improvements	4	5	6	6	(20.0)	9	12	(25.0)
Loss on disposal of property, plant and equipment	1	-	-	1	n/a	1	1	-
Operating lease rentals	22	23	22	24	(4.3)	45	46	(2.2)
Other occupancy expenses [2]	7	7	7	7	-	14	14	-
Total equipment and occupancy expenses	69	72	75	75	(4.2)	141	150	(6.0)
Other								
Hardware, software and data line expenses	22	23	20	23	(4.3)	45	43	4.7
Advertising and promotion expenses	40	28	32	33	42.9	68	65	4.6
Office supplies, postage and printing	31	34	34	35	(8.8)	65	69	(5.8)
Amortisation of franchise systems	-	1	1	-	(100.0)	1	1	-
Other[3], [4]	49	47	35	28	4.3	96	63	52.4
Total other expenses	142	133	122	119	6.8	275	241	14.1
Expenses charged to the Wealth Management Statutory Funds	(37)	(32)	(32)	(32)	15.6	(69)	(64)	7.8
Total operating expenses from ordinary activities	**511**	**496**	**477**	**465**	**3.0**	**1,007**	**942**	**6.9**

Notes

[1] Other staff expenses is mainly made up of employee on-costs, staff amenity expenses, training costs and temporary staff expenses.

[2] Other occupancy expenses consists mainly of electricity and maintenance expenses.

[3] The increase in Other is primarily due to increases in General Insurance commissions.

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

Income tax

	Half-Year Ended Jun-05	Half-Year Ended Dec-04	Half-Year Ended Jun-04	Half-Year Ended Dec-03	Jun-05 vs Dec-04	Full Year Ended Jun-05	Full Year Ended Jun-04	Jun-05 vs Jun-04
	$m	$m	$m	$m	%	$m	$m	%
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	571	577	481	404	(1.0)	1,148	885	29.7
Prima facie income tax expense calculated at 30%	171	173	144	121	(1.2)	344	265	29.8
Tax effect of permanent differences:								
Non-deductible expenditure	6	4	3	4	50.0	10	7	42.9
Non-deductible write-downs	-	-	-	5	n/a	-	5	(100.0)
Amortisation of goodwill	10	9	10	9	11.1	19	19	-
Non-assessable income	(3)	-	1	(2)	n/a	(3)	(1)	200.0
Imputation gross-up on dividends received	3	5	3	2	(40.0)	8	5	60.0
Dividend tax credits	(8)	(20)	(7)	(9)	(60.0)	(28)	(16)	75.0
Life and superannuation statutory funds	(5)	(8)	(6)	(8)	(37.5)	(13)	(14)	(7.1)
Other	(7)	7	(9)	4	(200.0)	-	(5)	(100.0)
Income tax adjusted for permanent differences	167	170	139	126	(1.8)	337	265	27.2
Over/(under) provision in prior year	(4)	(6)	5	(3)	(33.3)	(10)	2	(600.0)
Income tax expense	**163**	**164**	**144**	**123**	**(0.6)**	**327**	**267**	**22.5**
Effective tax rate	**28.5%**	**28.4%**	**29.9%**	**30.4%**	**0.4**	**28.5%**	**30.2%**	**(5.7)**
Income tax expense by segment								
Banking	71	75	67	62	(5.3)	146	129	13.2
General Insurance	83	83	73	56	-	166	129	28.7
Wealth Management	8	4	2	3	100.0	12	5	140.0
Other	1	2	2	2	(50.0)	3	4	(25.0)
Total income tax expense	**163**	**164**	**144**	**123**	**(0.6)**	**327**	**267**	**22.5**

Income tax expense for the half-year increased by 13.2% to $163 million. The increase in tax was largely attributable to the higher earnings base.

Tax Consolidation

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

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 controlled entities. This may result in a different tax expense figure recorded in segments than if the tax were calculated on a stand alone basis. A tax benefit of $8 million from the elections provided by the consolidation legislation has been recognised in the period, and is included in "Over/(under) provision in prior year" shown in the above reconciliation.

Statement of Cash Flows
Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended				Full Year Ended	
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 $m	Jun-04 $m
Cash flows from operating activities						
Interest received	1,201	1,114	1,017	913	2,315	1,930
Dividends received	14	36	16	10	50	26
Premiums received	1,392	1,391	1,343	1,317	2,783	2,660
Reinsurance and other recoveries received	207	188	187	125	395	312
Other operating revenue received	497	431	468	364	928	832
Interest paid	(820)	(758)	(671)	(622)	(1,578)	(1,293)
Outwards reinsurance premiums paid	(70)	(59)	(101)	(72)	(129)	(173)
Claims paid	(1,071)	(904)	(1,008)	(900)	(1,975)	(1,908)
Operating expenses paid	(567)	(750)	(457)	(644)	(1,317)	(1,101)
Income taxes paid – operating activities	(53)	(30)	(95)	(145)	(83)	(240)
Net cash inflow from operating activities	730	659	699	346	1,389	1,045
Cash flows from investing activities						
(Payments for purchase)/ proceeds from disposal of controlled entities	-	-	(10)	1	-	(9)
Payments for purchase of investments in associates	-	-	(4)	(9)	-	(13)
Payments for property, plant and equipment	(39)	(37)	(25)	(31)	(76)	(56)
Net (purchase)/disposal of banking securities	37	(876)	451	181	(839)	632
Net increase in loans, advances and other receivables	(957)	(2,358)	(2,236)	(2,182)	(3,315)	(4,418)
Purchase of investments integral to insurance activities	(6,751)	(3,758)	(11,219)	(8,543)	(10,509)	(19,762)
Proceeds from disposal of insurance investments	6,702	3,480	11,186	8,234	10,182	19,420
Income taxes paid – investing activities	(56)	(123)	(18)	(34)	(179)	(52)
Net cash outflow from investing activities	(1,064)	(3,672)	(1,875)	(2,383)	(4,736)	(4,258)
Cash flows from financing activities						
Proceeds from issue of shares	1	33	5	7	34	12
Proceeds from subordinated notes	-	199	-	-	199	-
Net increase in borrowings	703	2,972	1,299	2,083	3,675	3,382
Dividends paid	(165)	(185)	(140)	(138)	(350)	(278)
Net cash inflow from financing activities	539	3,019	1,164	1,952	3,558	3,116
Net increase/(decrease) in cash and cash equivalents	205	6	(12)	(85)	211	(97)
Cash at the beginning of the financial period	795	789	798	883	789	883
Cash acquired on acquisition of controlled entities	-	-	3	-	-	3
Cash at the end of the financial period	**1,000**	**795**	**789**	**798**	**1,000**	**789**

Regulatory change projects

Basel II Accord

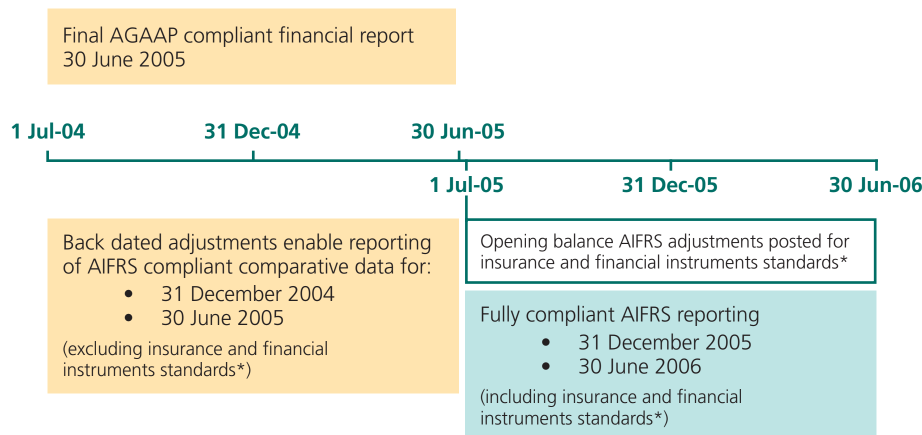
As part of the Basel II framework, the Bank is implementing enhanced risk management systems. The Basel II program is well advanced and there is every confidence that there will be compliance across our operations by the prescribed date of January 2008. In line with experience throughout the industry, within Suncorp, Basel II involves development of systems capability and enhancing data management.

From the outset of planning for Basel II, there has been a concerted effort to integrate the necessary changes with operational management. It is a principle of the Basel II project that, beyond compliance, there is a focus on the operational and strategic benefits that will flow from the availability of enhanced risk information.

Impact of adopting Australian Equivalents to International Financial Reporting Standards

Australian reporting entities are required to comply with Australian Equivalents to International Financial Reporting Standards and their related pronouncements ("AIFRS") for reporting periods beginning on or after 1 January 2005. The information disclosed in this note includes the impact of adopting AIFRS on Life Insurance Policy Owners' Interests.

The consolidated entity will report for the first time in accordance with AIFRS when the results and interim financial report for the half-year ending 31 December 2005 are released. Entities complying with AIFRS for the first time must restate their comparative financial information using AIFRS, with some exceptions as described in Part B of this note. This means that the consolidated entity's opening AIFRS statements of financial position will be restated at 1 July 2004, with most AIFRS transition adjustments made against opening retained profits on 1 July 2004. The AIFRS transition date and comparative information reporting requirements are diagrammatically shown below.



* Election has been made not to provide comparative results for AASBs 4, 132, 139, 1023 and 1038

The consolidated entity has established a formal project, governed by a Steering Committee chaired by the Chief Financial Officer, to monitor and plan for the transition to AIFRS reporting beginning with the half-year ending 31 December 2005. The AIFRS project comprises three phases of work, being technical investigation (completed), detailed planning and design (completed) and implementation (in progress). The implementation phase is implementing the identified changes to business and financial reporting processes and conducting training for staff. The consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the financial year ending 30 June 2006.

The impact of transition from existing Australian accounting standards ("AGAAP") to AIFRS is based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. Accordingly, further disclosure and explanations included in the first complete AIFRS financial report will be required for a true and fair view to be presented under AIFRS. This note only provides the disclosure required under AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards.*

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

There is a significant amount of judgement involved in assessing the effect of adopting AIFRS on the financial statements for financial reporting periods ending after 30 June 2005. For example, revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- Changes in financial reporting requirements that are relevant to the consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report; or
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction; or
- Changes to the consolidated entity's operations.

Consequently, the reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the information provided in this note. Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations.

The rules for the first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date. This standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS, and any exemption utilised by the consolidated entity is disclosed in this note.

The consolidated entity's transition date is 1 July 2004. This means that, for adopted AIFRS accounting standards, adjusting entries will be made to the AGAAP 30 June 2005 financial statements to arrive at AIFRS compliant comparative financial information for reporting periods commencing on 1 July 2005. These "comparative adjustments" are summarised below in Part A: Comparative Adjustments. The consolidated entity has elected to adopt the exemption available under AASB 1 from the requirement to provide comparative financial information for certain standards. Although the impact of adopting these standards cannot be quantified until after 1 July 2005, commentary on the key differences is included in Part B: AIFRS impacts from 1 July 2005 of this note.

Many of the changes will impact on the consolidated entity's assets and equity, which are central to the capital adequacy requirements set by prudential regulators. On 24 February 2005, APRA issued its first discussion paper on its proposed prudential approach to fair value and other issues, but is yet to issue its discussion paper on securitisation and other special purpose vehicles and Tier 1 capital instruments. As a result, we are currently unable to determine the impact on the consolidated entity's regulatory capital position.

Part A: Comparative Adjustments

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 in respect of the financial year ended 30 June 2005 are set out below. The restatement of 30 June 2005 comparatives expected under AASB 1 will be made for the first time in the AIFRS compliant financial report for the half-year ending 31 December 2005. Accordingly, these adjustments do not impact the 30 June 2005 results reported in accordance with AGAAP.

(a) Business combinations and goodwill

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS consolidated statement of financial performance. In applying the election available under AASB 1, the carrying amount of goodwill is to be adjusted on transition to AIFRS. As a result, at 1 July 2004 the carrying value of the consolidated entity's goodwill will increase by $35 million, with a corresponding increase to contributed equity. The Company will increase its investment in controlled entities and contributed equity by $35 million.

Goodwill will be stated at the adjusted cost less any accumulated impairment losses. The movement in accumulated amortisation of goodwill for the consolidated entity for the year ended 30 June 2005 of $61 million will be reversed for AIFRS comparative disclosure purposes.

Goodwill will not require an amortisation charge. This results in a reduction in expenses and an increase in profit of the consolidated entity for the comparative period of $61 million. The carrying amount of goodwill will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the consolidated statement of financial performance.

In addition, the amortisation of the notional goodwill previously included in share of net profits of joint ventures accounted for using the equity method will cease. The notional goodwill amortisation for the consolidated entity for the year ended 30 June 2005 of $2 million will be reversed, increasing the investment in joint ventures and the profit of the consolidated entity for AIFRS comparative disclosure purposes.

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

Part A: Comparative Adjustments (continued)

(b) Consolidation of special purpose vehicles

The interpretation of the consolidation rules applicable to special purpose vehicles under AASB 127 *Consolidated & Separate Financial Statements* and UIG Interpretation 112 *Consolidation – Special Purpose Vehicles* differ under AIFRS. This results in the following changes for the consolidated entity:

- The consolidated entity securitises mortgage loans as part of its strategy to fund growth in banking loans and receivables. Under AGAAP, the consolidated entity is not considered to control the securitisation vehicles and the assets and liabilities of these vehicles are not recognised in the statements of financial position. On transition to AIFRS, the consolidated entity will be considered to control the securitisation vehicles resulting in the consolidation of these vehicles. This results in the consolidated entity's loans and securitised liabilities increasing by $2,292 million at 1 July 2004, with no change in retained profits. All balances outstanding between the Company and the securitisation vehicles as at 1 July 2004 are eliminated.

  At 30 June 2005, the adjustments result in the consolidated entity's loans and securitised liabilities increasing by $3,673 million, with no change in profit for AIFRS comparative disclosure purposes. Whilst there is no impact on profit, the consolidation of the securitisation vehicles will result in a reclassification of amounts from Banking Fee and Commission Revenue to Banking Interest Revenue and Banking Interest Expense. All balances outstanding between the Company and the securitisation vehicles as at 30 June 2005 are eliminated.

- Under AGAAP, the consolidated entity is considered to control the managed investment schemes operated by its controlled entities when the consolidated entity owns 75% or greater of the units in the managed schemes. Under AIFRS, the consolidated entity also needs to consider the role of the controlled entities as the responsible entity of the managed investment schemes. On transition to AIFRS, the consolidated entity will be considered to control an increased number of managed investment schemes operated by its controlled entities.

  On transition to AIFRS, the cost of any shares in the Company held by the consolidated managed investment schemes (known as treasury shares) are required to be eliminated against contributed equity, with unrealised gains or losses being eliminated against retained profits.

  At 1 July 2004, the net impact for the consolidated entity of consolidating additional managed investment schemes and eliminating the related treasury shares is increased cash and liquid assets of $7 million, increased investment securities of $95 million, increased loans, advances and other receivables of $2 million, increased other liabilities of $5 million, decreased contributed equity of $10 million, decreased retained profits of $3 million and increased outside equity interests in controlled entities of $112 million.

  At 30 June 2005, the adjustments result in the consolidated entity's cash and liquid assets increasing by $10 million, investment securities increasing of $118 million, loans, advances and other receivables decreasing by $2 million, other liabilities increasing by $7 million, contributed equity decreasing by $11 million, retained profits decreasing by $9 million and outside equity interests in controlled entities increasing by $139 million for AIFRS comparative disclosure purposes.

- Under AGAAP, the consolidated entity is not considered to control the Executive Performance Share Plan ("EPSP") and the EPSP's assets and liabilities are not recognised in the consolidated statement of financial position. On transition to AIFRS, the consolidated entity will be considered to control this plan resulting in the consolidation of the plan. In addition, the cost of the shares in the Company held by the EPSP (known as treasury shares) are required to be eliminated against contributed equity, with unrealised gains or losses being eliminated against retained profits.

  This results in the consolidated entity's investments increasing by $2 million, receivables decreasing by $10 million, payables increasing by $2 million and contributed equity decreasing by $10 million at 1 July 2004, with no change in retained profits.

  At 30 June 2005, the adjustments result in the consolidated entity's receivables and contributed equity decreasing by a further $7 million, with no change in profit for AIFRS comparative disclosure purposes.

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

Part A: Comparative Adjustments (continued)

(c) Excess of net market value of interests in life insurance controlled entities over their recognised net amounts ("EMVONA")

Under AGAAP, AASB 1038 *Life Insurance Business* allows a Life Insurer to recognise the excess of net market value of an interest in a controlled entity over the net assets of the controlled entity, as an asset in its consolidated statement of financial position and movements in the asset in the consolidated statement of financial performance. Under AIFRS, revised AASB 1038 *Life Insurance Contracts* in conjunction with AASB 138 *Intangible Assets* does not allow the asset to be recognised in the consolidated statement of financial position or the movement in the asset to be recognised in the consolidated statement of financial performance.

On transition to AIFRS, the EMVONA asset will be written off resulting in a decrease to the EMVONA asset and retained profits for the consolidated entity of $15 million at 1 July 2004. For the year ended 30 June 2005, the additional recognised AGAAP EMVONA value of $3 million will be written off resulting in a decrease in assets and profit of $3 million for AIFRS comparative disclosure purposes.

(d) Income tax

Under AIFRS, AASB 112 *Income Taxes* uses a "balance sheet approach" of calculating income tax balances rather than the "income statement approach" applied under AGAAP. The balance sheet approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

Impact from adopting AASB 112:

The tax adjustments for the consolidated entity on transition to AIFRS on 1 July 2004 for the tax effect of items not previously required to be recognised comprise:

- an increase to deferred tax assets of $2 million, an increase to deferred tax liabilities of $4 million and a decrease in retained profits of $2 million for the tax effect of tax and accounting carrying value based differences on buildings and intangible assets.
- an increase to deferred tax liabilities and a decrease to life insurance policyholder liabilities of $1 million due to the prohibition on discounting certain life insurance tax assets and liabilities; and
- an increase to deferred tax liabilities and a decrease to the asset revaluation reserve of $1 million for the tax effect of the asset revaluation reserve not previously required to be recognised.

At 30 June 2005, the tax adjustments for the consolidated entity do not result in any significant changes in relation to the tax effect of tax and accounting carrying value based differences on buildings or the prohibition on discounting certain life insurance tax assets and liabilities. At 30 June 2005, deferred tax liabilities increase and asset revaluation reserve decrease by an additional $1 million for the tax effect of the asset revaluation reserve not previously required to be recognised.

Impact from adopting other AIFRS standards:

The impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments required by the application of AIFRS standards other than AASB 112 on the deferred tax balances and the previously reported tax expense is an increase in deferred tax assets of $6 million, a decrease in deferred tax liabilities of $5 million and an increase in retained profits of $11 million.

The impact for the consolidated entity of the change in basis on the tax expense for the financial year ended 30 June 2005 is a decrease in tax expense of $2 million. The consolidated entity's deferred tax liabilities are expected to increase by $2 million and the consolidated entity's deferred tax liabilities are expected to decrease by $1 million as at 30 June 2005.

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

Part A: Comparative Adjustments (continued)

(d) Income tax (continued)

Impact of UIG 1052

The Urgent Issues Group has released guidance regarding the recognition of tax amounts under the tax consolidation regime in the AIFRS framework. UIG 1052 *Tax Consolidations Accounting* requires wholly owned controlled entities in the tax consolidated group to recognise their own tax balances directly, with the current tax liability or asset to be assumed by the head entity via an intercompany loan, equity contribution or distribution, depending on tax funding arrangements. Historically, the ultimate parent entity recognised all tax balances and charged each controlled entity an allocation of the current tax liability, based upon the controlled entity's contribution to group profit, and charged the life insurance statutory funds their "notional" tax expense for the period. These charges are recognised as an income tax expense in the controlled entity and an income tax expense recovery in the ultimate parent entity.

In transitioning to this interpretation, UIG 1052 requires that the entity adopt these accounting practices, as if they were in place from the time of the entity's entry into tax consolidation. Accordingly, tax balances have been restated in controlled entity financial statements, and any difference between the current tax liability (if calculated ignoring tax consolidation) and what was previously recharged has been accounted for in equity.

The impact of UIG 1052 for the Company at 1 July 2004 is:

- Deferred tax assets will be reduced by $99 million and deferred tax liabilities will be reduced by $134 million;
- Retained profits will decrease by $6 million due to the difference between the prior year tax expense (calculated ignoring tax consolidation) and the previous tax expense recharged; and
- Investments in controlled entities will increase by $29 million and retained profits will increase by $31 million due to the difference between the current tax liability and the amount received under the tax funding arrangements.

The impact of UIG 1052 for the Company at 30 June 2005 is deferred tax assets will be reduced by an additional $6 million, deferred tax liabilities will be reduced by an additional $47 million and tax expense will be decreased by $20 million.

There will be no impact on the consolidated entity's tax balances. The group is reviewing its tax sharing and tax funding arrangements, to take into account the UIG 1052 guidance.

(e) Intangible assets

Under AGAAP, the consolidated entity capitalises and amortises:

- the costs incurred in acquiring, installing, enhancing and developing application software for internal use; and
- certain product set-up costs

where the benefits are reasonably certain. Under AIFRS, AASB 138 *Intangible Assets* introduces stricter criteria around the costs that can be capitalised and amortised. This change in accounting policy will result in a greater proportion of application software costs and product set-up costs being expensed as incurred. Under AIFRS, less costs will be capitalised and recognised in the statements of financial position and there will be a reduction in amortisation expense in future years.

At 1 July 2004, the consolidated entity's intangible assets decrease by $15 million, other assets decrease by $3 million and retained profits decrease by $18 million. At 30 June 2005, the consolidated entity's intangible assets and profit will decrease by $6 million for AIFRS comparative disclosure purposes. The consolidated entity has franchise systems that are classified as other assets under AGAAP. Under AIFRS, franchise systems will be reclassified as intangible assets. At 1 July 2004, this reclassification adjustment results in a decrease to other assets and an increase to intangible assets of $11 million. At 30 June 2005, the additional reclassification adjustment of the year results in an increase to other assets and a decrease to intangible assets of $1 million for AIFRS comparative disclosure purposes.

(f) Post employment benefits

Under AGAAP, the consolidated entity does not recognise an asset or a liability in its statements of financial position for the net position of the defined benefit superannuation plan it sponsors. Under AIFRS, AASB 119 *Employee Benefits* requires the surplus or deficit of each plan to be recognised in the statements of financial position, and permits three options for recognising actuarial gains and losses on an ongoing basis. The consolidated entity has elected to recognise actuarial gains and losses in the statements of financial performance.

On transition to AIFRS at 1 July 2004, the consolidated entity will record the defined benefit superannuation plan surplus of $2 million as an asset with a corresponding increase in retained profits. At 30 June 2005, the consolidated entity will continue to recognise an asset of $2 million, with no significant impact on profit for AIFRS comparative disclosure purposes.

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

Part A: Comparative Adjustments (continued)

(g) Property, plant and equipment

Under AGAAP, the consolidated entity uses the cost basis to record property, plant and equipment and this will be consistent under AIFRS. On transition to AIFRS, the consolidated entity will elect to use the AASB 1 exemption that allows a previous revaluation to be the asset's deemed cost. As a result of selecting the cost basis under AASB 116 *Property, Plant and Equipment*, the consolidated entity's asset revaluation reserve of $9 million will be transferred to retained profits.

Under AIFRS, the consolidated entity's software assets will be reclassified from property, plant and equipment to intangible assets. At 1 July 2004, this reclassification adjustment results in a decrease in property, plant and equipment and an increase in intangible assets of the consolidated entity of $84 million. At 30 June 2005, the additional reclassification adjustment for the year results in a decrease in property, plant and equipment and an increase in intangible assets of the consolidated entity of $2 million for AIFRS comparative disclosure purposes.

(h) Revenue recognition, deferral of fee income and acquisition expenses

Under AIFRS, AASB 118 *Revenue* requires that certain fee income and acquisition expenses that were previously recognised in the statements of financial performance are to be deferred and recognised in the statements of financial position, and amortised to the statements of financial performance over the period of the service or contract term.

On transition to AIFRS at 1 July 2004, the consolidated entity's other assets increase by $1 million, other liabilities increase by $5 million, and retained profits decrease by $4 million.

At 30 June 2005, further adjustments result in the consolidated entity's other assets decreasing by $2 million, other liabilities increasing by an additional $1 million, with a reduction in profit of $3 million for AIFRS comparative disclosure purposes.

(i) Share-based payments

Under AGAAP, the consolidated entity recognises an expense for the shares issued under the EPSP. Shares in the Company are purchased by a trust when the shares are granted and held until they vest to the employee. The cost of the shares is amortised to the statements of financial performance over the vesting period.

Under AIFRS, AASB 2 *Share-Based Payments* requires the consolidated entity to continue to recognise an expense for the shares issued under the EPSP. However, this expense will be determined based on the fair value of the equity instruments issued, which considers the impact of market related vesting conditions. The fair value of the equity instruments will be amortised to the statements of financial performance over the vesting period, adjusted to reflect actual and expected levels of the ultimate entitlement.

On transition to AIFRS at 1 July 2004, the consolidated entity's other receivables will increase by $3 million, contributed equity will increase by $2 million, and retained profits increase by $1 million, representing the reversal of an expense previously recognised under AGAAP. At 30 June 2005, further adjustments result in additional increases to the consolidated entity's other receivables of $5 million, contributed equity of $3 million and profit of $2 million for AIFRS comparative disclosure purposes.

Under AGAAP, the consolidated entity does not recognise an expense for the options issued under the Executive Option Plan ("EOP"). As permitted by the election available under AASB 1, the consolidated entity has elected not to apply AASB 2 to equity instruments issued prior to 7 November 2002. The AASB 1 exemption applies to all options issued under the EOP.

(j) Securitisation transactions

The consolidated entity is a party to certain lease securitisation transactions in relation to investment properties that it owns. Under AGAAP, the relevant assets and liabilities, and revenue and expense items are recognised on a net basis.

Under AIFRS, AASB 140 *Investment Properties* requires that the fair value of an investment property is determined excluding the impacts of special terms or circumstances specific to any party. This requirement will result in the consolidated entity recognising the relevant assets, liabilities, and revenue and expense items on a gross basis. The assets and liabilities will be recognised at fair value.

At 1 July 2004, investment properties will increase by $56 million, cash will increase by $8 million, other assets will decrease by $3 million, and bonds, notes and long term borrowings will increase by $61 million. There will be no significant impact on retained profits at 1 July 2004.

At 30 June 2005, the investment properties increase by an additional $6 million, cash will increase by $1 million, other assets will decrease by $2 million and bonds, notes and long term borrowings will decrease by $1m, resulting in an increase to profit before tax of $6 million.

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

Part A: Comparative Adjustments (continued)

Summary of transitional adjustments

Reconciliation of movements in the statements of financial position

The following table sets out the expected adjustments to the statement of financial position of the consolidated entity upon transition to AIFRS as at 1 July 2004, and for the AIFRS comparative period statements of financial position as at 30 June 2005.

		Consolidated 1 Jul-04			Consolidated 30 Jun-05		
	Note	AGAAP $m	Transition impact $m	AIFRS $m	AGAAP $m	Transition impact $m	AIFRS $m
Assets							
Cash and liquid assets	(b), (j)	709	15	724	1,011	19	1,030
Receivables due from other financial institutions		163	-	163	67	-	67
Trading securities		2,549	-	2,549	3,396	-	3,396
Investment securities	(b), (j)	8,972	153	9,125	10,096	182	10,278
Investments in joint ventures	(a)	100	-	100	112	2	114
Loans, advances and other receivables	(b), (i)	28,907	2,287	31,194	32,060	3,662	35,722
Bank acceptances of customers		-	-	-	74	-	74
Due from controlled entities		-	-	-	-	-	-
Property, plant and equipment	(g)	184	(84)	100	181	(86)	95
Deferred tax assets	(d)	149	8	157	149	10	159
Intangible assets	(a), (e), (g)	984	115	1,099	922	169	1,091
Excess of net market value of interests in life insurance controlled entities	(c)	15	(15)	-	18	(18)	-
Other assets	(e), (f), (h), (j)	567	(14)	553	596	(15)	581
Total assets		43,299	2,465	45,764	48,682	3,925	52,607
Liabilities							
Deposits and short term borrowings	(b)	24,287	(32)	24,255	27,157	(55)	27,102
Payables due to other financial institutions		70	-	70	66	-	66
Bank acceptances of customers		-	-	-	74	-	74
Securitised liabilities	(b)	-	2,417	2,417	-	3,891	3,891
Payables and other liabilities	(b), (h)	1,111	(81)	1,030	1,202	(148)	1,054
Current tax liabilities		104	-	104	182	-	182
Provisions		130	-	130	151	-	151
Due to controlled entities		-	-	-	-	-	-
Deferred tax liabilities	(d)	169	1	170	221	1	222
Outstanding claims and unearned premiums provisions		5,187	-	5,187	5,526	-	5,526
Life insurance gross policy liabilities	(d)	2,822	(1)	2,821	3,265	(1)	3,264
Policy owner retained profits		349	-	349	325	-	325
Bonds, notes and long term borrowings	(j)	3,925	61	3,986	4,408	60	4,468
Subordinated notes		805	-	805	969	-	969
Total liabilities		38,959	2,365	41,324	43,546	3,748	47,294
Net assets		4,340	100	4,440	5,136	177	5,313
Equity							
Contributed equity	(a), (b), (i)	2,898	17	2,915	3,040	12	3,052
Reserves	(g)	24	(10)	14	27	(11)	16
Retained profits		1,070	(19)	1,051	1,433	37	1,470
Total parent entity interest		3,992	(12)	3,980	4,500	38	4,538
Outside equity interests in controlled entities	(b)	348	112	460	636	139	775
Total equity		4,340	100	4,440	5,136	177	5,313

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

Part A: Comparative Adjustments (continued)

Summary of transitional adjustments (continued)

Reconciliation of profit for the financial year ended 30 June 2005

The following table sets out the expected adjustments to the statement of financial performance of the consolidated entity for the year ended 30 June 2005.

	Note	Consolidated 30 Jun-05 AGAAP $m	Transition impact $m	AIFRS $m
Income from ordinary activities				
Banking interest revenue	(b)	2,324	203	2,527
Banking interest expense	(b)	(1,553)	(184)	(1,737)
		771	19	790
General insurance premium revenue		2,587	-	2,587
Life insurance premium revenue		113	-	113
Banking fee and commission revenue	(b), (h)	225	(20)	205
Banking fee and commission expense		(82)	-	(82)
Reinsurance and other recoveries revenue		338	-	338
General insurance investment revenue				
insurance provisions	(j)	296	6	302
shareholder funds		199	-	199
Life insurance investment revenue	(c)	589	(3)	586
Other revenue	(b)	255	19	274
Share of net profits of joint ventures accounted for using the equity method	(a)	26	2	28
Total income from ordinary activities		5,317	23	5,340
Expenses from ordinary activities				
Operating expenses from ordinary activities	(b), (e), (h), (i)	(1,252)	(5)	(1,257)
General insurance claims expense		(2,085)	-	(2,085)
Life insurance claims expense		(73)	-	(73)
Outwards reinsurance premium expense		(147)	-	(147)
Increase in net life insurance policy liabilities		(378)	-	(378)
(Increase) decrease in policy owner retained profits		24	-	24
Non-banking interest expense		(26)	-	(26)
Total expenses from ordinary activities		(3,937)	(5)	(3,942)
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense		1,380	18	1,398
Bad and doubtful debts expense		(27)	-	(27)
Profit from ordinary activities before amortisation of goodwill and related income tax expense		1,353	18	1,371
Amortisation of goodwill	(a)	(61)	61	-
Profit from ordinary activities before related income tax expense		1,292	79	1,371
Income tax expense relating to ordinary activities	(d)	(389)	2	(387)
Net profit		903	81	984
Net profit attributable to outside equity interests	(b)	(82)	(26)	(108)
Net profit attributable to members of the parent entity		821	55	876

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

Part A: Comparative Adjustments (continued)

Summary of transitional adjustments (continued)

Summary of impact of transition to AIFRS on retained profits

The impact of the transition to AIFRS on retained profits as at 1 July 2004 is summarised below:

	Note	Consolidated $m
Retained profits as at 1 July 2004 under AGAAP		1,070
AIFRS reconciliation:		
Write off capitalised research costs	(e)	(18)
Defined benefit fund surplus	(f)	2
Reverse Life company EMVONA	(c)	(15)
Market value increments on treasury shares	(b)	(3)
Deferral of fee income and acquisition expenses	(h)	(4)
Transfer asset revaluation reserve	(g)	9
Share-based payments	(i)	1
Tax effect accounting	(d)	9
Retained profits as at 1 July 2004 under AIFRS		1,051

Summary of impact of transition to AIFRS on statements of cash flows

AASB 107 *Cash Flow Statements* requires that specific items disclosed as Investing or Financing cash flows under AGAAP are now included in the determination of Operating cash flow. AIFRS does not alter the net cash increase or decrease, but will change the reported categories of operating, investing or financing cash flows. The major items that will be reclassified are:

- Net increase in loans, advances and other receivables of $3,412 million – AIFRS disclosure operating cash flow, AGAAP disclosure investing cash flow;
- Proceeds from net increase in deposits and short term liabilities of $3,167 million – AIFRS disclosure operating cash flow, AGAAP disclosure financing cash flow; and
- Net purchase of banking securities of $830 million – AIFRS disclosure operating cash flow, AGAAP disclosure investing cash flow.

Part B: AIFRS impacts from 1 July 2005

As permitted by the election available under AASB 1, the consolidated entity will not restate comparative information in relation to the following standards:

- AASB 132 *Financial Instruments: Disclosure and Presentation*
- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 4 *Insurance Contracts*
- AASB 1023 *General Insurance Contracts*
- AASB 1038 *Life Insurance Contracts*.

Accordingly there will be no impact on the comparative statements of financial position and statements of financial performance for the year ending 30 June 2006. The changes required under these standards will take effect on 1 July 2005 and will be disclosed as changes in accounting policies in the financial statements for reporting periods ending after 1 July 2005. The first disclosure of these impacts will be in the financial report for the half-year ended 31 December 2005.

The potential impacts on the consolidated entity's financial performance and financial position of the adoption of these additional changes in accounting policy, have not been completely quantified as at the effective date of 1 July 2005 due to the short timeframe between the finalisation of these accounting policies and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years. The adoption of these standards will change the consolidated entity's reported financial performance and financial position, without a change in the underlying economics of the business.

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

Part B: AIFRS impacts from 1 July 2005 (continued)

The significant differences arising from the adoption of the above AIFRS accounting standards from 1 July 2005 are summarised below. This summary should not be taken as an exhaustive list of all the differences between AGAAP and AIFRS to take effect on 1 July 2005.

(i) Debt/equity classification

The consolidated entity's preference shares, which are classified as equity under AGAAP, will be reclassified as a financial liability and dividends paid on these preference shares will be treated as interest expense rather than as dividends in accordance with AASB 132. The carrying amount of preference shares at 1 July 2005 is $250 million, and distributions are anticipated to be $16 million.

The consolidated entity consolidates a number of the managed investment schemes operated by its subsidiaries as set out in Part A (b). Under AIFRS, the managed investment schemes' unit holder funds, which are classified as equity under AGAAP, will be reclassified as a financial liability in accordance with AASB 132. Consequently, the minority interests in the net assets of the consolidated managed investment schemes will be reclassified as a financial liability on transition to AIFRS. The minority interest amount at 1 July 2005 is $775 million.

(ii) General insurance business

Under AGAAP, AASB 1023 *Financial Reporting of General Insurance Activities* deals with the accounting for a general insurance business. Under AIFRS, products that meet the definition of a general insurance contract under revised AASB 1023 *General Insurance Contracts* will continue to use current accounting treatments subject to a revised liability adequacy test. All the consolidated entity's general insurance products are expected to meet the definition of a general insurance contract.

Under AIFRS, the liability adequacy test is required to be applied to portfolios or products that are subject to broadly similar risks and are managed together as a single portfolio. Under AGAAP, this liability adequacy test is currently performed at the reporting entity level. Depending on the outcome of the test at each reporting date, deferred acquisition costs may be written down and additional liabilities may be recognised as an unexpired risk liability. Based on a preliminary assessment of the consolidated entity's position, a potential write-down of deferred acquisition costs at 1 July 2005 may be required in the order of $50 million, reducing total assets and retained profits by this amount. We do not anticipate any material impact to future profits. In conducting this test, the expected cash flows relating to future claims includes a risk margin to reflect the inherent uncertainty of the estimation process. The estimate of future claims including the risk margin represents an estimated 75% probability that the estimate is adequate.

(iii) Hedge accounting

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

AIFRS introduces new rules in relation to hedge accounting, and all hedging instruments will be subject to rigorous effectiveness testing. Where a hedging instrument fails the effectiveness tests, movements in fair value will be recorded in the statements of financial performance, which may result in volatility in the statements of financial performance.

Where cash flow hedges are used and the hedge effectiveness tests are met, the movement in fair value of the derivative instrument will be recorded in an equity reserve to the extent the hedge is effective. Where fair value hedges are used and the hedge effectiveness tests are met, the movement in fair value of the derivative instrument will be recorded in the statements of financial performance. To the extent the fair value hedges are effective in managing the underlying risk, this movement will offset the movement in fair value of the underlying hedged item which will also be recorded in the statements of financial performance.

The consolidated entity has upgraded the hedge accounting and asset / liability management systems and processes with the aim of ensuring that most hedge transactions are effective. As a result we do not anticipate a material impact on the reported profits as a result of the hedging rules under AIFRS.

(iv) Life insurance business

Under AGAAP, AASB 1038 *Life Insurance Business* deals with the accounting for a life insurance business. Under AIFRS, revised AASB 1038 *Life Insurance Contracts* designates products into either Life Insurance Contracts or Life Investment Contracts. The consolidated entity has life insurance products that will be designated as insurance and investment contracts.

Products that meet the definition of a Life Insurance Contract will continue to use the Margin on Services valuation for policy liabilities under revised AASB 1038. The valuation of policy liabilities for Life Insurance Contracts is not expected to be materially different under AIFRS.

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

Part B: AIFRS impacts from 1 July 2005 (continued)

(iv) Life insurance business (continued)

Products that meet the definition of a Life Investment Contract have two components, a financial instrument element and a management services element. The financial instrument component will be recognised as a financial liability under AASB 139 and measured at fair value. The management service component will be recognised as revenue under AASB 118, with certain acquisition costs deferred and recognised as an asset in the consolidated statement of financial position. The AIFRS requirements will result in changes to the timing of profit recognition for these products.

The AIFRS rules in relation to the deferral of acquisition costs on investment business are more stringent than under AGAAP. As a result, some acquisition costs presently deferred under AGAAP will be written off on transition to AIFRS, and the subsequent recognition of profits on new business will be delayed compared to the present timing of profit recognition. The amount of any write-off of acquisition costs on adoption of AIFRS has yet to be determined but is not expected to be material to the financial position of the consolidated entity.

(v) Loan establishment fee income and establishment expenses

Under AIFRS, AASB 139 introduces stringent rules to account for loan establishment fee income and loan acquisition expenses. These income and expense items will be deferred and recognised as an adjustment to the yield on the loan and disclosed as interest income.

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

(vi) Loan impairment provisions

Under AIFRS, AASB 139 requires the consolidated entity to apply an incurred loss approach for loan provisioning and follow specific rules on the measurement of incurred losses.

Specific provisions will be raised for losses that have already been incurred on loans that are known to be impaired. However, the estimated losses on these impaired loans will be based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the statements of financial performance.

Loans not found to be individually impaired will be collectively assessed for impairment in pools of similar assets with similar risk characteristics. The size of the provision will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data.

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

(vii) Securitised assets

Under AGAAP, securitised assets are not recognised in the Company's statement of financial position. Under AIFRS, AASB 139 introduces different requirements for the recognition and derecognition of securitised assets, including those assets transferred to a special purpose vehicle. These requirements are likely to result in the securitised assets remaining on the Company's statement of financial position.

As permitted by the election available under AASB 1, the Company may elect to grandfather assets subject to securitisation transactions prior to 1 January 2004. If this election is utilised, assets subject to securitised transactions Apollo Series 2004-1E, Apollo Series 2004-2 and Apollo Series 2005-1E would remain on the Company's statement of financial position. However, assets subject to earlier securitisation transactions would remain off the Company's statement of financial position and be recognised in the consolidated statement of financial position as discussed in Part A (b) of this note.

Appendix 1A - Statement of Operating Profit – Full Year

Excluding Life insurance Policy Owners' Interests

	Full Year Ended Jun-05 $m	Jun-04 $m	Jun-05 vs Jun-04 %
Banking interest revenue	2,330	1,950	19.5
Banking interest expense	(1,559)	(1,294)	20.5
	771	656	17.5
General insurance premium revenue[1]	2,529	2,341	8.0
Reinsurance and other recoveries revenue	316	260	21.5
Other revenue[2]	166	180	(7.8)
Banking fee and commission revenue	225	215	4.7
Banking fee and commission expense	(82)	(61)	34.4
General insurance investment revenue:			
Insurance provisions	296	148	100.0
Managed schemes income	25	20	25.0
Joint venture income	26	19	36.8
Shareholder funds	199	130	53.1
Total income from ordinary activities	4,471	3,908	14.4
Claims expense	(2,084)	(1,797)	16.0
Outwards reinsurance expense	(117)	(157)	(25.5)
Operating expenses from ordinary activities[1]	(1,007)	(941)	7.0
Non-banking interest expense	(26)	(19)	36.8
Total expenses from ordinary activities	(3,234)	(2,914)	11.0
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and income tax expense	1,237	994	24.4
Bad and doubtful debts expense	(28)	(49)	(42.9)
Profit from ordinary activities before amortisation of goodwill and related income tax expense	1,209	945	27.9
Amortisation of goodwill	(61)	(60)	1.7
Profit from ordinary activities before related income tax	1,148	885	29.7
Income tax expense attributable to profit from ordinary activities	(327)	(267)	22.5
Net profit attributable to members of the parent entity	**821**	**618**	**32.8**

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-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 vs Dec-04 %
Banking interest revenue	1,195	1,135	1,024	926	5.3
Banking interest expense	(801)	(758)	(685)	(609)	5.7
	394	377	339	317	4.5
General insurance premium revenue[1]	1,273	1,256	1,193	1,148	1.4
Reinsurance and other recoveries revenue	144	172	131	129	(16.3)
Other revenue[2]	85	81	109	71	4.9
Banking fee and commission revenue	114	111	103	112	2.7
Banking fee and commission expense	(44)	(38)	(33)	(28)	15.8
General insurance investment revenue					
Insurance provisions	138	158	125	23	(12.7)
Managed schemes income	14	11	10	10	27.3
Joint venture income	15	11	9	10	36.4
Shareholder funds	81	118	71	59	(31.4)
Total income from ordinary activities	2,214	2,257	2,057	1,851	(1.9)
Claims expense	(1,020)	(1,064)	(950)	(847)	(4.1)
Outwards reinsurance expense	(58)	(59)	(85)	(72)	(1.7)
Operating expenses from ordinary activities[1]	(511)	(496)	(476)	(465)	3.0
Non-banking interest expense	(14)	(12)	(10)	(9)	16.7
Total expenses from ordinary activities	(1,603)	(1,631)	(1,521)	(1,393)	(1.7)
Profit from ordinary activities before bad and doubtful debt expense, amortisation of goodwill and income tax expense	611	626	536	458	(2.4)
Bad and doubtful debts expense	(10)	(18)	(25)	(24)	(44.4)
Profit from ordinary activities before amortisation of goodwill and related income tax expense	601	608	511	434	(1.2)
Amortisation of goodwill	(30)	(31)	(30)	(30)	(3.2)
Profit from ordinary activities before related income tax	571	577	481	404	(1.0)
Income tax expense attributable to profit from ordinary activities	(163)	(164)	(144)	(123)	(0.6)
Net profit attributable to members of the parent entity	**408**	**413**	**337**	**281**	**(1.2)**

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 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidated[1] $m	Total $m
Assets						
Investment securities	2,065	5,582	38	-	(2,067)	5,618
Intangibles	20	808	-	-	94	922
Other	35,767	1,916	316	47	(254)	37,792
	37,852	8,306	354	47	(2,227)	44,332
Liabilities	33,901	6,113	51	10	(257)	39,818
Net assets	**3,951**	**2,193**	**303**	**37**	**(1,970)**	**4,514**

Notes:

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

Appendix 3 – Definitions

Adjusted Common Equity Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries.

Adjusted Common Equity ratio Adjusted Common Equity divided by risk weighted assets, including off-balance sheet positions.

Basic shares Ordinary shares on issue.

Cash earnings per share Cash earnings per share adjusts the numerator in earnings per share by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.

Cash return on average shareholders' equity Cash return on equity adjusts the numerator and denominator in return on average shareholders' equity by adding back amortisation of goodwill and deducting revaluation of life insurance and superannuation subsidiaries to embedded value (after tax).

Cash return on equity – Banking Operating profit after tax at 30% excluding goodwill amortisation, divided by adjusted average shareholders' equity. The equity base is adjusted by adding back accumulated goodwill amortisation, deducting investment in non-banking subsidiaries and adding the notional reallocation to reflect the Bank's calculated share of group subordinated debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.

Cash return on equity – General Insurance Operating profit after tax at 30% excluding goodwill amortisation, divided by adjusted average shareholders' equity. The equity base is adjusted by adding back accumulated goodwill amortisation, deducting outside equity interests and deducting the notional reallocation to reflect the General Insurer's calculated share of group subordinated debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.

Cash return on equity – Wealth Management Operating profit after tax deducting revaluation of life and superannuation subsidiaries to embedded value after tax, divided by adjusted average equity. The equity base is adjusted by deducting the cumulative revaluation of subsidiaries to embedded value. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.

Capital adequacy ratio Capital base divided by total assessed risk, as defined by APRA.

Combined operating ratio The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business.

Cost to average total Banking assets ratio Operating expenses of the Banking business divided by average total Banking assets as shown in the average Banking assets and liabilities statement. The ratio is annualised for half-years.

Cost to income ratio Operating expenses of the Banking business divided by total income from ordinary Banking activities.

Diluted shares Comprises ordinary shares, partly paid shares, non-participating shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares in the first five years of issue. Weighted average shares are calculated in accordance with accounting standard AASB 1027 Earnings per Share and excludes options where the exercise price exceeds the market price.

Effective tax rate Income tax expense divided by operating profit before tax and after amortisation of goodwill.

Embedded value An assessment of the economic value arising out of the current in force Wealth Management business. An embedded value comprises two components being the adjusted net assets and the value of in force business.

Earnings per share Basic earnings per share is calculated by dividing the profit of the Company for the financial year less dividends on preference shares by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Calculated in accordance with accounting standard AASB 1027 Earnings per Share.

Appendix 3 – Definitions (continued)

Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing the General Insurance business. Premium revenue and operating expenses are net of statutory fees and charges included in income and expenses in the Consolidated Financial Report.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding investment income on shareholder and Statutory Funds (as per exclusions outlined at Underlying Profit definition), one-off items and excluding the impact of life insurance accounting standard AASB 1038.
Gross banking loans, advances and other receivables	Total lending less securitised loan balances.
Gross non-performing loans	Gross impaired assets plus past due loans.
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Life insurance policy owner interests	Amounts due to an entity or person who owns an insurance policy. This need not be the insured. This is distinct from shareholders' interests.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in the provision for outstanding claims.
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing - Basic	Shareholders' equity attributable to members of the Company less preference shares and intangibles; divided by ordinary shares at the end of the period. In determining the number of ordinary shares at the end of the period, partly paid shares are taken into account by assuming that the unpaid amount is paid.
Net tangible asset backing - Diluted	Shareholders' equity attributable to members of the Company, plus outstanding options, less intangibles; divided by diluted shares at the end of the period.
Operating income	Total income from ordinary activities.
Payout ratio - Basic	Total dividends and distributions which relate to the period divided by operating profit after tax.
Payout ratio - Diluted	Diluted shares at the end of the period multiplied by ordinary dividend per share for the period 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 policy owners' interests. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity - Basic	Operating profit after tax less preference dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity - Diluted	Operating profit after tax divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes preference shares and outstanding options. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Underlying profit	Operating profit before tax, amortisation of goodwill, investment income on Shareholder Funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained earnings in Wealth Management and one-off items.

Appendix 4 – Ratio calculations

	Half-Year Ended				Full Year Ended	
	Jun-05 No. of Shares	Dec-04 No. of Shares	Jun-04 No. of Shares	Dec-03 No. of Shares	Jun-05 No. of Shares	Jun-04 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	543,947,835	539,659,168	535,363,363	532,533,933	541,785,877	533,924,887
Weighted average number of potential ordinary shares relating to:						
Options on ordinary shares	409,821	454,611	671,763	445,055	393,770	496,290
Partly paid ordinary shares	4,712	6,958	7,363	6,959	9,841	15,253
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	544,362,368	540,120,737	536,042,489	532,985,947	542,189,488	534,436,430

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

	Half-Year Ended				Full Year Ended	
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 $m	Jun-04 $m
Numerator						
Earnings:						
Reconciliations of earnings used in calculating earnings per share:						
Net profit	408	413	337	281	821	618
Less preference share dividends	(8)	(8)	(8)	(8)	(16)	(16)
Earnings used in calculating basic and diluted earnings per share	400	405	329	273	805	602
Add amortisation of goodwill	31	31	30	30	62	60
Less revaluation of life insurance subsidiaries (after tax)	(1)	(1)	(1)	(1)	(2)	(2)
Earnings used in calculating basic and diluted cash earnings per share	430	435	358	302	865	660

Appendix 4 – Ratio calculations (continued)

Return on average shareholders' equity – basic

Numerator

Earnings for return on average shareholders' equity as per "earnings per share" information on page 93.

Earnings for cash return on average shareholders' equity as per "cash earnings per share" information on page 93.

	Half-Year Ended				Full Year Ended	
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 $m	Jun-04 $m
Denominator						
Adjusted average shareholders' equity:						
Opening total equity	4,261	3,998	3,796	3,647	3,998	3,647
Less outside equity interest	(6)	(6)	(6)	(7)	(6)	(7)
Less preference shares	(244)	(244)	(244)	(244)	(244)	(244)
Opening adjusted equity	4,011	3,748	3,546	3,396	3,748	3,396
Add accumulated amortisation of goodwill	258	227	197	167	227	167
Less cumulative revaluation of life insurance subsidiaries	(17)	(15)	(14)	(12)	(15)	(12)
Opening adjusted equity - cash	4,252	3,960	3,729	3,551	3,960	3,551
Closing total equity	4,514	4,261	3,998	3,796	4,514	3,998
Less outside equity interest	(14)	(6)	(6)	(6)	(14)	(6)
Less preference shares	(244)	(244)	(244)	(244)	(244)	(244)
Closing adjusted equity	4,256	4,011	3,748	3,546	4,256	3,748
Add accumulated amortisation of goodwill	289	258	227	197	289	227
Less cumulative revaluation of life insurance subsidiaries	(18)	(17)	(15)	(14)	(18)	(15)
Closing adjusted equity - cash	4,527	4,252	3,960	3,729	4,527	3,960
Average adjusted equity	**4,134**	**3,880**	**3,647**	**3,471**	**4,134**	**3,572**
Average adjusted equity - cash	**4,390**	**4,106**	**3,845**	**3,640**	**4,390**	**3,756**

Appendix 4 – Ratio calculations (continued)

Return on average shareholders' equity – diluted

Numerator

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

Earnings for cash return on average shareholders' equity as per "cash earnings per share" information on page 93, adding back the preference share dividends.

	Half-Year Ended				Full Year Ended	
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-05 $m	Jun-04 $m
Denominator						
Adjusted average shareholders equity:						
Opening total equity	4,261	3,998	3,796	3,647	3,998	3,647
Less outside equity interest	(6)	(6)	(6)	(7)	(6)	(7)
Plus funds generated on outstanding options	16	48	26	29	48	29
Opening adjusted equity	4,271	4,040	3,816	3,669	4,040	3,669
Add accumulated amortisation of goodwill	258	227	197	167	227	167
Less cumulative revaluation of life insurance subsidiaries	(17)	(15)	(14)	(12)	(15)	(12)
Opening adjusted equity - cash	4,512	4,252	3,999	3,824	4,252	3,824
Closing total equity	4,514	4,261	3,998	3,796	4,514	3,998
Less outside equity interest	(14)	(6)	(6)	(6)	(14)	(6)
Plus funds generated on outstanding options	14	16	48	26	14	48
Closing adjusted equity	4,514	4,271	4,040	3,816	4,514	4,040
Add accumulated amortisation of goodwill	289	258	227	197	289	227
Less cumulative revaluation of life insurance subsidiaries	(18)	(17)	(15)	(14)	(18)	(15)
Closing adjusted equity - cash	4,785	4,512	4,252	3,999	4,785	4,252
Average adjusted equity	**4,392**	**4,156**	**3,928**	**3,742**	**4,277**	**3,855**
Average adjusted equity - cash	**4,648**	**4,382**	**4,126**	**3,911**	**4,519**	**4,038**

Appendix 4 – Ratio calculations (continued)

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

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

	as at 30 June 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidated $m	Total $m
Reconciliation of cash profit after tax for diluted cash return on average shareholders' equity calculations						
Profit before tax and goodwill	458	651	91	9	-	1,209
Less tax expense[1]	(137)	(195)	(12)	(3)	20	(327)
Add back revaluation of subsidiary to embedded value, after tax	-	-	(2)	-	-	(2)
Cash profit after tax	321	456	77	6	20	880
Reconciliation of average adjusted equity for diluted cash return on average shareholders' equity calculations						
Opening adjusted equity June 2004:						
Opening total equity	3,407	2,241	276	35	(1,961)	3,998
Less outside equity interests	-	(9)	-	-	3	(6)
Adjustment for investment in subsidiaries	(2,062)	-	-	-	2,062	-
Notional reallocation of subordinated debt[2]	329	(329)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	48	48
Add accumulated amortisation of goodwill[3]	13	151	-	-	63	227
Less cumulative revaluation of subsidiary to embedded value[3]	-	-	(15)	-	-	(15)
Adjusted opening equity	1,687	2,054	261	35	215	4,252
Closing adjusted equity June 2005:						
Closing total equity	3,951	2,193	304	37	1,971	4,514
Less outside equity interests	-	(17)	-	-	3	(14)
Adjustment for investment in subsidiaries	(2,062)	-	-	-	2,062	-
Notional reallocation of subordinated debt	144	(144)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	14	14
Add accumulated amortisation of goodwill	15	202	-	-	72	289
Less cumulative revaluation of subsidiary to embedded value	-	-	(18)	-	-	(18)
Adjusted closing equity	2,048	2,234	286	37	180	4,785
Adjusted average equity	**1,868**	**2,144**	**274**	**36**	**197**	**4,519**
	%	%	%	%	%	%
Diluted cash return on average shareholders' equity	**17.2**	**21.3**	**28.2**	**16.7**	**n/a**	**19.5**

Notes:

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

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

(3) These items were not reflected in the calculations prior to 31 December 2004. Previous half-years' return on equity calculations have been adjusted to reflect the new calculation method.

Appendix 5 – Details of Share Capital

	Jun-05	Half-Year Ended Dec-04	Jun-04	Dec-03
Ordinary shares each fully paid				
Number at the end of the period	545,844,729	541,984,473	536,619,211	534,116,449
Dividend declared for the period (cents per share)	45	42	40	30
Preference shares each fully paid				
Number at the end of the period	2,500,000	2,500,000	2,500,000	2,500,000
Dividend declared for the period ($ per share)	3.07	3.18	3.10	3.17
Ordinary shares each 5 cents partly paid				
Number at the end of the period	11,250	16,750	17,650	17,650
Non-participating shares fully paid				
Number at the end of the period	2,000	2,000	2,000	2,000

Appendix 6 – Key dates [1]

Ordinary shares (SUN)

2005

Final dividend

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

2006

Interim dividend

Ex dividend date[2]	1	March
Record date	7	March
Dividend payment	3	April

Final dividend

Ex dividend date[2]	30	August
Record date	5	September
Dividend payment	2	October

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

2005

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

2006

Ex interest date[2]	9	February
Record date	15	February
Interest payment	2	March
Ex interest date[2]	9	May
Record date	15	May
Interest payment	30	May
Ex interest date[2]	9	August
Record date	15	August
Interest payment	30	August
Ex interest date[2]	9	November
Record date	15	November
Interest payment	30	November

Reset Preference Shares (SUNPA)

2005

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

2006

Ex dividend date[2]	1	March
Record date	7	March
Dividend payment	14	March
Ex dividend date[2]	30	August
Record date	5	September
Dividend payment	14	September

Notes:

[1] Dates may be subject to change

[2] Subject to ASX confirmation