Suncorp-Metway Ltd

and controlled entities

ABN 66 010 831 722

ANNOUNCEMENT OF

CONSOLIDATED FINANCIAL RESULTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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BANKING INSURANCE INVESTMENT

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Preface: Adoption of AIFRS and additional disclosures

The 31 December 2005 results have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Prior period comparatives have been updated to reflect AIFRS in accordance with the group's statutory position. They exclude the impact of certain AIFRS adjustments which are subject to transitional arrangements. The largest impact to net profit after tax is goodwill no longer being amortised under AIFRS, as illustrated below.

	Half-Year Ended	
	Jun-05 $m	Dec-04 $m
Net profit previously reported (AGAAP)	**408**	**413**
AIFRS adjustments		
Goodwill	30	31
Other	2	(3)
AIFRS net profit (statutory)	**440**	**441**

As goodwill amortisation was excluded from underlying profit, the adoption of AIFRS has not had a material effect on underlying profit in the current and prior halves.

Financial commentary is primarily based on the group's reported statutory position.

The AIFRS adjustments excluded from the comparatives due to the transitional arrangements do not have a material impact on net profit or underlying profit of the group. However, there are specific items which have been impacted by the transitional arrangements with AIFRS adjustments being effective 1 July 2005. In these cases, the statutory position does not provide like-on-like comparisons with prior periods.

In particular, these comprise:

- Banking income and margin – Impacted by the deferral of loan establishment fees and expenses and their reclassification from fee income to net interest income. Also impacted by the reclassification of preference shares from equity to debt and the recognition of dividends as interest expense.
- Banking impairment losses on loans and advances – the general provision has been replaced by a collective provision, which is calculated using different methodology.
- General Insurance profit contribution – Impacted by the reclassification of preference shares from equity to debt and the recognition of (allocated) dividends as interest expense.
- Wealth Management income – Impacted by a change in basis of Margin on Service valuations and change in measurement for life investment contracts.

Additional disclosure is made of prior year comparatives restated on an estimated 'full' AIFRS basis. These numbers are unaudited and in many cases estimates only. They do not constitute statutory numbers, and are provided to assist with the meaningful commentary and analysis of Suncorp's results.

Refer further to *'Regulatory change projects – Impact of adopting Australian equivalents to International Financial Reporting Standards'* for more detailed information on the adoption of AIFRS.

Suncorp-Metway Ltd

Half-year Results 2006

- Net profit up 2.9% to $454 million.
- Underlying profit up 7.2% to $491 million.
- Earnings per share of 82.9 cents, up from 80.5 cents.
- Return on equity of 21.4%.
- Ordinary dividend increased by 5 cents, or 12% to 47 cents per share, fully franked.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Profit Overview				
Banking	255	235	219	16.4
General Insurance	330	316	344	(4.1)
Wealth Management	42	52	41	2.4
L J Hooker and other	6	4	5	20.0
Consolidation	(6)	(5)	(5)	20.0
Profit before tax	627	602	604	3.8
Tax	(173)	(162)	(163)	6.1
Net profit	**454**	**440**	**441**	**2.9**
Underlying profit	**491**	**479**	**458**	**7.2**

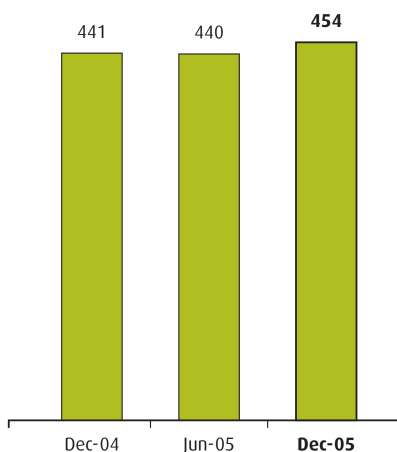
Review of operations

Except where otherwise stated, all figures relate to the half-year ended 31 December 2005. Comparatives are for the half-year ended 31 December 2004, and life insurance policy owners' interests are excluded.

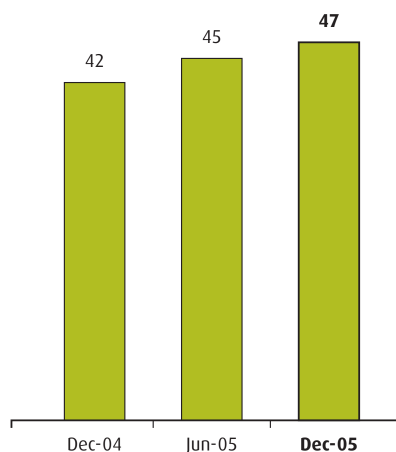
Group overview

- Suncorp has reported a 2.9% increase in net profit to $454 million for the six months to December.
- **Underlying profit** for the group increased by 7.2% to $491 million, and was not materially impacted by the adoption of AIFRS. This represents a strong operating performance for the business, particularly given the increasingly competitive market conditions.
- Ordinary dividend increased 12% to 47 cents per share, fully franked.
- Earnings per share increased 3.0% to 82.9 cents, compared to 80.5 cents in the prior December.
- Return on equity decreased marginally from 22.0% to 21.4% for the half-year. The group continues to maintain a healthy capital position.
- The **Banking** division delivered a 16.4% uplift in profit before tax of $255 million compared to the prior half-year. The result featured steady net interest margins (prior to AIFRS adjustments), operating cost containment and low bad debt write-offs and provisions. Total lending grew by 11.9%, as the Bank proactively managed price/volume to minimise margin compression and optimise total income. Core retail deposit growth was above system at 12.6%.
- In **General Insurance**, net profit before tax of $330 million for the half-year was driven by solid growth in premium revenue of 2.8%, underpinned by an uplift in risks in force, and favourable claims outcomes. Advertising and marketing spend increased, supportive of future growth, while other underwriting costs remain tightly managed. Significant claims cost reductions are being targetted in future periods as part of the "Claims Cost Reduction Project".
- The Insurance Trading Result (ITR), which is the underwriting result plus investment income on insurance provisions, fell marginally to $209 million. This equates to a substantial insurance trading margin of 17.0% on net earned premium for the half-year.
- **Wealth Management** contributed profit before tax of $42 million, however this includes a one-off loss of $2 million arising from a change in valuation methodology (unit linked statutory fund business). Adjusting to compare on a like-on-like basis (using unaudited estimated AIFRS comparatives), underlying profit was up 3.8% to $27 million. Profit was driven by higher planned profits, offset by lower investment income compared to the prior comparative period.
- Income tax expense increased by 6.1% to $173 million, due to higher taxable income.

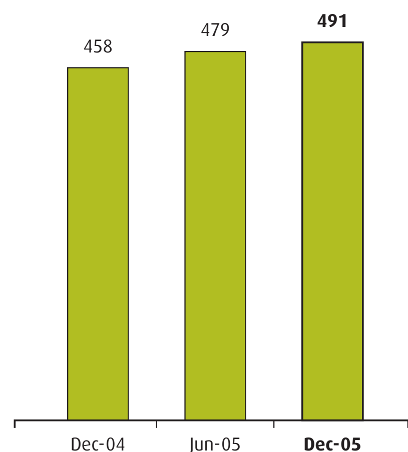
Net profit after tax
Half-year, $m



Dividend
Half-year, cents per share



Underlying profit
Half-year, $m



Review of operations (continued)

Financial position

At the end of December, the group had total assets of $49.9 billion, up 9.7% on the prior December. Liabilities totalled $45.8 billion, up 11%, leaving equity at $4.1 billion down 2.6%. Total equity was impacted by the reclassification of preference shares with a book value of $250 million, from equity to debt under AIFRS, effective 1 July 2005, and not restated in the comparative periods. Additional equity has been raised through retained profits, the dividend reinvestment plan and exercise of options offset by the special dividend of $412 million.

The group's capital position remains healthy, with a capital adequacy ratio of 10.79% in the Bank, an MCR multiple of 1.69 times in the General Insurer, and strong capital reserves in the Life Company.

The Adjusted Common Equity (ACE) ratio in the Bank remains above the group target, strong at 5.44%.

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.

Operational highlights

The major operational highlights for the period were:

- In **Banking**, gross loans grew by 11.9%, compared to the total industry growth rate of 13.5% for the 12 months to December. The Bank maintained its focus on profitable growth during the period, particularly in light of the increasing intensity of competition in the markets in which we operate. This approach has resulted in minimal margin compression in the half (excluding AIFRS adjustment), as the price/volume mix of the book was tightly managed.
- Home lending receivables, including securitised assets, grew by 11.2% to $19.6 billion during the 12 months to December 2005, while Consumer loans were up 19.2%. Our business lending book grew by 12.2% to $16.1 billion in the period, with growth in the Commercial (SME), Corporate and Development Finance lending strongest at 14.2%, 49.9% and 12.5% respectively. Agribusiness also continues to perform well, with receivables up by 11.6% in the year to December 2005.
- Despite intensifying competition, the Bank continues to achieve excellent growth in deposits. Core retail deposits (excluding Treasury) grew by 12.6% to $13.6 billion, outperforming the industry growth rate of 10.5% for the 12 months to December. Performance continues to be driven by the Everyday Options (EDO) transaction account, with Transaction deposits up 13.7%, but also by Investment deposits, which increased 21.7% compared to the prior December.
- Operating expenses increased by just 1.4% to $225 million compared to the prior December half-year, and fell 2.2% from the June 2005 half. This excellent result can be attributed to a continued focus on expense management, whilst continuing to make appropriate reinvestments in the business. The banking cost to income ratio fell to 45.5% for the period.
- Excluding the impact of AIFRS, margins have declined by one basis point since December 2004. The underlying margin performance for the half-year to December 2005 was mainly impacted by increased competition for retail deposits offset by effective management of asset mix and yields and higher earnings on free capital.
- Credit quality remains sound, with gross impaired assets of $114 million at December, equal to 0.31% of gross loans. Provisioning remains prudent, with total provisions being equivalent to 108.8% of gross impaired assets.
- The **General Insurance** business achieved gross written premium (GWP) of $1.3 billion for the half-year, up 2.8% on the prior December, with growth in risks in force offset by declining rates in our sizeable compulsory third party (CTP) portfolio. Excluding CTP, total GWP growth was 4.5% for the half-year to December.
- During the period, the business invested in acquisition and customer service initiatives, aimed at supporting ongoing growth. These include further investment in the GIO brand and marketing, followed by a series of product based offer campaigns, which have been successful in increasing new business volumes. A GIO Rewards program was also launched in May 2005, aimed at improving retention of quality customers. Further investment was also made in sales tools and competencies, as we rolled out the successful "inFOCUS" sales and leadership program for our front line sales staff.
- The Insurance Trading Result, which excludes non-underwritten business and investment income on Shareholder Funds, totalled $209 million, equating to a substantial margin of 17.0% on net earned premium. This remains well above our long-term guidance range of 11-14%.
- Net incurred claims (before the impact of discount rate adjustments) increased by 5.7% over the prior December period, with higher than expected personal insurance storm activity, as well as a return of short tail commercial insurance working losses to more normal levels following unusually favourable experience during the previous year. However, these factors were offset by favourable claims experience in the long-tail classes which resulted in prior year releases from reserves of $135 million. Risk margins remained at a total of 26% of the central estimate with an estimated probability of adequacy of 93-94%.
- In **Wealth Management**, the sustained confidence in equity markets as well as legislative changes continue to support growth in new business sales, which increased 10.8% to $400 million. Consumer Credit Insurance (CCI) sales also continue to improve, and increased by 88% in the 12 months to December. The strong growth benefited from the launch of a new CCI Home Loan Product as well as ongoing improvements on strike rates in CCI Personal Loans.
- Our Investment Management team continues to perform strongly, with investment income on funds under management growing 16% on the previous corresponding period. The Suncorp Superannuation Balanced Fund, our flagship diversified portfolio, has achieved 1st quartile returns over 3, 5 and 7 years as measured by Intech in their Growth Funds survey.
- Funds under administration increased by 10% from June 2005 to $5.7 billion. Contributing to the rise was improved net inflows of $181 million, as a result of increased sales and strong retention. Funds under management grew 2.7% to reach $12.3 billion at December 2005, also benefiting from the favourable investment climate.

Review of operations (continued)

Strategy update

Reaching our goal of becoming the most desirable financial services company in Australia requires continued focus on our six strategic levers – Customer Focus, Optimised Distribution, High Performing Team, Execution Excellence, Group Synergies and Profitable Market Growth. They have underpinned our strong performance over the last two and a half years and provide the platform for future success.

While each of these levers is critical to delivering on our strategy, during 2006 we have emphasised three of them. These are – High Performing Team, Customer Focus and Group Synergies.

Delivering on our strategy is dependent on the capabilities of our **High Performing Team**. A core part of our focus is in creating a superior sales and service culture. To assist this we have developed and implemented a comprehensive cultural program (inFOCUS) in the Retail Bank which continues to deliver strong results.

Given the on-going success we have seen in the Retail Bank, where cross sell rates continue to increase, we have leveraged this program into our General Insurance call centres. The introduction of inFOCUS to General Insurance is delivering positive early results, with increases in sales strike rates of 10% and average sales value of 9%.

We also continue to invest in training and development programs, and have improved our business readiness and induction programs. In a tight labour market, our retention levels have continued to improve. But more importantly, Suncorp has a culture of collaboration where people work together to achieve our common goals, where the best practices from one part of the Company are applied in other areas, and we carefully prioritise our initiatives and investments to maximise returns.

Our second priority lever in 2006 is **Customer Focus**. This incorporates customer service and customer solutions and is about providing our customers with the products and services that meet their needs and deliver on their expectations.

A number of our key initiatives continue to provide positive results including:

- Our year to date conversion of referrals to sales has increased by 15% over the half-year reflecting better staff skills and improved lead quality and more relevant solutions for our customers.
- Customer attrition has improved over the last 18 months in Retail Banking by about 18%
- Home Insurance to Home Loans and CCI to Personal Loans continue to improve. Our Home Insurance to Home Loans continues to be a clear market leader.

Building on these customer focussed initiatives we have introduced a number of new initiatives built on customer insight and design principles. These include:

- The introduction of a new solution of CCI for Home Loan customers which is showing pleasing results with approximately 25% of direct Home Loan customers now taking up this product.
- Work with the LJ Hooker team to revamp our model and value proposition which is starting to show positive results, for example, LJ Hooker loans lodged improved by 23% in the half to December 2005.
- Work with our introducers to deliver a broader range of solutions to our customers has already translated into lower error rates, strong broker satisfaction and better customer retention – with retention rates now as strong as our direct business.

We also continue to make good progress on delivering on the **Group Synergies** available to us through our unique business model. We have completed a number of successful pilots which are now being incorporated into the daily practices of our business. These include:

- A pilot between our General Insurance and Banking call centres. The pilot tested different referral protocols as well as technology tools providing referral and leads capability. The pilot showed conversion rates of referrals of about 30% higher than our normal conversion rates. Full roll out of the Customer Solutions model is underway to the Suncorp Insurance call centre teams and will be followed by roll out to GIO call centre teams.
- A pilot involving Commercial Insurance (CI) and Business Banking. This pilot involved our GIO Insurance Representatives contacting their CI customers to determine interest in meeting with a Business Banking manager to discuss business banking needs. The pilot delivered valuable learnings and we are encouraged by the potential opportunity available across our CI and Workers' Compensation customer base as we roll out this program.

Outlook

In **Banking**, profit growth is typically lower in the second half of the year as there are fewer days than in the December half-year. We will continue to optimise total income growth by balancing the price and volume mix. We do, however, expect to see some margin contraction whilst achieving increased volume growth. Although we believe we have passed the bottom of the credit cycle, we see nothing on the near term horizon that would stimulate a material increase in bad debts expense.

For **General Insurance**, we are confident that we will continue to grow risks in force and deliver GWP growth for the year despite softening prices in key products, particularly CTP and commercial lines. We also expect claims experience in long tail classes to remain favourable. In the absence of any major loss event, we anticipate the ITR for the year will be above our long term range of 11-14%.

In **Wealth Management**, our sales momentum is expected to continue and lead to an increase in underlying profits for the year.

Therefore at the group level, we expect another strong result for the year, with an increase in underlying profit. We reconfirm our expectation of ordinary dividend growth of at least 10% for the year.

Contribution to profit by division for the half-year ended 31 December 2005

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Banking				
Net interest income [1]	422	403	383	
Non-interest income [1, 2]	73	72	76	
Total income	495	475	459	7.8
Operating expenses	(225)	(230)	(222)	1.4
Impairment losses on loans and advances	(15)	(10)	(18)	(16.7)
Contribution before tax	255	235	219	16.4
General Insurance				
Gross written premium [3]	1,290	1,287	1,255	2.8
Net earned premium [3]	1,231	1,219	1,201	2.5
Net incurred claims	(873)	(876)	(892)	(2.1)
Operating expenses [3]	(280)	(267)	(254)	10.2
Investment income – insurance provisions	131	136	156	(16.0)
Insurance trading result	209	212	211	(0.9)
Managed schemes net income	14	14	11	27.3
Joint venture income	10	16	12	(16.7)
Investment income – Shareholder Funds	116	88	122	(4.9)
Contribution before tax and capital funding	349	330	356	(2.0)
Subordinated debt and preference share expense [2]	(19)	(14)	(12)	58.3
Contribution before tax	330	316	344	(4.1)
Wealth Management				
Contribution from Life Company	35	29	33	6.1
Contribution from Funds Management	7	23	8	(12.5)
Contribution before tax	42	52	41	2.4
Other				
Contribution from LJ Hooker and other	6	4	5	20.0
Wealth Management consolidated adjustments [4]	(6)	(5)	(5)	20.0
Contribution before tax	-	(1)	-	n/a
Profit before tax	627	602	604	3.8
Income tax	(173)	(162)	(163)	6.1
Net profit	**454**	**440**	**441**	**2.9**
Underlying profit [5]	**491**	**479**	**458**	**7.2**

Notes:

[1] AIFRS has changed the treatment of securitised loans and funding, and deferral of loan establishment fees and expenses. Refer to Banking section for more detail.

[2] Preference share dividends are treated as interest expense from 1 July 2005, and are allocated between Banking (December 2005 $5 million) and General Insurance (December 2005 $3 million) on the basis described in Appendix 5.

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

[4] Includes eliminations of deferred acquisition costs (DAC) and treasury share valuations. Within Wealth Management, DAC incorporates charges from other lines of business. From a group viewpoint, these costs must be expensed as they are not incremental to the group. One of the managed schemes controlled by Wealth Management owns shares (treasury shares) in Suncorp-Metway Ltd. These shares are recorded at fair value in the scheme's accounts and at cost at the group level.

[5] Refer following page for calculation of underlying profit.

Reconciliation of underlying profit to profit before tax

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Profit before tax	627	602	604	3.8
General Insurance investment income – Shareholder Funds	(116)	(88)	(122)	(4.9)
Share of General Insurance investment income – joint venture Shareholder Funds	(6)	(4)	(6)	-
Wealth Management investment income in Life Company	(15)	(11)	(15)	-
Wealth Management investment income in Funds Management	(2)	(3)	(3)	(33.3)
One-off items	3	(17)	-	n/a
Underlying profit	**491**	**479**	**458**	**7.2**

Balance sheet

Excluding Life Insurance Policy Owners' Interests

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Assets				
Cash and liquid assets	905	1,008	830	9.0
Receivables due from other banks	32	67	19	68.4
Other financial assets				
Trading securities	3,660	3,396	3,429	6.7
Investment securities	5,485	5,510	5,374	2.1
Investments in associates and joint ventures	133	129	116	14.7
Loans, advances and other receivables	37,353	35,728	33,513	11.5
Bank acceptances of customers	121	74	-	n/a
Property, plant and equipment	109	102	100	9.0
Investment property	157	159	154	1.9
Unlisted investment in life insurance statutory funds	193	200	214	(9.8)
Deferred tax assets	198	158	144	37.5
Intangible assets	1,130	1,104	1,084	4.2
Other assets[(1)]	471	586	551	(14.5)
Total assets	49,947	48,221	45,528	9.7
Liabilities				
Deposits and short term borrowings	28,139	27,171	27,743	1.4
Payables due to other banks	55	66	39	41.0
Bank acceptances	121	74	-	n/a
Payables and other liabilities	794	959	815	(2.6)
Current tax liabilities	74	179	104	(28.8)
Provisions	111	202	147	(24.5)
Deferred tax liabilities	199	176	171	16.4
Outstanding claims and unearned premium provisions	5,618	5,526	5,376	4.5
Securitisation liabilities	3,881	3,907	2,551	52.1
Bonds, notes and long term borrowings	5,394	4,468	3,382	59.5
Subordinated notes	1,182	968	961	23.0
Preference shares	250	-	-	n/a
Total liabilities	45,818	43,696	41,289	11.0
Net assets	**4,129**	**4,525**	**4,239**	**(2.6)**
Equity				
Share capital	2,913	2,773	2,701	7.8
Share capital – preference shares	-	244	244	(100.0)
Reserves	(7)	12	13	(153.8)
Retained profits	1,223	1,473	1,267	(3.5)
Total parent entity interest	4,129	4,502	4,225	(2.3)
Outside equity interests	-	23	14	(100.0)
Total equity	**4,129**	**4,525**	**4,239**	**(2.6)**

Notes:

[(1)] Other assets is mainly made up of accrued interest, prepayments and deferred acquisition costs.

Refer to Appendix 3 for a reconciliation of the group's balance sheet with the individual segments' balance sheets.

Ratios and statistics for the half-year ended 31 December 2005

Excluding Life Insurance Policy Owners' Interests

		Half-Year Ended			
		Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04 %
Performance ratios					
Earnings per share					
Basic	(cents)	82.9	79.8	80.6	2.9
Diluted	(cents)	82.9	79.7	80.5	3.0
Return on average shareholders' equity					
Basic	(%)	21.5	21.1	22.2	(3.2)
Diluted	(%)	21.4	21.1	22.0	(2.7)
Return on average total assets	(%)	1.83	1.89	2.06	(11.2)
Insurance trading ratio	(%)	17.0	17.4	17.6	(3.4)
Shareholder summary					
Dividend per ordinary share	(cents)	47.0	45.0	42.0	11.9
Payout ratio					
Basic	(%)	57.5	57.4	53.2	8.1
Diluted	(%)	57.0	56.7	52.5	8.6
Weighted average number of shares					
Basic	(million)	547.7	541.6	537.6	1.9
Diluted	(million)	547.9	542.0	538.0	1.8
Number of shares at end of period					
Basic	(million)	550.6	543.5	539.7	2.0
Diluted	(million)	551.0	544.7	541.1	1.8
Net tangible asset backing per share					
Basic	($)	5.45	5.80	5.37	1.5
Diluted	($)	5.45	5.82	5.38	1.3
Share price at end of period	($)	20.05	20.11	17.38	15.4
Productivity					
Group efficiency ratio	(%)	25.5	24.8	23.8	7.1
Financial position					
Total assets	($ million)	49,947	48,221	45,528	9.7
Capital					
Bank capital adequacy ratio	(%)	10.79	11.51	10.44	3.4
Bank Adjusted Common Equity ratio	(%)	5.44	6.85	5.59	(2.7)
General Insurance minimum capital ratio coverage	(times)	1.69	1.88	1.95	(13.3)

Refer Appendix 4 for definitions.

Refer Appendix 5 for details of Earnings per share and Return on average shareholders' equity calculations.

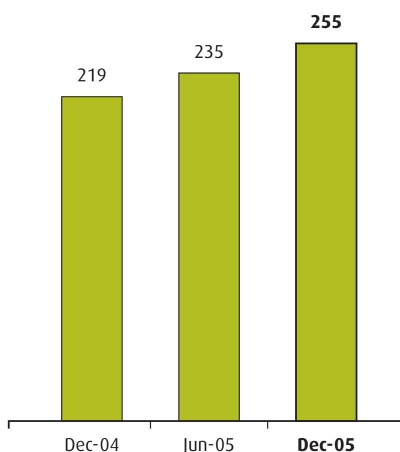
Segment information – Banking

Overview

- The Banking division reported a pre-tax profit of $255 million for the half-year, up 16.4% on the prior half-year, featuring steady net interest margins (before AIFRS adjustments), superior operating cost containment and low bad debt write-offs and provisions. Total lending growth remains solid particularly in light of an increasingly competitive market. The group maintained its focus on profitable growth across its book.
- Return on equity for the year was at 18.8%, comparable with 18.9% in the prior December half-year.
- Total receivables (including securitised assets) reached $36.5 billion at December, up 11.9% on the prior December, compared to an industry growth rate of 13.5% for the period. While growth was evident across all categories of lending, the rate of home and business lending growth has slowed, as margins were managed in tightening market conditions, to optimise total income.
- Home lending receivables, including securitised assets, grew to $19.6 billion at December. This was up 11.2% on the prior December, and compared to the industry home lending growth of 12.3% for the period.
- Business lending receivables grew by 12.2% to $16.1 billion, compared with system growth of 16.0% for the 12 months to December. The Commercial (SME) and Corporate lending portfolios performed well, growing by 14.2% and 49.9% respectively, while Development finance and Agribusiness sustained favourable growth rates of 12.5% and 11.6% for the 12 months to December.
- Excellent growth in retail deposits was achieved, with total retail funding increasing by 11.5% compared with the previous corresponding period, to $16.1 billion. On an underlying basis, core retail deposits (excluding Treasury) grew by 12.6% to $13.6 billion at December, which was above industry retail deposit growth of 10.5% for the 12 months to December 2005, despite intensified competition.
- On a like-on-like basis (prior to AIFRS impacts), net interest income increased by a healthy 9.2% to $412 million for the half-year, compared with the prior corresponding period, driven by business growth. Adjusting for the impact of AIFRS, net interest income was $422 million for the period. Refer to table on page 22.
- The underlying net interest margin prior to AIFRS adjustments was 2.30%, down one basis point from December 2004. The main impact on the underlying margin was the increased competition in the market place for retail deposits particularly high yield internet based savings products. This was offset by effective management of asset mix and yields and higher earnings on free capital.

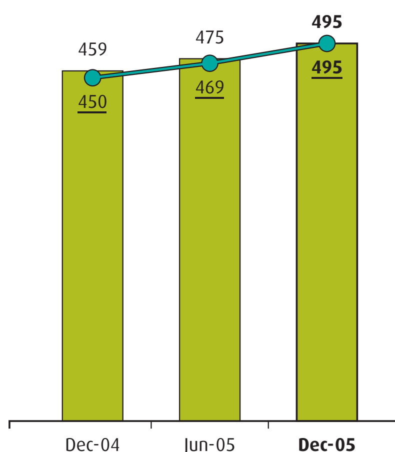
Contribution to profit

Half-year, $m



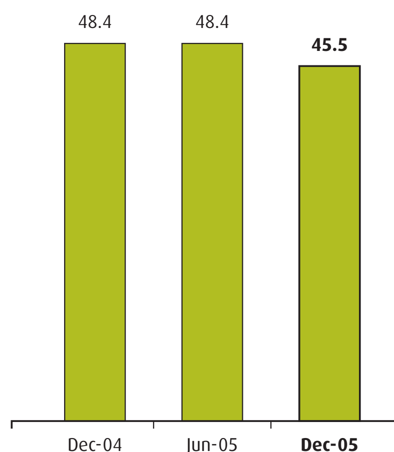
Total banking income

Half-year, $m



Cost to income ratio

Half-year, %



Segment information – Banking (continued)

Overview (continued)

- After AIFRS adjustments, reported interest margin for the half-year was 2.12%, compared to 2.18% at December 2004 and 2.17% at June 2005. Under AIFRS, the margin now includes the consolidation of securitised loans and funding, deferred loan establishment fees and costs and the group's preference shares, which have been reclassified as a debt instrument. The main reduction in the reported margin is a result of the $2 billion securitisation program in March 2005 and $800 million program in July 2005. Refer to table on page 22.
- On a like-on-like basis, net banking fee income increased by 12.1% compared to December 2004, and 12.1% from the June 2005 half-year. The underlying increase in net banking fee income relates to increased transaction fees, and other net lending fees such as line fees, early discharge fees, and facility fees on the Bank accepted bill product.
- Reported net banking fee income was down 3.0% to $65 million in the half, however this has been impacted by the adoption of AIFRS, which now requires loan establishment fees to be included in net interest income and recognised on a deferral basis. Refer to table on page 23.
- On a like-on-like basis, the estimated unaudited increase in total income is 10.0% compared to December 2004, and 5.5% compared to June 2005. Growth in reported total income of 7.8% has been impacted by the transitional arrangements for the adoption of AIFRS, relating to deferral of loan establishment fees and costs and preference shares now classified as debt. Refer further to page 24.
- Banking expenses increased by just 1.4% to $225 million for the half-year, as the Bank maintained a disciplined program of tight cost control. As a result, revenue growth far outweighed expense growth, leading to a reduction in the banking cost to income ratio to 45.5% for the period.
- Credit quality remains very sound, with the impairment losses on loans and advances falling to $15 million for the half-year to December, equal to just 0.06% of risk weighted assets. Total non-performing loans, including impaired assets and past due loans increased to $185 million, equal to 0.51% of gross loans. Total provisions of $124 million are equal to 108.8% of impaired assets.
- The capital adequacy ratio remains strong at 10.79% even after the payment of a group special dividend in October 2005 as part of capital management initiatives. Increased risk weighted assets were offset by increased retained profits in the capital base.
- The Adjusted Common Equity (ACE) ratio fell to 5.44% from 6.85% in June 2005, following the payment of the special dividend. The ACE ratio is within our target range of 5.0-5.5%.

Profit contribution – Banking

	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Net interest income				
Interest revenue	1,416	1,314	1,218	16.3
Interest expense	(994)	(911)	(835)	19.0
	422	403	383	10.2
Net banking fee income				
Banking fee and commission revenue	100	106	105	(4.8)
Banking fee and commission expense	(35)	(44)	(38)	(7.9)
	65	62	67	(3.0)
Other operating revenue				
Net profits on trading and investment securities	2	2	2	-
Net profits on derivative and other financial instruments	4	4	6	(33.3)
Other income	2	4	1	100.0
	8	10	9	(11.1)
Non-interest income	73	72	76	(3.9)
Total income from Banking activities	495	475	459	7.8
Operating expenses				
Staff expenses	(138)	(138)	(130)	6.2
Occupancy expenses	(13)	(12)	(12)	8.3
Computer and depreciation expenses	(21)	(18)	(20)	5.0
Communication expenses	(15)	(15)	(16)	(6.3)
Advertising and promotion expenses	(12)	(14)	(10)	20.0
Other operating expenses [1]	(26)	(33)	(34)	(23.5)
	(225)	(230)	(222)	1.4
Contribution to profit from Banking activities before impairment losses on loans and advances	270	245	237	13.9
Impairment losses on loans and advances	(15)	(10)	(18)	(16.7)
Contribution to profit before tax from Banking activities	**255**	**235**	**219**	**16.4**
Return on equity (%)	**18.8**	**18.5**	**18.9**	**(0.5)**

Notes:

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

Balance sheet – Banking

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Assets				
Cash and liquid assets	636	653	496	28.2
Receivables due from other banks	32	67	19	68.4
Other financial assets				
Trading securities	3,660	3,396	3,429	6.7
Investment securities	2,153	2,079	2,077	3.7
Loans, advances and other receivables [1]	36,232	34,657	32,439	11.7
Bank acceptances of customers	121	74	-	n/a
Property, plant and equipment	108	100	99	9.1
Deferred tax assets	124	95	87	42.5
Intangible assets	84	80	84	-
Other assets [2]	409	355	448	(8.7)
Total assets	43,559	41,556	39,178	11.2
Liabilities				
Deposits and short term borrowings	28,324	27,219	27,812	1.8
Payables due to other banks	55	66	39	41.0
Bank acceptances	121	74	-	n/a
Payables and other liabilities	608	717	622	(2.3)
Current tax liabilities	74	182	104	(28.8)
Provisions	108	199	145	(25.5)
Deferred tax liabilities	59	49	84	(29.8)
Securitisation liabilities	3,881	3,907	2,551	52.1
Bonds, notes and long term borrowings	5,335	4,408	3,323	60.5
Subordinated notes	983	770	763	28.8
Preference shares	250	-	-	n/a
Total liabilities	39,798	37,591	35,443	12.3
Net assets	**3,761**	**3,965**	**3,735**	**0.7**

Notes:

[1] Includes securitised home loan balances of $3.7 billion (Jun 05: $3.7 billion; Dec 04: $2.5 billion).

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

Banking ratios and statistics

	Half-Year Ended Dec-05 %	Half-Year Ended Jun-05 %	Half-Year Ended Dec-04 %	Dec-05 vs Dec-04 %
Cost to income ratio	45.5	48.4	48.4	(6.0)
Cost to average total banking assets ratio	1.06	1.16	1.18	(9.9)
Capital adequacy ratio	10.79	11.51	10.44	3.4
Return on average risk weighted assets ratio	2.13	2.10	2.06	3.5
Net interest margin [1]	2.12	2.17	2.18	(2.8)
Net interest spread	1.87	1.91	1.94	(3.8)

Notes:

[1] Refer table on page 22 for analysis. December 2005 is not comparable to June 2005 or December 2004 due to impact of AIFRS.

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Asset growth				
Housing loans	15,895	15,134	15,177	4.7
Securitised housing loans	3,727	3,725	2,461	51.4
Total housing loans	19,622	18,859	17,638	11.2
Consumer loans	694	637	582	19.2
Retail loans [(1)]	20,316	19,496	18,220	11.5
Commercial (SME's)	3,349	3,225	2,933	14.2
Corporate	1,481	1,217	988	49.9
Development finance	3,018	2,846	2,683	12.5
Property investment	3,315	3,277	3,233	2.5
Lease finance	2,179	2,106	2,035	7.1
Agribusiness	2,748	2,632	2,463	11.6
Business loans [(1)]	16,090	15,303	14,335	12.2
Structured finance	6	6	6	-
Other receivables [(2)]	65	82	31	109.7
Gross banking loans, advances and other receivables	36,477	34,887	32,592	11.9
Provision for impairment	(124)	(156)	(153)	(19.0)
Loans, advances and other receivables	36,353	34,731	32,439	12.1
Loans, advances and other receivables are comprised of:				
Loans, advances and other receivables per balance sheet	36,232	34,657	32,439	11.7
Bank accepted bills	121	74	-	n/a
	36,353	**34,731**	**32,439**	**12.1**
Risk weighted assets	**24,336**	**23,132**	**22,054**	**10.3**
Geographical breakdown – gross banking loans, advances and other receivables				
Queensland	22,498	21,292	19,873	13.2
New South Wales	8,020	7,746	7,179	11.7
Victoria	4,449	4,453	4,325	2.9
Western Australia	1,309	1,200	1,027	27.5
South Australia and other	201	196	188	6.9
Total non Queensland loans	13,979	13,595	12,719	9.9
Gross banking loans, advances and other receivables	**36,477**	**34,887**	**32,592**	**11.9**

Notes:

(1) Includes deferred loan establishment fee income and incremental acquisition expenses for December 2005 of $9 million.

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

Asset growth (continued)

Total lending

Gross receivables, including securitised assets, rose by 11.9% to $36.5 billion over the 12 months to December, compared with an industry credit growth rate of 13.5%. The Bank proactively managed volumes and price to minimise margin compression, and optimise total income. This was a pleasing result, particularly given the tightening of markets in which we operate and the intense pricing competition.

Robust economic conditions in Queensland have contributed to receivables growing in that state by 13.2% to $22.5 billion in the 12 months to December. Interstate receivables grew by 9.9% to $14.0 billion in the 12 months to December 2005, supported by continued strength in Western Australia (receivables up 27.5% on December 2004). The portfolio remains well diversified on a geographical basis, with assets outside Queensland accounting for around 40% of total assets.

Housing lending

Home loan receivables, including securitised assets, grew to $19.6 billion at December, up 11.2% on December 2004, and compared with a 12.3% growth rate for the home market as a whole for the period. In the six months from June to December 2005, lending across the housing sector slowed to a more sustainable pace of around 10% (annualised). Suncorp home loan receivables grew by 8% (annualised) in this period.

Geographically, growth in assets was shared across the housing portfolio, with particularly strong growth in Queensland and Western Australia. Home lending receivables in those states increased by 11.2% and 25.1% respectively in the 12 months to December. Assets outside Queensland, which account for approximately 36% of the home book, collectively grew 11.2% over the period.

Assets generated through our direct distribution channels were up 7.8% on the prior December, driven by growth in Queensland, supported by our strong foothold and brand awareness as well as the underlying economic strength in that State.

Asset growth from intermediary channels were up 17.1% for the 12 months to December despite the intensified pricing and increased competitive focus on that market during the period. Assets generated through this channel represent 39% of the housing portfolio.

Owner-occupied receivables were up 11.3% at December 2005, and represent 73% of the total home lending book and 70% of disbursements. Lending for investment purposes grew 11.1% on the prior comparative period. This segment represents 27% of our home lending book, and constitutes around 30% of disbursements.

As the Low Doc market matures and increases in competitiveness Suncorp's performance continues to remain relatively stable. The Low Doc portfolio at December 2005 was $1.9 billion, compared to $1.7 billion at June 2005, an increase of 11.8%. The book represents 9.5% of total home receivables and around 11% of disbursements. The Company's Low Doc product remains conservatively structured, with a maximum loan to valuation ratio (LVR) of 80% and with all loans over 60% LVR mortgage insured. While credit quality in the Low Doc portfolio continues to be very strong, competitive pressures in the market have seen a reduction in higher margins for this product.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Housing Loans by State				
Queensland	12,511	11,964	11,250	11.2
New South Wales	3,595	3,493	3,241	10.9
Victoria	2,344	2,299	2,185	7.3
Western Australia	931	869	744	25.1
South Australia	195	195	187	4.3
ACT	34	30	25	36.0
Tasmania	12	9	6	100.0
Outside of Queensland	7,111	6,895	6,388	11.3
	19,622	**18,859**	**17,638**	**11.2**

	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Asset growth (continued)				
Housing lending (continued)				
Housing Loans by Purpose				
Owner-Occupied	14,277	13,728	12,826	11.3
Investment Housing	5,345	5,131	4,812	11.1
	19,622	**18,859**	**17,638**	**11.2**
Housing Loans by Channel				
Direct				
Queensland	9,902	9,584	9,142	8.3
Outside of Queensland	2,060	1,992	1,953	5.5
	11,962	11,576	11,095	7.8
Indirect				
Queensland	2,605	2,390	2,100	24.0
Outside of Queensland	5,055	4,893	4,443	13.8
	7,660	7,283	6,543	17.1
	19,622	**18,859**	**17,638**	**11.2**

Consumer lending

Consumer lending is made up principally of personal loans, credit card receivables and margin lending. The portfolio continues to grow with total consumer receivables reaching $694 million at December, up 19.2% compared to the prior December. The Clear Options credit card growth remains a feature, increasing 68% to $128 million for the 12 month period to December 2005. The strength of equities markets contributed to margin lending balances growing by 17% to $265 million.

Business lending

Business lending assets grew to $16.1 billion at December, up 12.2% on the prior December, compared to system growth for the period of 16.0%, with all divisions experiencing a tightening of their market and increasing intensity of competition. Growth has been strongest in Queensland and Western Australia, where overall economic conditions and business confidence remains positive. Other interstate lending has been affected to a greater degree by slowdown in property markets, and the intense competition in lending, especially via intermediary channels.

Commercial (SME) Competition in the small to medium enterprises (SME's) sector continues to intensify, with a marked shift in competitor focus on the sector, particularly as a result of the slowing property markets. Assets in this class increased to $3.3 billion at December, up 14.2% on the prior December.

Importantly, portfolio growth has not come at the expense of our risk profile or margin. Growth continues to be enhanced through retention activities associated with effective relationship management and our continued emphasis on our key broker distribution channels. Queensland continues to perform strongly, leveraging the group's extensive network and iconic brand.

In other areas, we have successfully completed a pilot to offer commercial lending solutions to our Commercial Insurance customer base. Based on the success of the pilot the program will be fully rolled out in May 2006.

Corporate lending (predominantly customers with turnover of between $10 million and $100 million) continues to grow, with receivables reaching $1.5 billion at December, up 49.9% on the prior December.

We continue to build on our niche proposition and are targeting profitable new business growth in line with the devised strategy for this sector. Growth has been supported by high quality, individual corporate clients, as well as good participation in quality loan syndications. Participation in these syndicates is cementing valuable relationships with participants in industries and segments, which we would otherwise have not entered, due to size or expertise. The Bank intends to leverage these relationships in generating future growth prospects.

Asset growth (continued)

Business lending (continued)

Development finance lending has remained strong during the period, notwithstanding the anticipated arrival of a softening of demand in property markets, particularly evident in New South Wales and Victoria. Portfolio growth was 12.5% for the 12 months to December 2005, well down on the near 30% growth rate experienced in the year to December 2004. Development finance receivables totalled $3.0 billion at December.

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. The portfolio is also widely diversified geographically, with approximately 37% of assets in New South Wales, 42% in Queensland, 11% in Victoria and 10% in Western Australia. New business activity has been greatest in Queensland and Western Australia, offset by a relatively flat New South Wales and Victoria. Credit quality of the book remains strong.

Property investment which includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects, remained relatively stable, rising 2.5% to $3.3 billion at December 2005, when compared to the prior December. Strong receivables growth experienced in Queensland and Western Australia was offset by a negative growth in Victoria and New South Wales.

The portfolio remains well diversified, with retail shopping centres accounting for 44% of the portfolio, commercial premises 31%, and the remainder being a mixture of industrial, residential and other investment classes. Geographically, 38% of assets are held outside of Queensland. Asset quality remains high.

Agribusiness receivables grew by 11.6% to $2.7 billion compared with the prior December, despite softening marginally since June. Good spring rain has assisted many drought stricken areas of Eastern Australia, although a very hot and dry December has left many districts in need of good summer rainfall. Seasonal prospects are promising with forecasters advising little chance of a return to El Niño conditions in the near term.

The recovery in world sugar prices has continued with analysts predicting good prices will be achieved in the medium term, restoring confidence to the sugar industry. The outlook for the beef industry remains favourable, cotton prices are firming, and grain prices remain stable with increased crops and yields, offset by rising input costs for fuel and fertiliser.

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

Leasing assets rose by 7.1% to $2.2 billion at December. 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. We continue our expansion into trucks and "yellow goods" such as construction equipment and forklifts, with resultant solid growth. Equipment Finance, which is highly supportive of the SME market and agribusiness, was a strong performer in a highly competitive environment.

Funding and deposits

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Retail funding				
Australian retail deposits				
Transaction	4,699	4,305	4,134	13.7
Investment	4,553	3,958	3,741	21.7
Term	4,342	4,413	4,202	3.3
Core retail deposits	13,594	12,676	12,077	12.6
Retail treasury	2,505	2,576	2,360	6.1
Total retail funding	16,099	15,252	14,437	11.5
Wholesale funding				
Domestic funding sources				
Senior wholesale funding	11,287	9,245	8,981	25.7
Subordinated debt	665	445	446	49.1
Preference shares	250	-	-	n/a
	12,202	9,690	9,427	29.4
Overseas funding sources				
Euro commercial paper market	2,700	3,645	3,313	(18.5)
Euro medium term note market	3,573	3,485	4,404	(18.9)
Subordinated debt program (USD)	318	325	317	0.3
	6,591	7,455	8,034	(18.0)
Total wholesale funding	18,793	17,145	17,461	7.6
Total funding (excluding securitisation)	**34,892**	**32,397**	**31,898**	**9.4**
Securitised funding				
Domestic wholesale funding	2,513	2,203	1,497	67.9
Overseas wholesale funding	1,368	1,704	1,054	29.8
Total securitised funding	3,881	3,907	2,551	52.1
Total funding (including securitisation)	**38,773**	**36,304**	**34,449**	**12.6**
Total funding is represented by:				
Deposits and short term borrowings [(1)]	28,324	27,219	27,812	1.8
Securitisation liabilities	3,881	3,907	2,551	52.1
Bonds, notes and long term borrowings	5,335	4,408	3,323	60.5
Subordinated debt	983	770	763	28.8
Preference shares	250	-	-	n/a
Total	**38,773**	**36,304**	**34,449**	**12.6**
	%	%	%	
Retail funding as a percentage of total funding (excluding securitisation)	**46**	**47**	**45**	**2.2**

Notes:

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

For the purposes of calculating the percentage of retail funding, securitised liabilities have been excluded given securitised assets are match funded with these liabilities.

Funding and deposits (continued)

Retail funding

Suncorp continues to maintain excellent growth in retail deposits, with total retail funding increasing by 11.5% to $16.1 billion at December, compared with the previous December. On an underlying basis, core retail deposits, excluding Treasury, grew by 12.6% to $13.6 billion at December, which was above industry retail deposit growth of 10.5%, for the 12 months to December 2005.

Growth has been achieved despite the intense competition for deposits currently being experienced, with all major competitors offering aggressive rates and substantially increasing advertising spend. Products such as Suncorp's successful high interest EveryDay Options transaction account remain competitive, and supportive of long term growth.

Major growth was seen in Transaction deposits, which grew 13.7% to $4.7 billion. This category includes Personal Transaction, Savings accounts and small business deposits. Investment deposits were also up strongly by 21.7% to $4.5 billion.

The move to give our Business Banking division responsibility to raise and retain deposits has been another successful area. Although commencing from a relatively low base, business deposits have increased from $550 million in June 2005 to $918 million in December 2005.

Wholesale funding

The Company wholesale market funding strategy is to continue to increase the diversification of funding sources and to deepen its global investor base. In that context, a number of successful transactions were undertaken during the period.

In October 2005, Suncorp undertook a EUR500 million five year floating rate note issue (equivalent to approximately A$795 million). This is the third Euro five-year transaction undertaken by Suncorp (since 2003), and continues the strategy to develop the offshore term investor base. Sixty-four investors (including 12 new), from 12 different countries participated in the transaction which was split between Asia (9%), UK (25%) and continental Europe (66%).

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

During the half-year, the Company completed one, A$800 million securitisation via the APOLLO Series 2005-2 Trust. The sixth domestic issue, it settled on 19 July 2005. Consistent with the previous offshore transaction in March 2005 (A$2.0 billion equivalent) it included Low Doc loans, representing approximately 9.5% of the total pool of mortgages.

Outstanding securitised assets totalled $3.7 billion at the end of December 2005, relatively stable compared to June 2005, but up 51.4% on December 2004 as a result of the two transactions (offset by run-off).

The Company plans two securitisation issues each year, subject to balance sheet growth and market conditions (and the changing regulatory landscape).

Profit overview

Net interest income

Net interest income rose by 9.2% to $412 million for the half-year, on a like-on-like basis (prior to AIFRS impacts), driven by business growth. Adjusting for the impact of AIFRS, net interest income was $422 million for the period.

The table below shows that the underlying margin prior to AIFRS adjustments declined just one basis point compared to December 2004. The main impact on the margin was the increased competition in the market place for retail deposits, particularly high yield internet based savings products. This was offset by effective management of asset mix and yield and higher income on free capital.

Reported net interest margin was 2.12% for the half-year to December 2005. The overall margin has been impacted by the adoption of AIFRS, which now includes the consolidation of securitised loans and funding, deferred loan establishment fees and costs, and the group's preference shares which have been reclassified as a debt instrument. The impact of these items was to reduce the margin by eighteen basis points, from 2.30% (AGAAP equivalent) for the half-year. Under the AIFRS first time adoption rules, prior periods have only been adjusted for the impact of securitised loans and funding.

The higher cost of securitised loans and funding between periods is a result of the increased volume of our securitised loan pool, following issues of A$2.0 billion in February 2005 and A$800 million in July 2005.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Net interest margin				
Bank loans and funding [1]	412	394	377	9.2
Securitised loans and funding	13	9	6	116.7
	425	403	383	10.9
Net establishment fees and acquisition costs [2]	2	-	-	n/a
Preference shares [3]	(5)	-	-	n/a
	422	**403**	**383**	**10.2**
	%	%	%	
Net interest margin				
Bank loans and funding [1]	2.30	2.34	2.31	(0.4)
Securitised loans and funding	(0.17)	(0.17)	(0.13)	30.8
	2.13	2.17	2.18	(2.3)
Net establishment fees and acquisition costs	0.01	-	-	n/a
Preference shares	(0.02)	-	-	n/a
	2.12	**2.17**	**2.18**	**(2.8)**

Notes:

[1] Represents the margin as previously presented under AGAAP and accordingly can be compared with the prior periods.

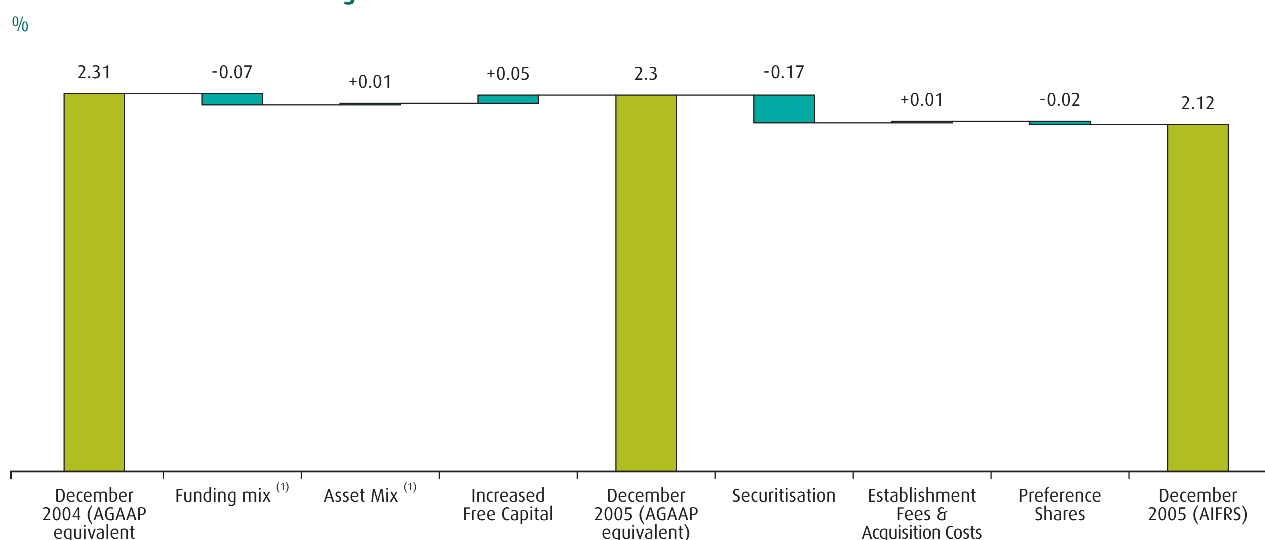
[2] Under AIFRS transitional arrangements the comparatives have not been restated. An estimate of this item for June 2005 is $3 million and December 2004 is $5 million. These estimates are unaudited.

[3] Under AIFRS transitional arrangements the comparatives have not been restated. An estimate of this item for June 2005 is $5 million and for December 2004 is $5 million. These estimates are unaudited.

Profit overview (continued)

Net interest income (continued)

Movements in net interest margin



Notes:

(1) Excluding impact of yields of 15 basis points.

Net banking fee income

Banking fee income has been impacted by the adoption of AIFRS, which now requires loan establishment fee revenue and expenses to be included in net interest income, from the date of adoption (1 July 2005).

Excluding lending establishment fee revenue and expenses, underlying bank fee income rose by 12.1% compared to each period. The underlying movement is attributable to a rise in transaction fees, and other net lending fees such as line fees, early discharge fees, and facility fees on the bank accepted bill product.

Under AIFRS, most securitisation income is recorded in net interest income, for the current and comparative periods. Some lending and transaction fees on securitised loans remain in fee income within the relevant categories: December 2005 $3 million, June 2005 $2 million, December 2004 $2 million.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Net banking fee income				
Lending other fee revenue	31	25	26	19.2
Lending other fee expense	(13)	(12)	(11)	18.2
Net lending fees	18	13	15	20.0
Transaction fees	46	44	42	9.5
Interchange fees	1	1	1	-
Like-on-like comparative	65	58	58	12.1
Lending establishment fee revenue (1)	-	18	21	(100.0)
Lending establishment fee expense (1)	-	(14)	(12)	(100.0)
	65	**62**	**67**	**(3.0)**

Notes:

(1) Lending establishment fee revenue and expense are deferred and amortised within interest income from 1 July 2005.

Total income

Total income from banking activities has been affected by the transitional provisions of AIFRS. AIFRS requires the deferral of loan establishment fees and costs, and the classification of preference shares as debt. These adjustments are reflected in the December 2005 half-year results but not in the comparative periods. An estimate of the amount by which total income would decrease in the comparative periods if these adjustments were reflected are as follows:

- Deferral of loan establishment fees: June 2005 $1 million, December 2004 $4 million.
- Preference shares interest: June 2005 $5 million, December 2004 $5 million.

These estimates are unaudited.

Operating expenses

Operating expenses increased by 1.4% to $225 million compared to the prior December half, and fell 2.2% from the June 2005 half. This excellent result can be attributed to disciplined focus on expense management, whilst continuing to make appropriate reinvestment in the business. The group's diversified financial services business model continues to demonstrate operating synergies as evidenced by further reductions in the cost to income ratio to 45.5% for the half-year, compared to 48.4% for the preceding periods.

Impairment losses on loans and advances

The impairment losses on loans and advances was $15 million for half-year to December 2005, down from $18 million in the prior corresponding period. As a proportion of average loans, advances and other receivables, the impairment losses amount to just 4 basis points for the half-year, reflecting the strong underlying credit quality of the book.

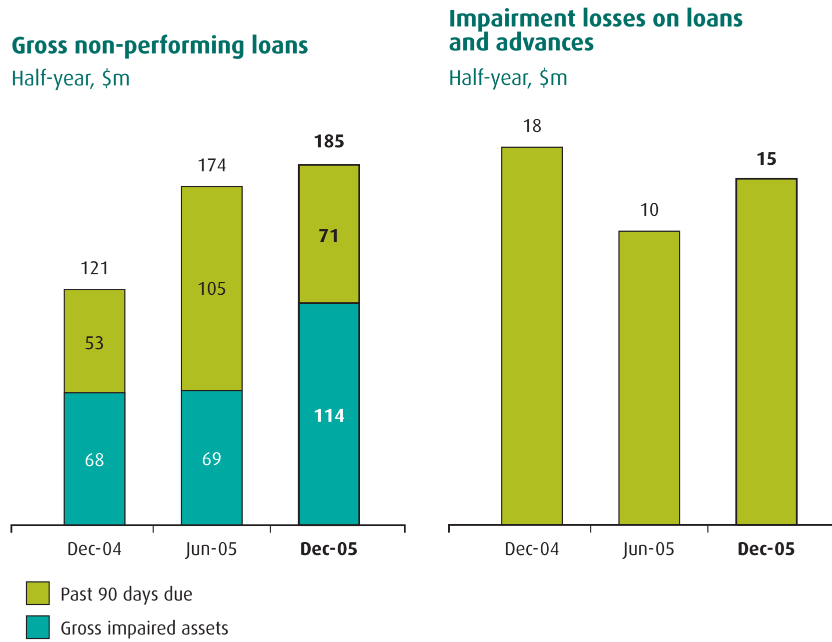
With the change in reporting standards required by AIFRS, the general provision has been replaced by a collective provision, which is raised against groups of loans and advances with similar credit risk characteristics that are not specifically provided for. A large portion of the impairment losses was the increase in the collective provision of $5 million (see page 28). An increase to the specific provision of $7 million was made in line with the increases in impaired assets for half-year.

Bad debts written-off were $5 million for the total lending portfolio for the half-year and this is in line with recent low half-year write-off figures.

Approximately 54% 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 the lending including housing, development finance, property investment, agribusiness and commercial lending is secured by real property at conservative values.

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Impairment losses on loans and advances				
General provision for impairment	-	4	12	(100.0)
Collective provision for impairment	5	-	-	n/a
Specific provision for impairment	7	3	4	75.0
Bad debts written off	5	4	4	25.0
Bad debts recovered	(2)	(1)	(2)	-
	15	**10**	**18**	**(16.7)**

Impairment losses on loans and advances (continued)



Impaired assets

Total non-performing loans increased to $185 million at December, equivalent to 0.51% of gross loans, advances and other receivables. This represents an increase of $11 million from June 2005, but is up from $121 million in the prior corresponding period. Gross impaired assets increased to $114 million at December, equivalent to 0.31% of total gross loans, while past 90 day due loans decreased to $71 million, compared to $105 million at the June 2005 year end, and $53 million in the prior December.

While the level of non-performing loans represents an increase on prior periods, it remains low on a historical basis. The increase does however suggest that the business credit cycle probably reached a floor some 12 months ago.

The increase in the impaired assets from the preceding June has been caused predominantly by a small number of larger balance business banking loans in the past 90 days due category, migrating to impaired assets. However, the resultant increase in our specific provisions of just $3 million again emphasises the secured and conservative nature of our lending.

Of the $114 million in impaired assets, construction and development constitutes the biggest segment, at $45 million up from $15 million in June 2005. This movement is a reflection of the operating conditions in some segments in New South Wales and Victoria, and relates largely to three loans.

Demonstrating the cyclical nature of the industry, Agribusiness impaired assets have continued to decline, down from $32 million in December 2004 to $17 million in December 2005 reflecting the ongoing positive conditions in rural industries and specifically in the sugar industry.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Impaired assets (continued)				
Gross balances of non-accrual loans				
with specific provisions set aside	75	35	32	134.4
without specific provisions set aside	39	34	36	8.3
Gross impaired assets	114	69	68	67.6
Interest reserved [(1)]	(9)	(6)	(7)	(100.0)
Net balances	114	63	61	86.9
Specific provision for impairment	(21)	(17)	(18)	16.7
Net impaired assets	93	46	43	116.3
Size of gross impaired assets				
Less than one million	28	27	25	12.0
Greater than one million but less than ten million	34	32	32	6.3
Greater than ten million	52	10	11	Large
	114	69	68	67.6
Past due loans not shown as impaired assets				
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the contribution to profit.				
The value of past due loans is	71	105	53	34.0
Gross non-performing loans	185	174	121	52.9
Interest income foregone on impaired assets [(1)]				
Net interest charged but not recognised as revenue in the contribution to profit during the half-year was	-	4	4	(100.0)
Interest income on impaired assets recognised in the contribution to profit [(1)]				
Net interest charged and recognised as revenue in the contribution to profit during the half-year was	-	3	1	(100.0)
Analysis of movements in gross impaired assets				
Balance at the beginning of the half-year	69	68	62	11.3
Recognition of new impaired assets and increases in previously recognised impaired assets	72	24	30	140.0
Impaired assets written off during the half-year	(7)	(4)	(5)	40.0
Impaired assets which have been restated as performing assets or repaid	(20)	(19)	(19)	5.3
Balance at the end of the half-year	114	69	68	67.6
	%	%	%	
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.31	0.20	0.21	47.6
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.51	0.50	0.37	37.8

Notes:

(1) Interest reserved is no longer recognised under AIFRS.

Impaired assets (continued)

Industry breakdown is shown below based on the source of credit risk whereas the asset growth table on page 16 is based on the nature of the loan.

Industry breakdown of impaired assets and specific provisions as at 31 December 2005 are as follows:

	Gross Loans $m	Impaired Assets $m	Specific Provision $m
Agribusiness	2,631	17	9
Construction and development	3,516	45	5
Financial services	579	-	-
Hospitality	963	13	-
Manufacturing	501	5	-
Professional services	615	16	2
Property investment	3,849	3	1
Real estate mortgage	21,263	-	-
Personal	694	4	1
Government and public authorities	3	-	-
Other commercial and industrial	1,863	11	3
	36,477	**114**	**21**

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

	Gross Loans $m	Impaired Assets $m	Specific Provision $m
Agribusiness	2,406	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	1,833	17	7
	34,887	**69**	**17**

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

	Gross Loans $m	Impaired Assets $m	Specific Provision $m
Agribusiness	2,272	32	15
Construction and development	3,059	9	1
Financial services	346	-	-
Hospitality	827	3	-
Manufacturing	403	1	-
Professional services	601	2	-
Property investment	3,754	11	-
Real estate mortgage	19,095	-	-
Personal	583	1	1
Government and public authorities	2	-	-
Other commercial and industrial	1,650	9	1
	32,592	**68**	**18**

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Provision for impairment				
General provision				
Balance at the beginning of the period	139	135	123	13.0
Charge against contribution to profit	-	4	12	(100.0)
AIFRS adjustment against 1 July 2005 retained profits	(139)	-	-	n/a
Balance at the end of the period	-	139	135	(100.0)
Collective provision				
Balance at the beginning of the period	-	-	-	n/a
AIFRS adjustment against 1 July 2005 retained profits	98	-	-	n/a
Charge against contribution to profit	5	-	-	n/a
Balance at the end of the period	103	-	-	n/a
Specific provision				
Balance at the beginning of the period	17	18	19	(10.5)
AIFRS adjustment against 1 July 2005 retained profits	4	-	-	n/a
Charge against contribution to profit	7	3	4	75.0
Bad debts written-off	(7)	(4)	(5)	40.0
Balance at the end of the period	21	17	18	16.7
Total provision for impairment – Banking activities	**124**	**156**	**153**	**(19.0)**
	%	%	%	
Provision for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows: [1]				
General provision	-	220.6	221.3	(100.0)
Collective provision	90.4	-	-	n/a
Specific provision	18.4	27.0	29.5	(37.6)
Total provision	108.8	247.6	250.8	(56.6)

Notes:

[1] Interest reserved is no longer recognised under AIFRS.

Under AGAAP, the movement in the general provision for doubtful debts charged to the Income Statement was based on 0.50% of the growth in risk weighted assets. The movement in the general provision from one period to the next was relatively predictable as the key variable in this calculation is risk weighted assets.

With the change in reporting standards required by AIFRS the general provision has been replaced by a collective provision. The collective provision has been raised against groups of loans and advances that are not specifically provided for. The loans and advances have been grouped on the basis of similar credit characteristics and are collectively evaluated for impairment on an historical loss basis.

AIFRS requirements result in a collective provision which is lower than the general provisions previously maintained in accordance with APRA requirements. The collective provision at December 2005 totalled $103 million, and represents 0.40% of risk weighted assets. However total provisions are still in excess of the balance of gross impaired assets, and prudent given the low loss history of the portfolio and the recent record low level of losses.

Under AIFRS, the movement in the collective provision that is charged to the Income Statement is likely to be more volatile as the calculation has more variables, and this volatility will be more difficult to predict.

The variable that has the greatest impact on the level of, and movement in, the collective provision is the outstanding balance of the group of impaired loans. The pool of loans assessed for the collective provision for any indicators of impairment, is broader than the definition of impaired loans as disclosed in the table on page 26. Some criteria for these loans are subjective and may not meet the AIFRS definition of a loss event.

The total provisions are equivalent to 108.8% of gross impaired assets.

Average banking assets and liabilities

	Half-Year Ended Dec-05			Half-Year Ended Jun-05 [1]		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Trading securities	3,578	102	5.66	3,450	96	5.61
Gross loans, advances and other receivables	35,498	1,302	7.28	33,658	1,208	7.24
Other interest earning assets	492	12	4.84	428	10	4.71
Total interest earning assets	39,568	1,416	7.10	37,536	1,314	7.06
Non-interest earning assets						
Other assets	2,491			2,611		
Total non-interest earning assets	2,491			2,611		
Total assets	**42,059**			**40,147**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	26,934	680	5.01	26,197	642	4.94
Securitisation liabilities	4,239	126	5.90	3,667	106	5.83
Bonds, notes and long term borrowings	5,674	159	5.56	5,214	142	5.49
Subordinated notes [2]	700	24	6.80	621	21	6.82
Preference shares [2]	151	5	6.57	-	-	-
Total interest bearing liabilities	37,698	994	5.23	35,699	911	5.15
Non-interest bearing liabilities						
Other liabilities	803			752		
Total non-interest bearing liabilities	803			752		
Total liabilities	**38,501**			**36,451**		
Net assets	**3,558**			**3,696**		
Analysis of interest margin and spread						
Interest earning assets	39,568	1,416	7.10	37,536	1,314	7.06
Interest bearing liabilities	37,698	994	5.23	35,699	911	5.15
Net interest spread			1.87			1.91
Net interest margin	39,568	422	2.12	37,536	403	2.17

Notes:

[1] The June 2005 comparatives are based on statutory AIFRS balances and due to the transitional adoption of AIFRS do not include all AIFRS adjustments.

[2] Excludes the subordinated debt and preference shares 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 Dec-04 [1]		
	Average Balance $m	Interest $m	Average Rate %
Assets			
Interest earning assets			
Trading securities	3,028	83	5.44
Gross loans, advances and other receivables	31,428	1,126	7.11
Other interest earning assets	386	9	4.63
Total interest earning assets	34,842	1,218	6.93
Non-interest earning assets			
Other assets	2,566		
Total non-interest earning assets	2,566		
Total assets	**37,408**		
Liabilities			
Interest bearing liabilities			
Deposits and short term borrowings	26,439	643	4.82
Securitisation liabilities	2,698	76	5.59
Bonds, notes and long term borrowings	3,512	97	5.48
Subordinated notes [2]	568	19	6.64
Total interest bearing liabilities	33,217	835	4.99
Non-interest bearing liabilities			
Other liabilities	656		
Total non-interest bearing liabilities	656		
Total liabilities	**33,873**		
Net assets	**3,535**		
Analysis of interest margin and spread			
Interest earning assets	34,842	1,218	6.93
Interest bearing liabilities	33,217	835	4.99
Net interest spread			1.94
Net interest margin	34,842	383	2.18

Notes:

(1) The December 2004 comparatives are based on statutory AIFRS balances and due to the transitional adoption of AIFRS do not include all AIFRS adjustments.

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

	Half-Year Dec-05 v Jun-05 Changes due to:			Half-Year Jun-05 v Dec-04 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	4	2	6	12	1	13
Gross loans, advances and other receivables	67	27	94	79	3	82
Other interest earning assets	2	-	2	1	-	1
Change in interest income	73	29	102	92	4	96
Interest bearing liabilities						
Deposits and short term borrowings	18	20	38	(6)	5	(1)
Securitisation liabilities	17	3	20	27	3	30
Bonds, notes and long term borrowings	13	4	17	46	(1)	45
Subordinated notes	3	-	3	2	-	2
Preference shares	5	-	5	-	-	-
Change in interest expense	56	27	83	69	7	76
Change in net interest income	**17**	**2**	**19**	**23**	**(3)**	**20**

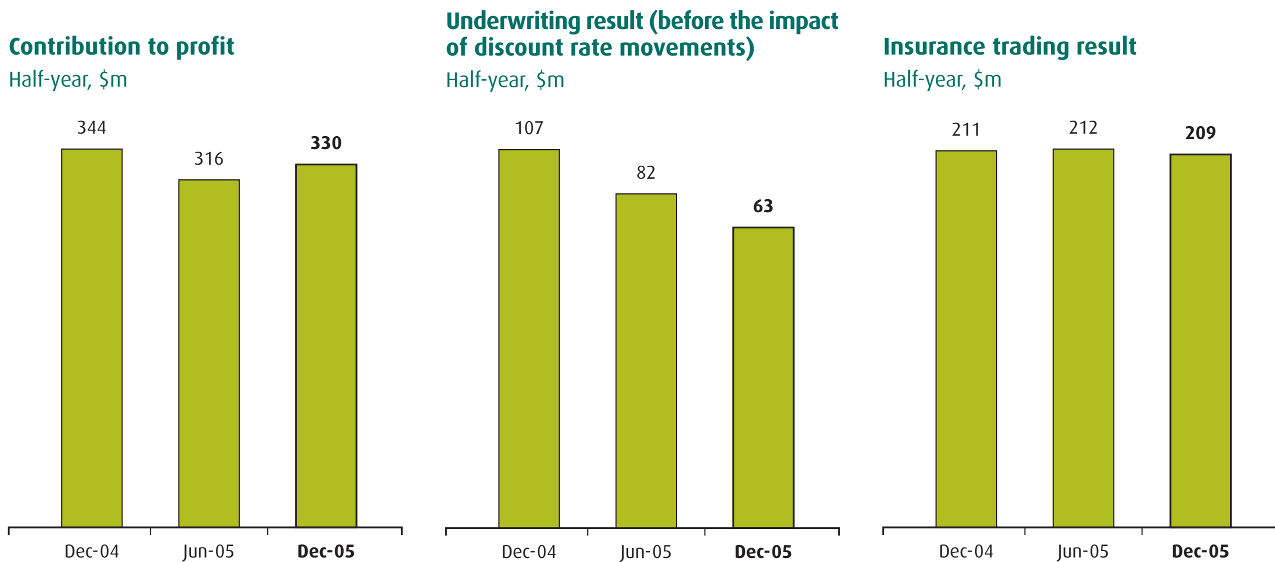
Notes:

In the December 2005 vs June 2005 comparison, $2 million of the rate variance in gross loans, advances and other receivables and the $5 million volume variance in preference shares is due to the AIFRS first time adoption rules.

Segment information – General Insurance

Overview

- General Insurance pre-tax profitability of $330 million for the half-year was underpinned by continued growth in risks in force, favourable claims outcomes, investment in new business acquisition and customer service, and continued control of operating expenses.
- The Insurance Trading Result, which excludes non-underwritten business and investment income on Shareholder Funds, declined only marginally to $209 million. This equates to a substantial margin of 17.0% on net earned premium, which remains above our long-term guidance range of 11-14%.
- The cash return on equity for General Insurance division decreased to 23.5%, from 25.0% at December 2004.
- Gross written premium (GWP) for the half-year rose by 2.8% over the prior corresponding period to $1.3 billion. Growth was particularly strong in short tail personal lines, where GWP increased 7.8%, with the continued strength of growth in Queensland supplemented by growth in GIO lines. In commercial, GWP was flat as we strategically held prices to maintain profitability in a softening market, with direct channel growth providing some offset to a further slowdown via intermediary channels. Compulsory third party (CTP) GWP declined by 3.3% as a consequence of continued reduction in premium rates in line with improved claims outcomes. Excluding CTP, total GWP growth was 4.5% for the half-year. Compared with the preceding June half, GWP growth was flat, reflecting seasonality in renewal patterns. This is particularly the case in commercial lines with renewals generally occurring in June.
- Net earned premium (NEP) growth of 2.5% over the prior corresponding period reflects the growth in gross written premium.
- Net incurred claims, before the impact of discount rate movements, increased by 5.7% over the prior corresponding period to $888 million. In short tail, commercial insurance working losses moved to a more normal position from last year's unusually favourable experience. There was also an increase in large commercial losses which were higher than normally expected. In personal insurance storm activity was higher than expected. Frequency in both home and motor has continued as expected. Claims costs for the half-year include an investment in our claims cost reduction programme and higher than expected average motor repair costs in Queensland. Motor vehicle repairer capacity has tightened during the last 12 months as a consequence of increased hailstorm activity. Average repair cost is expected to decline in the second half as claims cost reduction programme benefits begin to be realised. In long tail classes, continued improvement in claims experience has resulted in prior year releases of $135 million.



Segment information – General Insurance (continued)

Overview (continued)

- These factors led to an increase in the net loss ratio, before discount rate adjustments from 69.9% to 72.1%.
- Expense growth of $26 million (10.2%) was recorded over the prior corresponding period, with the total operating expense ratio increasing to 22.8%. Other administration expenses were tightly managed, while investments were made in acquisition related activities. Expense growth was also impacted by the lower deferral of acquisition costs due to a change in business mix towards direct channels (which have lower deferral rate assumptions applied), and actual business volumes growing more quickly than premium volumes (due largely to rate reductions in CTP). Underwriting expenses were tightly managed and were flat against the June 2005 half.
- The underwriting profit, before impact of discount rate movements, decreased 41.1% to $63 million over the prior corresponding period and the combined operating ratio increased from 91.1% to 94.9%.
- Investment income on insurance provisions, again before discount rate adjustments, increased 40.4% to $146 million for the half-year to December reflecting slightly higher provisioning balances together with higher yields and relative outperformance against benchmark compared to the prior corresponding period.
- Including earnings from managed schemes and motoring club joint ventures, General Insurance operational earnings of $233 million for the half-year were marginally less than with the prior corresponding period.
- Investment returns on shareholder funds of $116 million were down 4.9% on the prior corresponding period, although significantly higher than the June 2005 half-year.
- Impacting the bottom line profit result was an increase in capital funding costs to $19 million for the half-year to December, compared to $12 million in the prior corresponding period. Interest costs include the full expense impact of the General Insurance allocated subordinated debt balance, but also an allocation of interest expense (approximately $3 million per half-year) associated with the Bank's preference shares, which are classified as debt under AIFRS requirements. Under AIFRS transitional arrangements, the comparatives have not been restated.

	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Profit contribution – General Insurance before impact of discount rate movements				
Gross written premiums [1]	1,290	1,287	1,255	2.8
Gross unearned premium movement	(1)	(14)	1	(200.0)
Gross earned premiums	1,289	1,273	1,256	2.6
Outwards reinsurance expense	(58)	(54)	(55)	5.5
Net earned premium	1,231	1,219	1,201	2.5
Net incurred claims				
Claims expense	(1,033)	(1,014)	(1,012)	2.1
Reinsurance and other recoveries revenue	145	144	172	(15.7)
	(888)	(870)	(840)	5.7
Total operating expenses				
Acquisition costs [2]	(171)	(158)	(150)	14.0
Other underwriting expenses	(109)	(109)	(104)	4.8
	(280)	(267)	(254)	10.2
Underwriting result	63	82	107	(41.1)
Investment income – insurance provisions	146	130	104	40.4
Insurance trading result	209	212	211	(0.9)
Managed schemes net contribution	14	14	11	27.3
Joint venture income	10	16	12	(16.7)
General Insurance operational earnings	233	242	234	(0.4)
Investment revenue – Shareholder Funds				
Interest, dividends, rent and other	35	45	66	(47.0)
Realised and unrealised gains/(losses) – investments	88	48	63	39.7
Other revenue [3]	4	6	4	-
Other expenses [4]	(11)	(11)	(11)	-
	116	88	122	(4.9)
Contribution to profit from General Insurance activities before tax and capital funding	349	330	356	(2.0)
Capital funding [5]	(19)	(14)	(12)	58.3
Contribution to profit from General Insurance activities before tax	**330**	**316**	**344**	**(4.1)**
	%	%	%	
Return on equity	**23.5**	**22.3**	**25.0**	**(6.0)**

Notes:

(1) Net of Fire Service Levies of $38 million (June 2005: $32 million; December 2004: $34 million).

(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.

(5) Represents interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5.

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

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Reconciliation of underlying profit to contribution to profit before tax				
Contribution to profit from General Insurance activities before tax	**330**	**316**	**344**	**(4.1)**
Investment income – Shareholder Funds	(116)	(88)	(122)	(4.9)
Share of investment income in joint venture Shareholder Funds	(6)	(4)	(6)	-
Underlying profit	**208**	**224**	**216**	**(3.7)**

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

The following table represents the General Insurance profit contribution, 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 balance sheet 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, the table on page 34, removes the impact of changes in discount rates. The adjustment assumes perfect matching of insurance assets and liabilities.

For the half-year discount rates increased, resulting in a $15 million decrease in net incurred claims and an offsetting decrease in investment income on insurance provisions. The table on page 36 includes the impact of those movements.

Including discount rate movements, net incurred claims therefore decreases to $873 million and the underwriting result increases to $78 million for the half-year. Investment income on insurance provisions decreases to $131 million, and the insurance trading result remains unchanged at $209 million.

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

	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Gross written premiums [1]	1,290	1,287	1,255	2.8
Gross unearned premium movement	(1)	(14)	1	Large
Gross earned premiums	1,289	1,273	1,256	2.6
Outwards reinsurance expense	(58)	(54)	(55)	5.5
Net earned premium	1,231	1,219	1,201	2.5
Net incurred claims				
Claims expense	(1,018)	(1,020)	(1,064)	(4.3)
Reinsurance and other recoveries revenue	145	144	172	(15.7)
	(873)	(876)	(892)	(2.1)
Total operating expenses				
Acquisition costs [2]	(171)	(158)	(150)	14.0
Other underwriting expenses	(109)	(109)	(104)	4.8
	(280)	(267)	(254)	10.2
Underwriting result	78	76	55	41.8
Investment income – insurance provisions				
Interest, dividends, rent and other	142	133	123	15.4
Realised gains/(losses) – investments	(13)	(9)	3	Large
Unrealised gains/(losses) – investments	2	12	30	(93.3)
	131	136	156	(16.0)
Insurance trading result	209	212	211	(0.9)
Managed schemes net contribution	14	14	11	27.3
Joint venture income	10	16	12	(16.7)
General Insurance operational earnings	233	242	234	(0.4)
Investment income – Shareholder Funds				
Interest, dividends, rent and other	35	45	66	(47.0)
Realised gains/(losses) on investments	(6)	24	(11)	(45.5)
Unrealised gains/(losses) on investments	94	24	74	27.0
Other revenue [3]	4	6	4	-
Other expenses [4]	(11)	(11)	(11)	-
	116	88	122	(4.9)
Contribution to profit from General Insurance activities before tax and capital funding	349	330	356	(2.0)
Capital funding [5]	(19)	(14)	(12)	58.3
Contribution to profit from General Insurance activities before tax	**330**	**316**	**344**	**(4.1)**
	%	%	%	
Return on equity	**23.5**	**22.3**	**25.0**	**(6.0)**

Notes:

(1) Net of Fire Service Levies of $38 million (June 2005: $32 million; December 2004: $34 million).

(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.

(5) Represents interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5.

Balance sheet – General Insurance

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Assets				
Cash and liquid assets	324	353	219	47.9
Investment securities	5,636	5,644	5,499	2.5
Investments in joint ventures	133	129	113	17.7
Reinsurance and other recoveries – outstanding claims	456	430	415	9.9
Other receivables	702	701	683	2.8
Deferred tax assets	69	61	54	27.8
Intangible assets	931	910	886	5.1
Other financial assets [1]	237	308	287	(17.4)
Total assets	8,488	8,536	8,156	4.1
Liabilities				
Interest bearing liabilities	23	31	23	-
Payables	351	441	363	(3.3)
Provisions	2	2	3	(33.3)
Deferred tax liabilities	128	116	79	62.0
Outstanding claims provision [2]	4,276	4,172	4,044	5.7
Unearned premiums provision [2]	1,333	1,346	1,322	0.8
Subordinated notes	201	199	199	1.0
Total liabilities	6,314	6,307	6,033	4.7
Net assets	**2,174**	**2,229**	**2,123**	**2.4**

Notes:

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

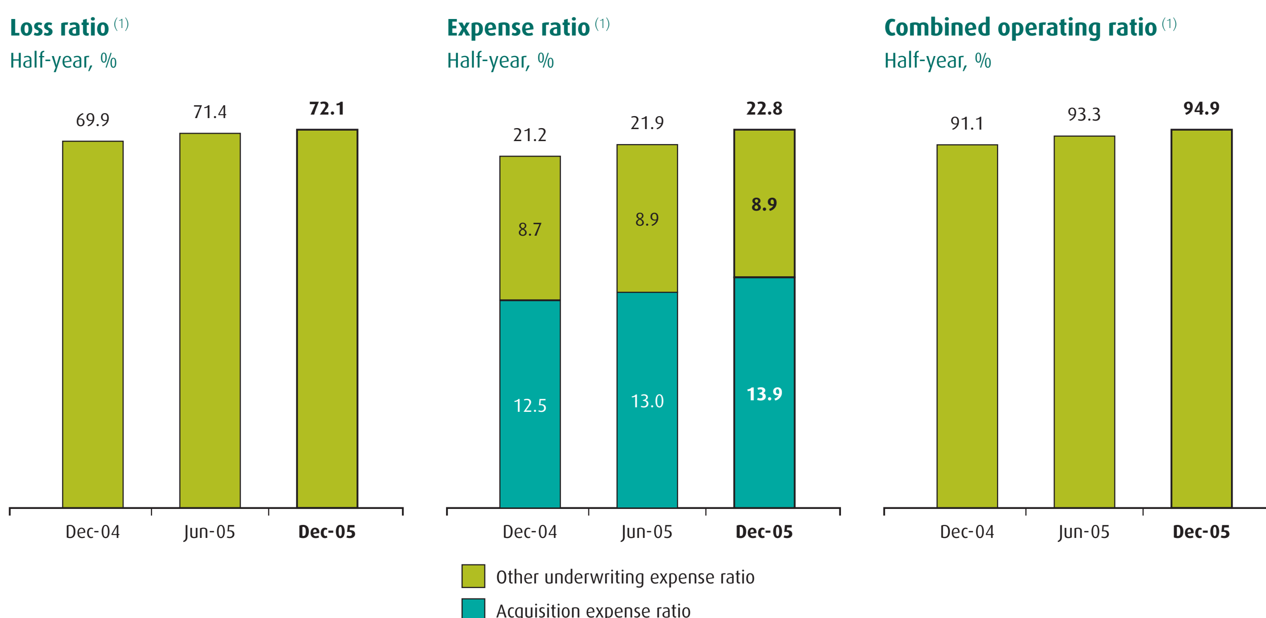
[2] Reconciling items such as timing differences and premium debtors arise between insurance provisions and investment assets.

General Insurance ratios

	Half-Year Ended			
	Dec-05 %	Jun-05 %	Dec-04 %	Dec-05 vs Dec-04 %
Before impact of discount rate movement				
Acquisition expense ratio	13.9	13.0	12.5	11.2
Other underwriting expenses ratio	8.9	8.9	8.7	2.3
Total operating expenses ratio	22.8	21.9	21.2	7.5
Loss ratio	72.1	71.4	69.9	3.1
Combined operating ratio	94.9	93.3	91.1	4.2
Insurance trading ratio	17.0	17.4	17.6	(3.4)
Including the impact of discount rate movements				
Loss ratio	70.9	71.9	74.3	(4.6)
Combined operating ratio	93.7	93.8	95.5	(1.9)

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

General Insurance ratios (continued)



Notes:

(1) Before impact of discount rate movement.

Profit overview

	Half-Year Ended Dec-05 $m	Half-Year Ended Jun-05 $m	Half-Year Ended Dec-04 $m	Dec-05 vs Dec-04 %
Gross written premium by product				
Compulsory third party	262	269	271	(3.3)
Home	273	258	256	6.6
Motor	380	366	350	8.6
Commercial	367	387	367	-
Other	8	7	11	(27.3)
	1,290	**1,287**	**1,255**	**2.8**
Excluding CTP	**1,028**	**1,018**	**984**	**4.5**

Premium

Gross written premium increased by 2.8% to $1.3 billion during the half-year compared with the prior corresponding period. Strong growth in risks in force was achieved, particularly in short tail personal lines. This assisted in offsetting declining premium rates particularly in our sizeable compulsory third party (CTP) portfolio. We also exited a number of sub-scale businesses in the half-year such as corporate property that were not expected to generate sufficient returns for shareholders.

On the whole, price increases in short tail classes were modest during the period, reflecting competitive market conditions. The Company's concentration of exposure to the SME market, and direct distribution channels continued to provide some insulation against the significant premium rate reductions in commercial classes generally.

Tort reform, coupled with favourable road casualty experience, has had a beneficial impact on the cost of CTP claims and insurance to policyholders.

It should be noted that the GWP figures display some seasonality. December figures generally show less growth compared to the prior June, while June figures consistently show an increase over December. This is mainly due to the June renewal patterns in commercial insurance which boosts the June half-year GWP.

Premium (continued)

Significant investment occurred in acquisition and customer service activities during the period, aimed at supporting continued growth in underlying revenue. This included:

- Further investment occurred in the GIO brand during the half-year. "We don't just LISTEN WE DO" was introduced in September following extensive customer research.
- The GIO brand marketing was followed by a series of product based offer campaigns, which have been successful in increasing new business volumes.
- A number of new and innovative products such as Family Discount were launched during the half-year, with further product launches planned for the second half.
- GIO Rewards Loyalty Program was launched in May 2005 and is aimed at improving retention of quality customers. Retention rates have increased, particularly for customers with multiple risks insured by us.
- Further investment was made in sales tools and competencies, including the rollout of the "inFOCUS" sales and leadership program for front line staff, technology driven "real time marketing", and outbound telemarketing.

Outward reinsurance expense for the half-year was $58 million, an increase of 5.5% over the prior corresponding period due to the distribution arrangements entered for commercial marine and machinery breakdown (ie. these products are white labelled by us and fully reinsured with the product manufacturer).

Net earned premium (NEP) increased by 2.5% to $1.2 billion, reflecting the growth in gross written premium.

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 by 3.3% to $262 million for the half-year to 31 December 2005, principally reflecting the premium rate reductions in both states.

Consumer prices continued to fall in Queensland, with Suncorp's headline premium rate reducing by 6.0% over the last 12 months. The continued reduction in premium rates reflect ongoing improvements in claim frequency rates and an increasing level of confidence that the impact of the Civil Liability Act (2003) will continue to reduce claims costs. Competitor activity in Queensland CTP was fierce with increased activity seen across multiple distribution channels. While our market share fell marginally, risks in force grew at an estimated 2.4% compared to the prior corresponding period.

Consumer prices also continued to fall in the New South Wales CTP scheme, with GIO's headline premium rate reducing by 6.1%. The new rating structure introduced in January 2005 has proved successful in retaining preferred customers whilst losing non-preferred customers. Total risks in force increased by 5%, increasing our market share from 7.5% to 7.9% while improving the quality of the book.

Home

Gross written premium increased by 6.6% to $273 million for the half-year, driven by price growth as well as risk in force growth.

The SUN brand has continued its solid growth with increased new business and improved retention. GIO growth has improved largely due to stronger new business volumes following the brand re-positioning, and new product launches for the property investor and over 55's customer segments. In addition to new product development, acquisition activity has targeted increasing sums insured and the number of optional covers selected by customers. As a result, the average number of covers per risk continues to grow, increasing our share of our customer's insurance wallet.

Low levels of new business in the AMP channel continue to provide a drag on the performance of the home portfolio, which is growing at market rate ex-AMP. Since June 2005, AMP home risks in force have declined by 6%. We continue to work with AMP to improve our joint position.

Motor

Gross written premium in Motor increased to $380 million, up 8.6% on December 2004. Our growth has been driven largely by risk in force growth, and we have achieved strong growth in both SUN and GIO brands since June 2005.

GIO has responded well to the brand re-positioning, as well as specific offer based marketing campaigns to support new product launches. Named Driver and Family Discount products were launched during the half-year, with further new product development activity due to occur in the second half.

In addition to new customer acquisition activities, significant investment has occurred in customer service and other customer retention orientated activities. These include the First Call Resolution project in the call centre, which has resulted in over 90% of customer enquiries being resolved at first customer contact; the launch of GIO Rewards; and a redesign of customer insurance documentation. This has supported strong renewals growth in both SUN and GIO brands.

Premium (continued)

Commercial insurance

Total gross written premium for commercial insurance remained consistent at $367 million for the half-year to 31 December 2005. Growth was negatively impacted by soft market conditions, particularly in property classes. Prices for these classes have been held fairly constant on average with a view to maintaining technical levels, with SME risk in force growth of approximately 1.2%.

Workers' compensation premium growth of 13.2% for the half-year was attributable to higher in force wages on renewed business, slight rate increases following the Workers' Compensation Reform Act (2004) and prior period wage endorsements (5.3% of the total 13.2% total). Buoyant economic conditions in Western Australia are resulting in expansion of business payrolls, which is flowing through to wages in force growth.

Over the past six months we have concentrated on improving the focus and efficiency of our direct distribution channels, increasing sales of our packaged product offering through actively targeting attractive market segments, and entering into agency relationships to enable access to segments of customers on a less price competitive basis.

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Gross written premium by state				
Queensland	553	551	568	(2.6)
New South Wales	424	406	394	7.6
Victoria	136	131	130	4.6
Western Australia	104	114	94	10.6
Other	73	85	69	5.8
	1,290	**1,287**	**1,255**	**2.8**

The table above sets out premium by state, and shows the Company's portfolio is broadly diversified geographically. Premiums sourced in Queensland (43% of the total portfolio) fell by 2.6% over the prior corresponding period, as strong growth in short tail classes was offset by the decline in CTP premium rates and broker derived commercial business.

In New South Wales, premium growth was driven by strong short tail personal lines sales, tempered by softer conditions in commercial insurance. Victorian premium growth was more significantly impacted than New South Wales by underperformance of the AMP channel in both home and commercial.

Western Australian and Other premium growth are largely attributable to the workers' compensation class, which is benefiting from strong system growth underpinned by economic conditions and expanding business payrolls particularly in Western Australia.

Outward reinsurance expense

Outwards reinsurance expense for the half-year was $58 million, representing an increase of 5.5% over the prior corresponding period. The half-year expense includes the effect of distribution arrangements entered for non-intermediated commercial marine and machinery breakdown. Excluding the cost of these arrangements, outwards reinsurance expense for the half-year is relatively consistent with the prior corresponding period.

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.

An outcome of the program renewal for 2005/06 was to increase retention per specific catastrophe event claim from $50 million to $100 million, effective 1 July 2005. The upper limit for each catastrophe was also increased by $500 million to $2.2 billion, reflecting an increase in the return period to 1 in 250 years across the whole portfolio for all perils. The purchase of additional vertical cover has effectively offset the savings made from an increased retention value, and thus has not contributed to a reduction in outwards reinsurance expense.

Reinsurance security was marginally enhanced in the 2005/06 program, with an increase in the overall level of AA- or higher rated reinsurers on the program. Over 85% of long tail business and 65% of short tail business is protected by reinsurers rated 'A+' or better.

Claims expense

Net claims expense increased 5.7% over the prior corresponding period to $888 million for the half-year, before the impact of discount rate adjustments. This increase was above the rate of growth in NEP, leading to an increase in loss ratio before discount rate adjustments to 72.1% from 71.4% for the June 2005 half-year and 69.9% for the prior corresponding period. The following factors affected claims expense:

- Storm activity was higher than anticipated although less than the prior corresponding period. The largest event was the Gold Coast hailstorm in October which cost approximately $18 million. Storm activity for the half-year cost $68 million (compared to actual storm cost in the June 2005 half-year of $116 million; December 2004 half-year of $76 million).
- Claims frequency in short tail personal lines has continued as predicted although average motor repair costs in Queensland have increased. Motor vehicle repairer capacity has tightened during the last 12 months as a consequence of increased hailstorm activity. We expect to achieve reductions in repair costs as our claims cost reduction programme is implemented in the next half. Short tail commercial insurance working losses moved to a more normal long term position from last year's unusually favourable experience. There was also an increase in commercial large losses that were higher than normally expected.
- Underlying claims incidence and settlement experience in long tail insurance, particularly Queensland CTP, continued to show favourable trends with little evidence of superimposed inflation. This flowed through into the valuation of outstanding claims at December resulting in a release relating to prior accident years of $135 million (June 2005 half $143 million; December 2004 half $62 million). Experience under the Civil Liability Act (2003) is still developing and the resolution of medium and complex claims expected to commence during this financial year will be an important determinant of the success of the reforms.
- Prior period releases are partially offset by the profit strain on current period business as we continue to make prudent provisions against the current accident period, including a substantial risk margin, pending the development of that experience.
- Risk margins remained at a total of 26% of the central estimate with an estimated probability of adequacy of 93-94%.

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Outstanding claims and unearned premiums provisions				
Expected future claims payments – undiscounted	5,148	5,013	4,783	7.6
Discounting to present value	(872)	(841)	(739)	18.0
Outstanding claims provision	4,276	4,172	4,044	5.7
Unearned premiums provision	1,333	1,346	1,322	0.8
	5,609	**5,518**	**5,366**	**4.5**

The undiscounted value of outstanding claims increased 7.6% over the half-year to $5.1 billion, mostly reflecting the increase in business written and slowing down of claims settlement patterns in Queensland CTP and workers' compensation.

The discount rate increased to 5.2% in December 2005 from 5.1% in June 2005 and was consistent with December 2004. The impact of this on the half-year was to increase the market rate movement or decrease claims expenses by $15 million. 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 expense growth of $26 million (10.2%) was recorded over the prior corresponding period, with the total operating expense ratio increasing to 22.8%.

The majority of the increase was a result of the rise in acquisition costs by $21 million relative to the prior corresponding period, with the acquisition expense ratio increasing to 14.0%. The main components of the increase were lower deferral of acquisition costs relative to the prior corresponding period, increased marketing spend, AIFRS liability adequacy adjustment, and general growth in acquisition costs in line with business volumes and inflation. The lower deferral of acquisition costs is due to a change in business mix towards direct channels (which have lower deferral rate assumptions applied), and actual business volumes growing more quickly than premium volumes (due largely to rate reductions in CTP).

Other administration expenses were tightly managed, growing 4.8% on the prior corresponding period.

Investment income on insurance provisions

Investment income on insurance provisions increased 40.4% over the prior corresponding period and 12.3% over the June 2005 half-year to $146 million before the impact of discount rate movements. The improvement in investment income reflects slightly higher yields and relative outperformance against benchmark.

Insurance trading result

The insurance trading result of $209 million is equivalent to an insurance trading ratio of 17.0%. This is the fourth consecutive half that the insurance trading result has exceeded our long term target of 11-14%. The result reflects continued favourable claims experience in long tail lines and profitable organic growth whilst investing further funds to drive future efficiencies in claims and business growth.

Managed schemes

The managed scheme business consists largely of three operations:

- The NSW Government self-insurance schemes known as Treasury Managed Fund (TMF). GIO administers 45% of the workers' compensation portfolio and 100% of health liability and other claims including non-health liability, comprehensive motor vehicle, property and personal injury 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 27.3% from $11 million to $14 million for the half-year driven by the group's core underlying performance for TMF and NSW WorkCover which saw improved claims management and resulting higher fee income.

NSW Treasury Management Fund also awarded the Strategic Risk Management Services contract to GIO in October 2005. The contract is for four years expiring 30 June 2009.

The NSW WorkCover contract was re-negotiated during the period with NSW WorkCover announcing seven successful tenderers including two new entrants, to provide workers' compensation services. GIO was successful in retaining 86% of pre-existing NSW WorkCover business, a good outcome given the inclusion of the new entrants by NSW WorkCover.

We have also re-established our presence in Victoria through an agency agreement with Jardine Lloyd Thompson (JLT) Workers' Compensation which commenced on 1 January 2006 and will ultimately result in the transfer of JLT's current contract with the Victorian WorkCover Authority to GIO.

Joint venture income

Suncorp participates in insurance joint ventures with motoring clubs in Queensland and South Australia. The joint venture contribution for the half-year to December 2005 was $10 million, down from $12 million in the prior half-year, largely due to increased claims costs.

Investment income on Shareholder Funds

Investment income on Shareholder Funds at $116 million for the half-year was down 4.9% compared with the prior corresponding period. Returns achieved on equities and the domestic fixed interest portfolio for the half-year are outlined below.

For the half-year to 31 December 2005, the Shareholder Funds' Australian equity portfolio outperformed the benchmark S&P/ASX 200 Accumulation by 1.1% through effective stock selection.

	Dec-05 Benchmark Return %	Dec-05 Actual Return %	Jun-05 Benchmark Return %	Jun-05 Actual Return %	Dec-04 Benchmark Return %	Dec-04 Actual Return %
Performance returns						
Shareholder Funds:						
Fixed Interest – Domestic	2.53	2.79	3.19	3.20	4.45	4.43
Equities – Domestic	13.90	15.03	7.84	9.70	17.16	18.24
Equities – International	14.57	16.60	2.12	2.38	(1.52)	(3.27)

Allocation of investments

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	1,166	1,284	1,114	4.7
Fixed interest	3,186	3,080	3,099	2.8
Property	102	76	77	32.5
	4,454	**4,440**	**4,290**	**3.8**
Shareholder Funds				
Cash and short term deposits	211	238	221	(4.5)
Fixed interest	489	506	522	(6.3)
Australian equities	596	565	614	(2.9)
Overseas equities	125	100	103	21.4
Property	46	19	13	253.8
	1,467	**1,428**	**1,473**	**(0.4)**

The investment funds are 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 37, 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.

Allocation of investments (continued)

	Dec-05 %	Jun-05 %	Dec-04 %	Dec-05 vs Dec-04 %
Allocation of investments held against:				
Insurance provisions				
Cash and short term deposits	26	29	26	-
Fixed interest	72	69	72	-
Property	2	2	2	-
	100	**100**	**100**	**-**
Shareholder Funds				
Cash and short term deposits	14	17	15	(6.7)
Fixed interest	33	35	35	(5.7)
Australian equities	41	40	42	(2.4)
Overseas equities	9	7	7	28.6
Property	3	1	1	200.0
	100	**100**	**100**	**-**

Credit risk exposure – Fixed interest investments

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.

	Half-Year Ended		
Average	Dec-05 %	Jun-05 %	Dec-04 %
AAA	63.4	67.1	66.9
AA	13.3	10.3	10.9
A	20.1	20.2	21.3
BBB	3.2	2.4	0.9
	100.0	**100.0**	**100.0**

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 $46 million for the half-year, equal to a trading margin of 5.9%. Key attributes of the result were:

- Strong half-year gross written premium growth in home which grew 6.6% and motor, up 8.6% over the prior corresponding period. Commercial short tail reduced slightly over the prior corresponding period due to softening market conditions.
- Commercial lines working losses moved to a more normal long run position from last year's unusually favourable experience. Commercial large losses were also higher than expected and included a single large loss of $5 million (net of reinsurance).
- In personal lines short tail, frequency has continued as expected but the results are impacted by investment in our claims cost reduction program and higher than expected average motor repair costs in Queensland. Motor vehicle repairer capacity has tightened during the last 12 months as a consequence of increased hailstorm activity. Lower deferral of acquisition costs, increased marketing spend, AIFRS liability adequacy adjustment, and other acquisition related activity contributed to an increase in operating expense ratio to 24.8%. Short tail also received a greater proportion of general overhead expenses given relatively stronger growth of this business.
- Investment income has increased significantly reflecting slightly higher yields and relative outperformance against benchmark.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Gross written premium	834	811	801	4.1
Net earned premium	775	762	744	4.2
Net claims incurred	(570)	(593)	(499)	14.2
Acquisition costs	(124)	(116)	(112)	10.7
Other underwriting expenses	(68)	(69)	(63)	7.9
Total operating expenses	(192)	(185)	(175)	9.7
Underwriting result	13	(16)	70	(81.4)
Investment income – insurance provisions	33	29	10	Large
Insurance trading result	46	13	80	(42.5)
	%	%	%	
Ratios				
Acquisition expense ratio	16.0	15.2	15.1	6.0
Other underwriting expenses ratio	8.8	9.1	8.5	3.5
Total operating expenses ratio	24.8	24.3	23.6	5.1
Loss ratio	73.5	77.8	67.1	9.5
Combined operating ratio	98.3	102.1	90.7	8.4
Insurance trading ratio	5.9	1.7	10.8	(45.4)

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

Long tail

The long tail business, including CTP, workers' compensation and commercial liability classes, reported an insurance trading result of $163 million for the half-year, equal to a trading margin of 35.7%. The major components of the result were:

- Strong gross written premium growth particularly in workers' compensation largely offset by a decline in CTP gross written premium as a result of premium rate reductions.
- Favourable underlying claims experience, with improved claims incidence and settlement experience and little evidence of superimposed inflation resulted in significant prior year releases. Prior year releases for the half-year were $135 million (June 2005 $143 million; December 2004 $62 million). The current accident year results (ie. excluding prior accident year releases) are net of significant prudential margin strain.
- An increase in operating expenses resulting from lower deferral of acquisition costs, AIFRS liability adequacy adjustment, other acquisition activity and increased marketing spend. Growth in business volumes faster than premium volumes has contributed to an increase in the overall expense ratio from 17.3% to 19.3%.
- Investment income has increased significantly reflecting slightly higher yields and relative outperformance against benchmark.

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Gross written premium	456	476	454	0.4
Net earned premium	456	457	457	(0.2)
Net claims incurred	(318)	(277)	(341)	(6.7)
Acquisition costs	(47)	(42)	(38)	23.7
Other underwriting expenses	(41)	(40)	(41)	-
Total operating expenses	(88)	(82)	(79)	11.4
Underwriting result	50	98	37	35.1
Investment income – insurance provisions	113	101	94	20.2
Insurance trading result	163	199	131	24.4
	%	%	%	
Ratios				
Acquisition expense ratio	10.3	9.2	8.3	24.1
Other underwriting expenses ratio	9.0	8.8	9.0	-
Total operating expenses ratio	19.3	18.0	17.3	11.6
Loss ratio	69.7	60.6	74.6	(6.6)
Combined operating ratio	89.0	78.6	91.9	(3.2)
Insurance trading ratio	35.7	43.5	28.7	24.4

Profit contribution by class of business – commercial and personal lines

Commercial lines

Commercial lines reported an insurance trading result of $33 million for the half-year, equal to a trading margin of 9.5%. The main components of the result were:

- Strong growth in underwritten workers' compensation gross written premium which increased by 13.2% over the prior corresponding period, offsetting a decline in other commercial lines, down 3.4%.
- An increase in the half-year loss ratio to 74.2% from 68.1% in the prior corresponding period. Commercial insurance working losses moved to a more normal long run position from last year's unusually favourable experience. Commercial large losses were also higher than expected and included a single large loss of $5 million (net of reinsurance). This has been partly offset by the generally stable claims experience in workers' compensation, which has been more favourable than the valuation assumptions thus enabling releases from the reserves. Lump sum claims experience in Western Australia continues to be moderate with the basis now more in line with the underlying experience than previously.
- Operating expense ratios increased marginally due to AIFRS liability adequacy adjustment and growth in business volumes.
- Investment income has increased significantly reflecting slightly higher yields and relative outperformance against benchmark.

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Gross written premium	367	389	367	-
Net earned premium	349	359	339	2.9
Net claims incurred	(259)	(236)	(231)	12.1
Acquisition costs	(70)	(70)	(64)	9.4
Other underwriting expenses	(33)	(33)	(36)	(8.3)
Total operating expenses	(103)	(103)	(100)	3.0
Underwriting result	(13)	20	8	Large
Investment income – insurance provisions	46	37	31	48.4
Insurance trading result	33	57	39	(15.4)
	%	%	%	
Ratios				
Acquisition expense ratio	20.1	19.5	18.9	6.3
Other underwriting expenses ratio	9.5	9.2	10.6	(10.4)
Total operating expenses ratio	29.6	28.7	29.5	0.3
Loss ratio	74.2	65.7	68.1	9.0
Combined operating ratio	103.8	94.4	97.6	6.4
Insurance trading ratio	9.5	15.9	11.5	(17.4)

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 $176 million for the half-year, equal to a trading margin of 20.0%. The main components of the result were:

- Strong gross written premium growth in home (6.6%) and motor (8.6%) partly offset by a decline in CTP gross written premium (3.3%) led by premium rate reductions.
- Continued improvement in claims experience in the long tail personal lines classes as the benefits of tort reform impact claims frequency. Claims frequency has continued as expected in the short tail personal lines classes although the result has been impacted by our investment in the claims cost reduction program, higher than expected storm activity, and increased average claims costs in the Queensland motor portfolio due to tightening of motor vehicle repairer capacity.
- Acquisition costs increased due to lower deferral of current year acquisition costs, increased marketing spend, and general growth in business volumes. The acquisition expense ratio was also impacted by faster growth in business volumes than premium volumes due to price reductions in CTP.
- Underwriting expenses were tightly managed across the business. However, personal lines received a greater proportion of general overheads given relatively stronger growth of this business.
- Investment income has increased significantly reflecting slightly higher yields and relative outperformance against benchmark.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Gross written premium	923	898	888	3.9
Net earned premium	882	860	862	2.3
Net claims incurred	(629)	(634)	(609)	3.3
Acquisition costs	(101)	(88)	(86)	17.4
Other underwriting expenses	(76)	(76)	(68)	11.8
Total operating expenses	(177)	(164)	(154)	14.9
Underwriting result	76	62	99	17.4
Investment income – insurance provisions	100	93	73	37.0
Insurance trading result	176	155	172	2.3
	%	%	%	
Ratios				
Acquisition expense ratio	11.5	10.2	10.0	2.3
Other underwriting expenses ratio	8.6	8.8	7.9	8.9
Total operating expenses ratio	20.1	19.0	17.9	12.3
Loss ratio	71.3	73.7	70.6	15.0
Combined operating ratio	91.4	92.7	88.5	8.9
Insurance trading ratio	20.0	18.0	20.0	12.3

Segment information – Wealth Management

Note on adoption of AIFRS for Wealth Management

In the previous reporting periods under AGAAP all insurance and investment contracts of the Statutory Funds were valued using the Margin on Services (MoS) methodology. These results are disclosed on the Margin on Services profit line of the Profit Contribution table.

With the introduction of AIFRS on 1 July 2005 the following changes have occurred:

- Insurance contracts continue to be measured using MoS, although the calculation has been impacted by a change in the discount rate. Insurance contracts are reported under the Contribution to margins section of the Profit Contribution table.
- Unit Linked Investment contracts are measured using fair value and are reported as fees and other income less expenses under the Unit Linked and Other section of the Profit Contribution table.

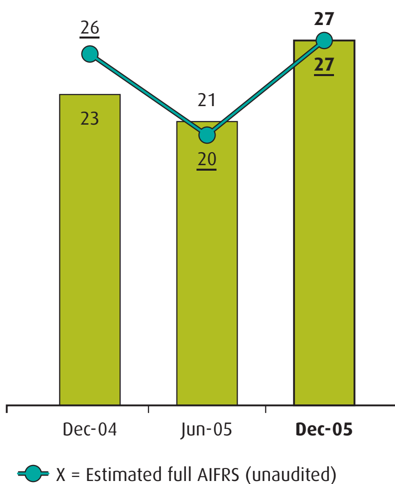
Comparative activities outside of the Statutory Funds have been fully restated and audited. The main adjustments include the removal of the embedded value through the profit and loss and the forming of deferred acquisition costs and deferred revenue liability on certain products.

Comparative periods for the Statutory Funds have not been restated as they are subject to transitional arrangements. However the impact on the profit from these changes has been estimated and is provided in the table 'Profit Contribution with estimated AIFRS adjustments'. These estimates are unaudited and based on high level assumptions. 'Like-on-like' commentary has been based on these adjusted comparative figures.

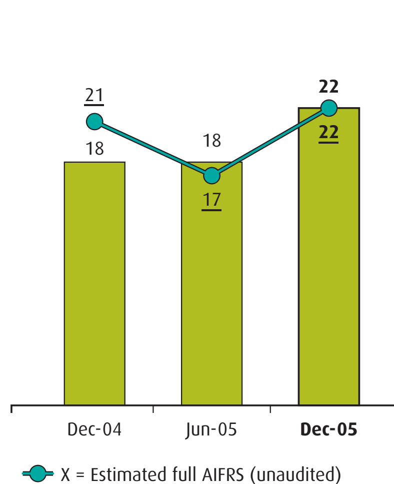
Overview

- The Wealth Management division recorded profit before tax of $42 million for the half-year to December 2005. This includes a one-off loss of $2 million arising from a change in valuation methodology for the Policy liabilities in the unit linked statutory fund business. Adjusting to exclude this one-off, as well as the impact of investment earnings, the underlying profit for the period was $27 million.
- Restating historical comparatives to reflect estimated AIFRS adjustments (unaudited), and to achieve a like-on-like comparison, profit before tax of $42 million for the half represented a decline of 8.7% on the prior December, mainly due to lower investment income. Underlying profit of $27 million rose 3.8% from $26 million in December 2004. Higher planned profits were offset by lower investment income compared to the prior comparative period. The termination of a fee arrangement during the June 2005 half-year also impacted profitability for the Funds Management business in the December 2005 half-year.
- After a decline in the June 2005 half, new business sales regained strong positive momentum, increasing 10.8% to $400 million for the six months to December 2005. Growth was supported by a sustained confidence in equity markets as well as the abolition of the superannuation surcharge. The uplift was also achieved despite a softening of sales in low margin external products, and the inclusion of a large increase in Group Life sales from a major client in the prior comparative period.
- The value of new business increased strongly by 24.0%, boosted by increased volumes and increased profitability on personal risk products.
- Funds under administration increased 10.3% to $5.7 billion at December 2005, up from $5.2 billion at June 2005. Growth was underpinned by strong investment earnings and strong net inflows, which improved 27% to $181 million for the half-year to December.

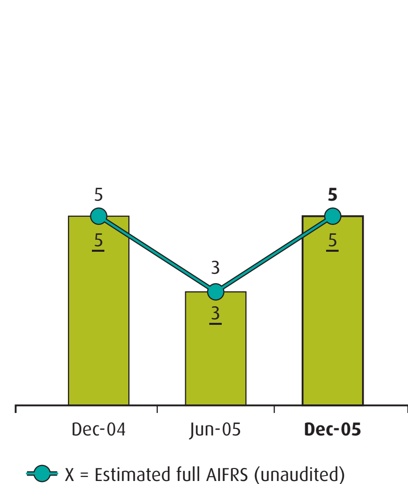
Wealth Management underlying profit before tax
Half-year, $m



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



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



Segment information – Wealth Management (continued)

Overview (continued)

- The embedded value of the Life Company decreased by 1.6% to $484 million in the half-year to December 2005, compared to $492 million at June 2005. This is mainly due to the payment of a dividend up to the group, partially offset by an increase in embedded value of the Statutory Funds arising from strong investment performance.
- Funds under management totalled $12.3 billion at December 2005, up from $12.0 billion at December 2004. Funds benefited from an increase in investment income of 16% compared to the prior period. However, outflows exceeded inflows in the year, impacted by the withdrawal of a low margin cash mandate.
- All asset classes recorded active returns in the six months to December 2005. The Suncorp Superannuation Balanced Fund achieved 1st quartile returns over 3, 5 and 7 years and 2nd quartile over 1 year as measured by Intech in their Growth Fund survey.
- The Wealth Management division profits can be viewed in two parts: Life Company profits and earnings from Funds Management operations.
- The Life Company recorded a profit before tax of $35 million in the half-year to December 2005, with profits (on a like-on-like basis) benefitting from higher planned profit margins offset by lower investment earnings compared to the prior period, as well as higher expenses incurred due to a change in valuation methodology for policy liabilities (unit linked statutory fund).
- Funds Management recorded a pre-tax profit of $7 million in the half-year, a decrease of 12.5% from $8 million in the period to December 2004. Excluding investment income, the result was stable on the prior December.

Profit contribution – Wealth Management

Excluding Life Insurance policy owners' interests

The comparative period excludes the impact of certain AIFRS adjustments which are subject to transitional arrangements. Accordingly December 2005 is not directly comparable to June 2005 and December 2004. Refer to page 52 for a comparable position (which is estimated and unaudited).

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Life Company				
Contribution to margins				
Planned profit margins	15	16	16	
Experience (losses)/profits	3	(2)	1	
Total Margin on Services profit (excluding investment earnings)	18	14	17	
Unit linked and Other				
Fees and other income	28	9	8	
Expenses	(26)	(5)	(7)	
Total unit linked and other profit (excluding investment earnings)	2	4	1	
Contribution to profit before investment earnings	20	18	18	11.1
Investment earnings	15	11	15	-
Contribution to profit before tax from Life Company activities	35	29	33	6.1
Funds Management				
Investment income	2	3	3	(33.3)
Fee income funds management	24	42	24	-
Other expenses funds management	(19)	(22)	(19)	-
Contribution to profit before tax from Funds Management activities	7	23	8	(12.5)
Contribution to profit before tax from Wealth Management activities	**42**	**52**	**41**	**2.4**
	%	%	%	
Return on equity	**29.4**	**30.8**	**26.7**	**10.1**

Profit contribution – Wealth Management

Excluding Life Insurance policy owners' interests (continued)

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Reconciliation of contribution to profit before tax to underlying profit				
Contribution to profit before tax from Wealth Management activities	**42**	**52**	**41**	**2.4**
Less investment earnings:				
Life Company	(15)	(11)	(15)	-
Funds Management	(2)	(3)	(3)	(33.3)
	(17)	(14)	(18)	(5.6)
One-off items	2	(17)	-	n/a
	(15)	(31)	(18)	(16.7)
Underlying profit	**27**	**21**	**23**	**17.4**

Reconciliation of contribution to profit before tax including policy owners' interests to contribution to profit before tax excluding policy owners' interests

The following table reconciles the profit contribution excluding life insurance policy owners' interests to the profit contribution including policy owners' interests, as shown in the statutory financial statements.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Contribution to profit from ordinary Wealth Management activities before income tax	82	113	144	(43.1)
Profit attributable to outside equity interests	-	(31)	(71)	(100.0)
Income tax attributable to policy owners	(40)	(30)	(32)	25.0
Contribution to profit from ordinary Wealth Management activities before tax excluding policy owners' interests	**42**	**52**	**41**	**2.4**

Profit contribution – Wealth Management

Excluding Life Insurance policy owners' interests (continued)

Profit contribution with estimated AIFRS adjustments

In addition to the contribution to the profit statement above, the following table showing estimated AIFRS comparatives for the Life Company is provided to assist with the subsequent commentary. AIFRS comparatives are estimated and unaudited and are based on high level assumptions.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Life Company				
Contribution to margins				
Planned profit margins	15	13	14	7.1
Experience (losses)/profits	3	(4)	3	-
Total Margin on Services profit (excluding investment earnings)	18	9	17	5.9
Unit Linked and Other				
Fees and other income	28	26	25	12.0
Expenses	(26)	(18)	(21)	23.8
Total unit linked and other profit (excluding investment earnings)	2	8	4	(50.0)
Contribution to profit before investment earnings	20	17	21	(4.8)
Investment earnings	15	12	17	(11.8)
Contribution to profit before tax from Life Company activities	35	29	38	(7.9)
Funds Management				
Investment income	2	3	3	(33.3)
Fee income funds management	24	42	24	-
Other expenses funds management	(19)	(22)	(19)	-
Contribution to profit before tax from Funds Management activities	7	23	8	(12.5)
Contribution to profit before tax from Wealth Management activities	**42**	**52**	**46**	**(8.7)**
	%	%	%	
Return on equity	**29.4**	**30.8**	**28.8**	**2.1**

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Reconciliation of contribution to profit before tax to underlying profit – estimated unaudited AIFRS comparatives				
Contribution to profit before tax from Wealth Management activities	**42**	**52**	**46**	**(8.7)**
Less investment earnings:				
Life Company	(15)	(12)	(17)	(11.8)
Funds Management	(2)	(3)	(3)	(33.3)
	(17)	(15)	(20)	(15.0)
One-off items	2	(17)	-	n/a
	(15)	(32)	(20)	(25.0)
Underlying profit	**27**	**20**	**26**	**3.8**

Balance Sheet – Wealth Management
Excluding Life Insurance policy owners' interests

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Assets				
Cash and liquid assets	20	37	19	5.3
Investment securities	42	49	50	(16.0)
Loans, advances and other receivables	16	57	15	6.7
Unlisted investment in life insurance Statutory Funds	193	200	214	(9.8)
Deferred acquisition costs	9	7	5	80.0
Deferred tax asset	1	1	-	n/a
Other assets	1	1	2	(50.0)
Total assets	282	352	305	(7.5)
Liabilities				
Deposits and short term borrowings	10	15	11	(9.1)
Accounts payable and other liabilities	5	6	7	(28.6)
Provisions	-	25	-	n/a
Deferred tax liability	6	6	3	100.0
Outside beneficial interests	12	-	-	n/a
Total liabilities	33	52	21	57.1
Net assets				
Net assets Life Company – Shareholder Fund	32	68	28	14.3
Net assets Life Company – Statutory Funds	193	200	214	(9.8)
Net assets Fund Management	24	32	42	(42.9)
Total net assets	**249**	**300**	**284**	**(12.3)**

Profit overview

NOTE: To obtain a like-on-like comparison, commentary herein has been based on the restated, estimated AIFRS comparative table (refer page 52). These estimates are unaudited and based on high level assumptions.

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 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 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, planned margins and experience profits for insurance contract business as well as fees less expenses on unit linked investment contract business. In the half-year to December 2005, the shareholder's interest in profits from these sources decreased 9.5% to $30 million, compared to $33 million in the previous corresponding period.

Sources of profit for the Shareholder Fund consist of earnings on Shareholder Fund investments and management fees. These other revenues amounted to $5 million for the half-year to December 2005 compared with $5 million for the prior corresponding period to December 2004.

The profit contribution from the funds is outlined below.

Profit overview (continued)

Planned profits

Planned profits of $15 million in the half-year to December 2005 were up 7.1% from $14 million in the prior corresponding period. The increase in planned profits was largely due to improved profitability of personal risk products and the older participating products.

The assumed long term investment earnings rates for each asset class are determined using the risk free rate for risk and annuity business and the best estimate long term earned rate for participating business, in accordance with valuation standard AS1.04.

Experience profits

Experience profits were stable at $3 million across each December half-year. Significant contributors to the December 2005 experience profit were the release of an over reserving of Income Protection business, good retention and claims experience on personal lump sum risk business and strong profit contribution from Group Life business.

Fees and other income

Fees and other income of $28 million in the half-year to December 2005 were up 12.0% from $25 million in the prior period. The increase in fees is due to higher funds under management.

Expenses

Expenses increased 23.8% to $26 million in the half-year to December 2005, compared to $21 million in the prior corresponding December period. This is mainly due to a change in valuation methodology of policy liabilities of unit linked statutory fund business, as well as a higher allocation of fixed expenses from the strong growth in the unit linked business. Excluding the $2 million one-off expense, growth in expenses is 14.3%.

Investment earnings

Investment earnings decreased 11.8% to $15 million in December 2005, down from $17 million in December 2004. This is mainly due to lower net assets in the half to December 2005, as a result of a payment of a dividend up to the parent company during the period.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
New business sales				
Risk sales				
Personal risk products	5	4	5	-
Group Life & CCI	7	3	13	(46.2)
Total risk sales	12	7	18	(33.3)
Superannuation and Investment Product Sales	380	283	301	26.2
External Product Sales	8	7	42	(81.0)
Total Superannuation, Investment and External Product Sales	388	290	343	13.1
Total sales new business	**400**	**297**	**361**	**10.8**

Total new business sales gained strong positive momentum, rising 10.8% to $400 million in the half-year to December 2005. Sales in the group's superannuation, allocated pension and investment products were strong reflecting a sustained level of confidence in equity markets during the year. The abolition of the superannuation surcharge also had a positive effect on the inflows.

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. In comparison to December 2004 the Consumer Credit Insurance (CCI) sales increased by 88%. This increase is due to the launch of a new CCI Home Loan product and further improvement of strike rates of CCI Personal Loans.

Value of new business increased by 24% to $11.9 million in comparison to December 2004. This is despite the negative impact of a reduction in ongoing management fees on Suncorp's superannuation and allocated pension products in the June 2005 half. The profitability of personal risk products improved, driven by many factors including increased volumes, improved retention, better quality business and movement to a risk free discount rate.

Value of new sales

The table below shows the value, to shareholders, of new business written over the half-year to December 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 insurance business.
- Value of fees less expenses and tax for Statutory Fund unit linked investment business.
- Embedded value (ie. discounted value of expected shareholder profits and associated imputation credits) for Unit Trust and Easy Invest business, written outside the Statutory Funds.

The writing of profitable business will benefit future profits.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Statutory Fund new business [1]	10.9	5.7	8.4	29.8
Unit Trust/Easy Invest new business embedded value [2]	1.0	1.3	1.2	(16.7)
	11.9	7.0	9.6	24.0

Notes:

(1) Excludes Group Life. Discount rates used were between 4.2% and 10.6% (June 2005: between 4.1% and 10.5%; December 2004: between 4.25% and 10.5%).

(2) Discount rate used was 12.0% pa (June 2005: 11.75% and December 2004: 11.83%).

Embedded value

A valuation of the shareholder's interests in the Statutory Funds, Shareholder Fund, and subsidiaries was undertaken as at 31 December 2005. During the period the embedded value reduced from $492 million at June 2005 to $484 million at December 2005 using a discount rate of 11%. This is mainly due to the payment of a dividend by the Shareholder Fund up to the group. This has a direct impact on the embedded value and was partially offset by an increase in the embedded value of the Statutory Funds arising from strong investment performance.

	Discount Rate		
	11.0% $m	12.0% $m	13.0% $m
Embedded value at 31 December 2005			
Shareholder Fund including subsidiaries			
Value of profits/net assets	43	43	42
Value of imputation credits at 70% full value	10	10	10
Statutory Funds			
Value of profits/net assets	365	349	336
Value of imputation credits at 70% full value	66	62	59
Total December 2005	**484**	**464**	**447**
Total June 2005	**492**	**474**	**457**
Total December 2004	**466**	**448**	**433**

	Opening balance Jul-05 $m	Net inflows $m	Investment Income & Other [1] $m	Closing balance Dec-05 $m
Funds under administration				
Statutory life and superannuation	3,868	30	239	4,137
Retail unit trust products/Easy Invest	599	45	19	663
Assets managed internally	4,467	75	258	4,800
Statutory life and superannuation – external	615	65	84	764
Easy Invest – external	68	41	5	114
Assets managed externally	683	106	89	878
Total Life Company	**5,150**	**181**	**347**	**5,678**

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 $5.7 billion at the half-year ended December 2005, up from $5.2 billion at June 2005, benefiting from strong investment income as well as net inflows of $181 million for the year. This is up on net inflows of $142 million in the half-year to December 2004. The increase also reflects improved retention of customer accounts.

	Half-Year Ended			
	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Risk annual premium				
Personal risk	66	64	62	6.5
Group Life	39	34	34	14.7
Total risk annual premium	**105**	**98**	**96**	**9.4**

Annual premiums on risk products have increased 9.4%, primarily driven by improved retention and continuing growth in premiums from a major Group Life client.

		Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Portfolio allocation of investments – Wealth Management					
Allocation of investments held against:					
Statutory Funds					
Equities		1,870	1,983	1,804	3.7
Interest bearing securities		1,770	1,566	1,226	44.4
Property		480	297	577	(16.8)
	(1), (2)	4,120	3,846	3,607	14.2
Shareholder net assets in Statutory Funds					
Equities		82	84	105	(21.9)
Interest bearing securities		97	100	75	29.3
Property		14	16	34	(58.8)
	(1)	193	200	214	(9.8)
Shareholder Fund					
Equities		15	20	22	(31.8)
Interest bearing securities		1	1	1	-
Property		1	1	1	-
	(2)	**17**	**22**	**24**	**(29.2)**

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.

$4.8 billion in funds are managed for the Life Company, $5.9 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 $7 million in the half-year to December 2005 compared with $8 million in the prior corresponding period. Excluding investment earnings the profit was $5 million, in line with December 2004. In the June 2005 half-year a fee arrangement was terminated which lead to a $17 million one-off gain in the June 2005 half-year. This sale lead to reduced profitability in the December 2005 half-year that was partially offset by increased profitability due to higher funds under management.

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Funds under management				
General Insurance	5,903	5,849	5,743	2.8
Life Company – Shareholder Funds	17	22	24	(29.2)
Life Company – Statutory Funds	4,120	3,846	3,607	14.2
Life Company – Retail unit trusts/Easy Invest	663	599	563	17.8
Other managed funds [(1)]	1,642	1,570	2,082	(21.1)
	12,345	**11,886**	**12,019**	**2.7**

Notes:

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

	Opening balance Jul-05 $m	Inflows $m	Out-flows [(1)] $m	Invest-ment income $m	Closing balance Dec-05 $m
Funds under management					
General Insurance	5,849	1,225	1,426	255	5,903
Statutory life and superannuation [(2)]	3,868	858	828	239	4,137
Retail unit trusts/Easy Invest	599	134	89	19	663
Life Company	4,467	992	917	258	4,800
External wholesale	1,570	790	1,063	345	1,642
Total	**11,886**	**3,007**	**3,406**	**858**	**12,345**

Notes:

(1) Outflows include expenses and tax.

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

Group funds under management totalled $12.3 billion at December 2005, up from $11.9 billion at June 2005. Investment income was up 16% on the prior period, contributing to the increase in funds under management. Retail unit trusts/Easy Invest inflows continued positive momentum, with a net inflow of $45 million compared to net inflows of $28 million for the previous period. External wholesale funds under management decreased since December 2004, primarily as a result of the withdrawal of a low margin cash mandate which was managed in a manner similar to a cash accumulation fund.

Group investment performance

All asset classes recorded active returns in the half-year to December 2005. The Suncorp Superannuation Balanced Fund, the flagship diversified portfolio, achieved 1st quartile returns over 3, 5 and 7 years and 2nd quartile over 1 year as measured by the Intech Growth Funds survey. The six month return for the Balanced Fund was 9.88% (net of investment fees).

As noted above, investment income on funds under management was up 16% on the previous corresponding period largely on the back of a strong domestic equities market that had a gross return of 13.9%. For clients invested in the wholesale Australian Equities Trust, active investment management added an additional 0.91% to the gross market return.

Group capital

Group capital is calculated in accordance with APRA guidelines. These guidelines are currently a mixture of AGAAP and AIFRS methodology. Generally, capital for the banking business is based on AGAAP with the exceptions of tax consolidation and share based payment transactions, and capital for General Insurance and Wealth Management business is calculated in accordance with AIFRS.

APRA have announced their intention to move to IFRS based capital reporting for banking business in July 2006. APRA's proposed treatment of some balance sheet items, most notably the collective provision and software assets, will reduce the collective provision and software assets, and reduce the capital base. It is anticipated that following these regulatory changes Suncorp's capital ratios will remain within the target ranges.

Group capital position

The group paid a special dividend in October 2005. Prior to this the ACE ratio and regulatory capital ratio were both well above minimum requirements. Following the special dividend payment capital ratios have decreased, but remain at the higher end of target ranges.

In late August 2005, AMP Life Limited exercised its 15,028,800 cash settleable warrants, relating to the acquisition of GIO. 3,422,400 new Suncorp ordinary shares were issued in settlement with a total value of $72,589,104. The settlement shares were issued prior to book close date and therefore participated in both the final and special dividends. The transaction has increased equity and goodwill on the group's balance sheet, with no overall impact on the capital adequacy or ACE ratio. The new shares had a dilutionary impact on earnings per share, decreasing the ratio by 0.4 cents for the half-year.

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 subsidiaries operating the General Insurance, Wealth Management and other businesses. To assist in understanding the regulatory capital position within the group the following table (including consolidation entries) demonstrates the distribution of capital.

Group capital position (continued)

	As at 31 December 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation $m	Total $m
Tier 1						
Ordinary share capital	2,946	-	-	-	-	2,946
Preference shares	244	-	-	-	-	244
Funding provided by Bank holding company	-	1,468	46	26	(1,540)	-
Retained profits (1)	709	608	204	5	(521)	1,005
Technical provisions in excess of liability valuation	-	338	-	-	-	338
Less goodwill	(1,306)	(932)	-	-	1,182	(1,056)
Less deductible capitalised expenses	(68)	-	-	-	-	(68)
Less future income tax benefit	(23)	-	-	-	23	-
Total Tier 1 capital	2,502	1,482	250	31	(856)	3,409
Tier 2						
Asset revaluation reserve (pre IFRS)	8	-	-	-	-	8
APRA general reserve for credit losses	118	-	-	-	-	118
Subordinated notes	1,005	200	-	-	-	1,205
Total Tier 2 capital	1,131	200	-	-	-	1,331
Deductions from capital						
Investments in subsidiaries	(863)	-	-	-	863	-
Guarantees and facilities to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(868)	-	-	-	868	-
Total capital base	**2,765**	**1,682**	**250**	**31**	**12**	**4,740**
Required minimum capital base (2)	2,434	1,299	149	28	-	3,910
Excess	**331**	**383**	**101**	**3**	**12**	**830**

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.

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 $830 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.

Group capital position (continued)

	as at 31 December 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation [1] $m	Total $m
Reconciliation of net assets to total capital base						
Net assets	3,761	2,174	249	31	(2,086)	4,129
Difference relating to APRA definition of retained profits	(132)	(86)	-	-	-	(218)
Equity items not eligible for inclusion in capital for APRA purposes						
Reserves (post IFRS)	6	-	1	-	-	7
Contributed equity tax adjustments	-	(12)	-	-	12	-
Additional items allowable for capital for APRA purposes						
Preference shares	244	-	-	-	-	244
Subordinated notes	1,005	200	-	-	-	1,205
Technical provisions in excess of liability valuation	-	338	-	-	-	338
Holdings of own shares	20	-	-	-	13	33
Reserves (pre IFRS)	8	-	-	-	-	8
APRA general reserve for credit losses	118	-	-	-	-	118
Deductions from capital for APRA purposes						
Goodwill [2]	(1,306)	(932)	-	-	1,182	(1,056)
Deductible capitalised expenses	(68)	-	-	-	-	(68)
Future income tax benefits	(23)	-	-	-	23	-
Funding of capital and guarantees by Bank holding company	(868)	-	-	-	868	-
Total capital base	**2,765**	**1,682**	**250**	**31**	**12**	**4,740**

Notes:

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

(2) APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation occurs within General Insurance and when the entire group is consolidated. The total intangible deduction from group capital in the table above of $1,056 million represents the total unamortised balance of goodwill for the group.

	as at 31 December 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation $m	Total $m
Reconciliation of reported retained profits to APRA retained profits						
Reported retained profits	841	694	204	5	(521)	1,223
Retained profits of entities not consolidated for APRA purposes	(3)	119	-	-	-	116
Differences in retained profits for APRA purposes	(197)	(137)	-	-	-	(334)
Expected intragroup dividends [1]	68	(68)	-	-	-	-
	(132)	(86)	-	-	-	(218)
APRA retained profits	709	608	204	5	(521)	1,005

Notes:

(1) Intragroup dividends are not deducted from the General Insurance capital position shown on page 64 in accordance with APRA instructions.

Banking capital adequacy

	Dec-05 $m	Jun-05 $m	Dec-04 $m
Consolidated banking capital			
Tier 1			
Ordinary share capital	2,946	2,796	2,725
Preference shares	244	244	244
Preconversion reserve	-	13	13
Retained profits	709	1,018	710
Less amortised goodwill for banking subsidiaries	(19)	(20)	(20)
Less unamortised goodwill component of investment in non-banking subsidiaries	(1,287)	(1,214)	(1,209)
Less other intangible assets	(68)	(67)	(62)
Less excluded assets	-	-	(1)
Less net future income tax benefit	(23)	-	-
Total Tier 1 capital	2,502	2,770	2,400
Tier 2			
Asset revaluation reserve (pre IFRS)	8	8	8
APRA general reserve for credit losses	118	118	118
Perpetual subordinated notes	170	170	170
Subordinated notes	835	602	593
Total Tier 2 capital	1,131	898	889
Deductions from capital			
Investments in non-banking controlled entities (net of goodwill component deducted from Tier 1)	(863)	(851)	(853)
Guarantees and facilities to non-banking subsidiaries	(5)	(5)	(5)
Capital base	**2,765**	**2,812**	**2,431**
Total assessed risk	**25,626**	**24,439**	**23,292**
Risk weighted capital ratio	**10.79%**	**11.51%**	**10.44%**
Reconciliation of deduction for investments in subsidiaries			
Investment securities – Balance Sheet – Banking	2,153	2,079	2,077
Less securities held by entities not consolidated for APRA purposes	(3)	(14)	(12)
Less intangible component deducted from Tier 1 capital – non-banking controlled entities	(1,287)	(1,214)	(1,209)
Less non-subsidiary entity investment securities	-	-	(3)
Deduction from total capital for investment in controlled entities	**863**	**851**	**853**
Retained profits movement			
Retained profits opening for the half-year	1,018	710	445
Opening AIFRS adjustments	61	-	-
Add Banking profit after tax for the half-year	179	167	145
Less profit after tax of entities not consolidated for APRA purposes	(2)	1	-
Add/(less) APRA adjustments	(13)	(28)	-
Less dividend expense/accrual	(673)	(253)	(236)
Add estimated change in dividend reinvestment plan	4	38	2
Add dividends from non-banking subsidiaries	135	383	354
Retained profits closing for the half-year	**709**	**1,018**	**710**
Reconciliation of banking deduction for intangible assets to group intangible assets			
Amortised goodwill for banking controlled entities	22	20	21
APRA adjustments	(3)	-	-
Non-amortised goodwill for non-banking entities	1,287	1,214	1,209
Goodwill reflected in investments in associates	(38)	(38)	(33)
Amortisation of non-banking goodwill	(212)	(274)	(244)
Intangible assets not deducted from capital	74	182	131
Group intangible assets	**1,130**	**1,104**	**1,084**

Banking capital adequacy (continued)

	Carrying Value			Risk weights	Risk Weighted Balance		
	Dec-05 $m	Jun-05 $m	Dec-04 $m	%	Dec-05 $m	Jun-05 $m	Dec-04 $m
Risk weighted assets							
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	677	637	787	0	-	-	-
Claims on banks and local governments	133	212	66	20	27	42	13
Loans secured against residential housing	16,923	16,208	15,921	50	8,461	8,104	7,961
Other assets	15,818	14,954	14,036	100	15,818	14,954	14,036
Loans with loan valuation ratio in excess of 80%	15	16	22	200	30	32	44
Total Banking assets [1]	**33,566**	**32,027**	**30,832**		**24,336**	**23,132**	**22,054**

	Notional Amount	Credit Equiv-alent	Risk Weights	Risk Weighted Balance		
	Dec-05 $m	Dec-05 $m	%	Dec-05 $m	Jun-05 $m	Dec-04 $m
Off balance sheet positions						
Guarantees entered into in the normal course of business	292	176	20-100	128	119	106
Commitments to provide loans and advances	5,783	1,126	0-100	795	814	780
Capital commitments	8	8	100	8	4	6
Foreign exchange contracts	10,515	224	20-50	46	55	88
Interest rate contracts	19,842	153	20-50	56	73	49
Total off balance sheet positions	36,440	1,687		1,033	1,065	1,029
Market risk capital charge				257	242	209
Total risk weighted assets				24,336	23,132	22,054
Total assessed risk				**25,626**	**24,439**	**23,292**
				%	%	%
Risk weighted capital ratios						
Tier 1				9.77	11.34	10.30
Tier 2				4.41	3.67	3.82
Deductions				(3.39)	(3.50)	(3.68)
Total risk weighted capital ratios				**10.79**	**11.51**	**10.44**

Notes:

[1] Total Banking assets differ from Banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general provision for impairment for capital adequacy purposes.

Adjusted Common Equity – consolidated Bank

	Dec-05 $m	Jun-05 $m	Dec-04 $m
Adjusted Common Equity			
Ordinary share capital	2,946	2,796	2,725
Retained profits	709	1,018	710
Reserves	8	21	21
	3,663	3,835	3,456
Less:			
Goodwill	(1,306)	(1,234)	(1,229)
Other intangible assets	(68)	(67)	(62)
Excluded assets	-	-	(1)
Future income tax benefit	(23)	-	-
Investment in non-banking subsidiaries (net of goodwill)	(863)	(851)	(853)
Asset revaluation reserve (pre IFRS)	(8)	(8)	(8)
	(2,268)	(2,160)	(2,153)
Adjusted Common Equity	**1,395**	**1,675**	**1,303**
Risk-weighted assets including off-balance sheet positions	25,626	24,439	23,292
	%	%	%
Adjusted Common Equity ratio	**5.44**	**6.85**	**5.59**

Capital ratios for the consolidated Bank have fallen following the payment of the special dividend in October 2005.

The capital adequacy ratio has fallen to 10.79% and remains comfortably above the APRA minimum requirement. The Adjusted Common Equity (ACE) ratio has fallen to 5.44% which is at the upper edge of the current target range of 5.0-5.5%.

General Insurance minimum capital ratio

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

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

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

At December 2005 the consolidated General Insurance business has a strong capital position at 1.69 times the minimum requirement. This is down from 1.88 times at June 2005. Capital in excess of the target level is repatriated to the parent by way of dividends.

General Insurance minimum capital ratio (continued)

	Dec-05 $m	Jun-05 $m	Dec-04 $m
Tier 1			
Ordinary share capital	1,468	1,395	1,395
Retained profits	676	680	718
Technical provisions in excess of liability valuation	489	480	466
Less: Tax effect of excess technical provisions	(147)	(144)	(140)
	2,486	2,411	2,439
Less:			
Goodwill	(932)	(808)	(833)
Net future income tax benefit	-	(3)	-
Total deductions from Tier 1 capital	(932)	(811)	(833)
Total Tier 1 capital	**1,554**	**1,600**	**1,606**
Tier 2			
Subordinated notes	200	199	199
APRA capital base	**1,754**	**1,799**	**1,805**
Outstanding claims risk capital charge	481	470	458
Premium liabilities risk capital charge	196	192	182
Total insurance risk capital charge	677	662	640
Investment risk capital charge	262	245	238
Catastrophe risk capital charge	100	50	50
Total minimum capital requirement (MCR) [1]	**1,039**	**957**	**928**
MCR coverage ratio (times)	**1.69**	**1.88**	**1.95**

Notes:

[1] The MCR in this table, $1.039 billion, differs from the MCR figure of $1.299 billion in the table on page 59 because the figure on page 59 is 1.25 times the MCR, as required by APRA.

	Half-Year Ended		
	Dec-05 $m	Jun-05 $m	Dec-04 $m
Retained profits movement			
Retained profits opening for the half-year	680	718	808
Opening AIFRS adjustments	-	-	-
Add General Insurance profit after tax for the half-year	238	227	258
Less profit after tax of entities not consolidated for APRA purposes	(21)	(34)	(15)
Add/(less) APRA adjustments	103	(27)	(25)
Less dividends paid	(324)	(204)	(308)
Retained profits closing for the half-year	**676**	**680**	**718**

	Half-Year Ended		
	Dec-05 $m	Jun-05 $m	Dec-04 $m

One-off items

	Dec-05 $m	Jun-05 $m	Dec-04 $m
One-off items included in profit before income tax are:			
Sale of management rights over Australian Prime Property Fund (APPF)	-	17	-
Corporate real estate	(1)	-	-
Change in valuation methodology of Policy liabilities of unit linked statutory fund business	(2)	-	-
	(3)	**17**	**-**
The above items affect the following captions in the contribution to profit:			
Contribution from Life Company	(2)	-	-
Contribution from Funds Management	-	17	-
Operating expenses	(1)	-	-
	(3)	**17**	**-**

Corporate Real Estate Strategy

The major aim of the group's Corporate Real Estate Strategy is "to provide a workplace that lets us work as effective teams and is an exhilarating place where happy people love giving customers the best service we can". The key initiatives within the strategy are as follows:

- Provide the facilities and tools that support the work styles, functions and behaviours of a high performance team; and
- Maximise the opportunities in the design and delivery of the new environment to make the personal actions and behaviours of a high performance team tangible through participation, education, communication and skill development; and
- Site selection, design and level of occupancy that maximises efficiency, effectiveness and flexibility.

The major components of the strategy are to:

- Exit properties that do not meet our objectives;
- Consolidate disparate tenancies, which includes optimising CBD corporate presence, move to lower cost geographies where practicable and adopt uniform standards of fit-out (the Brisbane Square benchmark);
- Accommodate call centres independently of offices.

Whilst the one-off costs for December 2005 are only $1 million, these costs will increase in the future, impacting underlying expenses also. The one-off costs consist of lease surrender costs, make good costs, relocation expenses and site search fees. The recurring expenses, which will not be treated as one-off, will consist of incremental rental, occupancy and depreciation costs relating to the new or refurbished properties.

A major component of our Real Estate Strategy was the sale of our freehold building Suncorp Metway Plaza and vacant land at the "Tritton's" site in the June 2003 half-year at a net profit of $16 million. Commencing next financial year we will incur annual occupancy costs of approximately $3 million in relation to Suncorp Metway Plaza and $11 million for Brisbane Square (being built on the Tritton's site).

Dividends

Dividend

The interim dividend of 47 cents per share is fully franked and due to be paid on 3 April 2006. The record date for determining entitlements to the dividends is 7 March 2006.

	Half-Year Ended		
	Dec-05 $m	Jun-05 $m	Dec-04 $m
Franking credits			
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%) after proposed dividend	**253**	**206**	**324**

Operating Expenses

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Staff expenses				
Salaries and wages	261	243	244	7.0
Other staff expenses [(1)]	92	99	83	10.8
Total staff expenses	353	342	327	8.0
Equipment and occupancy expenses				
Depreciation				
Buildings	-	1	-	n/a
Plant, equipment and software	28	31	33	(15.2)
Leasehold improvements	4	4	5	(20.0)
Loss on disposal of property, plant and equipment	-	1	-	n/a
Operating lease rentals	23	22	23	-
Other occupancy expenses [(2)]	9	7	7	28.6
Total equipment and occupancy expenses	64	66	68	(5.9)
Other				
Hardware, software and data line expenses	22	22	23	(4.3)
Advertising and promotion expenses	34	40	28	21.4
Office supplies, postage and printing	34	31	34	-
Amortisation of franchise systems	-	1	-	n/a
Other [(3), (4)]	60	55	54	11.1
Total other expenses	150	149	139	7.9
Expenses charged to the Wealth Management Statutory Funds [(5)]	(20)	(37)	(32)	(37.5)
Total operating expenses from ordinary activities	**547**	**520**	**502**	**9.0**

Notes:

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

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

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

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

[(5)] From 1 July 2005, under AIFRS, relates to insurance contracts only and not unit linked investment contracts. Whilst operating expenses are higher for unit linked, operating income is also higher.

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%

Income Tax

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

	Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Profit before income tax expense	627	602	604	3.8
Prima facie income tax expense calculated at 30%	188	181	181	3.9
Tax effect of differences:				
Non-deductible expenditure	1	6	4	(75.0)
Non-assessable income	-	(3)	-	n/a
Imputation gross-up on dividends received	3	3	5	(40.0)
Dividend tax credits	(11)	(8)	(20)	(45.0)
Life and superannuation statutory funds	(9)	(5)	(8)	12.5
Other	1	(8)	7	(85.7)
Income tax adjusted for differences	173	166	169	2.4
Under provision in prior year	-	(4)	(6)	(100.0)
Income tax expense	**173**	**162**	**163**	**6.1**
	%	%	%	
Effective tax rate	**27.6**	**26.9**	**27.0**	**2.2**
	$m	$m	$m	
Income tax expense by segment				
Banking	77	69	74	4.1
General Insurance	92	83	83	10.8
Wealth Management	2	9	4	(50.0)
Other	2	1	2	-
Total income tax expense	**173**	**162**	**163**	**6.1**

Income tax expense for the half-year increased by 6.1% to $173 million. The increase in tax was largely attributable to the higher earnings base.

Regulatory Change Projects

Basel II Accord

As part of the Basel II framework, the Bank is implementing enhanced risk management systems. The Suncorp Basel II Program is now well advanced and is progressing towards implementation in accordance with the timeframe prescribed by the Regulator, APRA.

In association with the compliance elements of Basel II, there are significant operational benefits that are available to the Bank. These can be derived from the enhanced data standards, greater precision in the pricing for risk and more powerful data that will be produced to support the business and strategic planning functions. The value of these benefits increases as the implementation progresses and the standard of risk management is enhanced.

The major milestone occurs in January 2008 at which time the Standardised model of Basel II will be implemented. Following that, Suncorp will transition to the more sophisticated IRB form of compliance.

Impact of adopting Australian equivalents to International Financial Reporting Standards (AIFRS)

The 31 December 2005 results have been prepared in accordance with AIFRS.

The group transitioned to AIFRS on 1 July 2004. In preparing the opening AIFRS Balance Sheet, comparative information for the half-year ended 31 December 2005 has been restated using AIFRS with certain exceptions. An explanation of the impact of transition to AIFRS of the standards applied to the comparative information is set out in Part A of this section.

As permitted by AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*, the group has elected not to apply AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* to the comparative information, and therefore these standards apply from 1 July 2005. An explanation of the impact of these standards on the transition to AIFRS is set out in Part B of this section.

This section includes reconciliations and accompanying notes that set out the effect of the transition to AIFRS for significant changes in accounting policies at 1 July 2004, 31 December 2004, 30 June 2005 and 1 July 2005. The Balance Sheet reconciliations contain two columns for each reporting date as well as the previous GAAP and restated AIFRS amounts. The 'reclassify' column represents the reclassification of amounts from their previous GAAP Balance Sheet lines to the appropriate AIFRS Balance Sheet lines. The 'remeasure' column represents adjustments due to a change in the measurement basis from the previous GAAP and includes additional entities consolidated under AIFRS. The Income Statement reconciliations contain the previous GAAP amounts, adjustment column and restated AIFRS amounts. The amounts disclosed in this section exclude life insurance policy owners' interests.

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods

The restated consolidated Balance Sheet at 1 July 2004, 31 December 2004 and 30 June 2005 and the restated consolidated Income Statement for the half-years ended 31 December 2004 and 30 June 2005 are set out on the following pages. The restated consolidated Balance Sheets and consolidated Income Statements reflect all AIFRS adjustments, whereas the notes following only include the significant adjustments.

			Transition Impact		
	Note	Previous GAAP $m	Reclassify $m	Remeasure $m	AIFRS $m
Restated consolidated Balance Sheet at 1 July 2004					
Assets					
Cash and liquid assets	(j)	696	-	8	704
Receivables due from other banks		163	-	-	163
Other financial assets					
Trading securities		2,549	-	-	2,549
Investment securities	(b),(j),(k)	5,167	(92)	(6)	5,069
Investments in associates and joint ventures	(k)	100	4	-	104
Loans, advances and other receivables	(b),(j),(k)	28,748	(4)	2,310	31,054
Property, plant and equipment	(e),(g)	184	(84)	-	100
Investment property	(j),(k)	-	92	56	148
Unlisted investment in life insurance statutory funds		149	-	-	149
Deferred tax assets	(d)	185	-	8	193
Intangible assets	(e),(g)	984	95	(15)	1,064
Excess of net market value of interests in life insurance controlled entities	(c)	15	-	(15)	-
Other assets	(b),(e),(f),(h),(i)	568	(11)	(11)	546
Total assets		**39,508**	**-**	**2,335**	**41,843**
Liabilities					
Deposits and short term borrowings	(b)	24,290	-	(1)	24,289
Payables due to other banks		70	-	-	70
Payables and other liabilities	(b),(h)	840	-	(58)	782
Current tax liabilities		104	-	-	104
Provisions		130	-	-	130
Deferred tax liabilities	(d)	169	-	(32)	137
Outstanding claims and unearned premiums provisions		5,176	-	-	5,176
Securitisation liabilities	(b)	-	-	2,410	2,410
Bonds, notes and long term borrowings	(j)	3,926	-	61	3,987
Subordinated notes		805	-	(1)	804
Total liabilities		**35,510**	**-**	**2,379**	**37,889**
Net assets		**3,998**	**-**	**(44)**	**3,954**
Equity					
Share capital	(b), (i)	2,654	-	(18)	2,636
Share capital – preference shares		244	-	-	244
Reserves	(b), (d), (g)	24	(8)	(3)	13
Retained profits		1,070	8	(31)	1,047
Total parent entity interest		**3,992**	**-**	**(52)**	**3,940**
Outside equity interests	(b)	6	-	8	14
Total equity		**3,998**	**-**	**(44)**	**3,954**

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

Restated consolidated Balance Sheet at 31 December 2004

	Note	Previous GAAP $m	Transition Impact Reclassify $m	Transition Impact Remeasure $m	AIFRS $m
Assets					
Cash and liquid assets	(b), (j)	815	-	15	830
Receivables due from other banks		19	-	-	19
Other financial assets					
Trading securities		3,429	-	-	3,429
Investment securities	(b), (j), (k)	5,484	(97)	(13)	5,374
Investments in associates and joint ventures	(a), (k)	100	15	1	116
Loans, advances and other receivables	(b), (j), (k)	31,072	(15)	2,456	33,513
Property, plant and equipment	(e), (g)	179	(79)	-	100
Investment property	(j), (k)	-	97	57	154
Unlisted investment in life insurance statutory funds		214	-	-	214
Deferred tax assets	(d)	136	-	8	144
Intangible assets	(a), (e), (g)	953	90	41	1,084
Excess of net market value of interests in life insurance controlled entities	(a), (c)	17	-	(17)	-
Other assets	(b), (e), (f), (h), (i)	581	(11)	(19)	551
Total assets		**42,999**	**-**	**2,529**	**45,528**
Liabilities					
Deposits and short term borrowings	(b)	27,744	-	(1)	27,743
Payables due to other banks		39	-	-	39
Payables and other liabilities	(b), (h)	867	-	(52)	815
Current tax liabilities		104	-	-	104
Provisions	(a)	120	-	27	147
Deferred tax liabilities	(d)	203	-	(32)	171
Outstanding claims and unearned premiums provisions		5,376	-	-	5,376
Securitisation liabilities	(b)	-	-	2,551	2,551
Bonds, notes and long term borrowings	(j)	3,323	-	59	3,382
Subordinated notes		962	-	(1)	961
Total liabilities		**38,738**	**-**	**2,551**	**41,289**
Net assets		**4,261**	**-**	**(22)**	**4,239**
Equity					
Share capital	(b), (i)	2,725	-	(24)	2,701
Share capital – preference shares		244	-	-	244
Reserves	(b), (d), (g)	26	(8)	(5)	13
Retained profits		1,260	8	(1)	1,267
Total parent entity interest		**4,255**	**-**	**(30)**	**4,225**
Outside equity interests	(b)	6	-	8	14
Total equity		**4,261**	**-**	**(22)**	**4,239**

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

Restated consolidated Balance Sheet at 30 June 2005

	Note	Previous GAAP $m	Transition Impact Reclassify $m	Transition Impact Remeasure $m	AIFRS $m
Assets					
Cash and liquid assets	(j)	998	-	10	1,008
Receivables due from other banks		67	-	-	67
Other financial assets					
Trading securities		3,396	-	-	3,396
Investment securities	(b), (j), (k)	5,618	(98)	(10)	5,510
Investments in associates and joint ventures	(k)	111	16	2	129
Loans, advances and other receivables	(b), (j), (k)	32,023	(16)	3,721	35,728
Bank acceptances of customers		74	-	-	74
Property, plant and equipment	(e), (g)	182	(86)	6	102
Investment property	(j), (k)	-	98	61	159
Unlisted investment in life insurance statutory funds		200	-	-	200
Deferred tax assets	(d)	149	-	9	158
Intangible assets	(a), (e), (g)	922	96	86	1,104
Excess of net market value of interests in life insurance controlled entities	(a), (c)	18	-	(18)	-
Other assets	(b), (e), (f), (h), (i)	620	(10)	(24)	586
Total assets		**44,378**	**-**	**3,843**	**48,221**
Liabilities					
Deposits and short term borrowings	(b)	27,172	-	(1)	27,171
Payables due to other banks		66	-	-	66
Bank acceptances		74	-	-	74
Payables and other liabilities	(b), (h)	1,097	-	(138)	959
Current tax liabilities		179	-	-	179
Provisions	(a)	152	-	50	202
Deferred tax liabilities	(d)	221	-	(45)	176
Outstanding claims and unearned premiums provisions		5,526	-	-	5,526
Securitisation liabilities	(b)	-	-	3,907	3,907
Bonds, notes and long term borrowings	(j)	4,408	-	60	4,468
Subordinated notes		969	-	(1)	968
Total liabilities		**39,864**	**-**	**3,832**	**43,696**
Net assets		**4,514**	**-**	**11**	**4,525**
Equity					
Share capital	(b), (i)	2,796	-	(23)	2,773
Share capital – preference shares		244	-	-	244
Reserves	(b), (d), (g)	27	(8)	(7)	12
Retained profits		1,433	8	32	1,473
Total parent entity interest		**4,500**	**-**	**2**	**4,502**
Outside equity interests	(b)	14	-	9	23
Total equity		**4,514**	**-**	**11**	**4,525**

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

Restated consolidated Income Statement for the half-years ended 31 December 2004 and 30 June 2005

	Note	Half-year ended 31 Dec-04 Previous GAAP $m	Half-year ended 31 Dec-04 Transition impact $m	Half-year ended 31 Dec-04 AIFRS $m	Half-year ended 30 Jun-05 Previous GAAP $m	Half-year ended 30 Jun-05 Transition impact $m	Half-year ended 30 Jun-05 AIFRS $m
Income from ordinary activities							
Banking interest revenue	(b)	1,135	83	1,218	1,195	119	1,314
Banking interest expense	(b)	(758)	(77)	(835)	(801)	(110)	(911)
		377	6	383	394	9	403
General insurance premium revenue		1,256	-	1,256	1,273	-	1,273
Banking fee and commission revenue	(b), (h)	111	(6)	105	114	(8)	106
Banking fee and commission expense		(38)	-	(38)	(44)	-	(44)
Reinsurance and other recoveries revenue		172	-	172	144	-	144
General insurance investment income:							
Insurance provisions	(j)	158	(2)	156	138	(2)	136
Managed schemes income		11	-	11	14	-	14
Joint venture income	(a)	11	1	12	14	1	15
Shareholder funds		118	4	122	81	7	88
Other operating income	(b), (c), (f)	81	(5)	76	85	-	85
Total revenue		2,257	(2)	2,255	2,213	7	2,220
Claims expense		(1,064)	-	(1,064)	(1,020)	-	(1,020)
Outwards reinsurance expense		(55)	-	(55)	(54)	-	(54)
Operating expenses from ordinary activities	(b), (e), (h), (i)	(501)	(1)	(502)	(513)	(7)	(520)
Non-banking interest expense	(j)	(12)	-	(12)	(14)	-	(14)
Total expenses		(1,632)	(1)	(1,633)	(1,601)	(7)	(1,608)
Profit before impairment losses on loans, amortisation of goodwill and tax		625	(3)	622	612	-	612
Impairment losses on loans and advances		(18)	-	(18)	(10)	-	(10)
Amortisation of goodwill	(a)	(31)	31	-	(30)	30	-
Profit before tax		576	28	604	572	30	602
Income tax expense	(d)	(163)	-	(163)	(164)	2	(162)
Net profit attributable to members of the parent entity		**413**	**28**	**441**	**408**	**32**	**440**

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

(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 Balance Sheet. In applying the election available under AASB 1, the carrying amount of goodwill is to be adjusted on transition to AIFRS for contingent consideration. As a result, the carrying value of the goodwill increased by $27 million at 31 December 2004 and increased by $51 million at 30 June 2005, with a corresponding increase to provisions.

Goodwill is now stated at the adjusted cost less any accumulated impairment losses. The carrying amount of goodwill will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the consolidated Income Statement. There is no impairment adjustment on 1 July 2004.

Goodwill does not require an amortisation charge, and for AIFRS comparative disclosure purposes, the previous GAAP goodwill amortisation charge has been reversed. This results in the carrying amount of goodwill increasing by $31 million at 31 December 2004 and $61 million at 30 June 2005, and an increase in profit before tax of $31 million for the half-year ended 31 December 2004 and $30 million for the half-year ended 30 June 2005.

In addition, the amortisation of the notional goodwill previously included in joint ventures income has ceased. The previous GAAP notional goodwill amortisation of $1 million for the half-years ended 31 December 2004 and 30 June 2005 have been reversed, increasing the investment in associates and joint ventures and profit before tax for AIFRS comparative disclosure purposes.

(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 group:

Securitisation trusts

The group securitises mortgage loans as part of its strategy to fund growth in banking loans and receivables. Under previous GAAP, the group was not considered to control the securitisation vehicles and the assets and liabilities of these vehicles were not recognised in the Balance Sheet. Under AIFRS, the group is considered to control the securitisation vehicles, resulting in their consolidation. At 1 July 2004, this results an increase to loans, advances and other receivables of $2,314 million, a decrease to other assets of $5 million, the recognition of securitised liabilities of $2,410 million and a decrease to payables and other liabilities of $101 million, with no change in retained profits.

At 31 December 2004, the adjustments result in an increase to loans, advances and other receivables of $2,461 million, a decrease to other assets of $6 million, the recognition of securitised liabilities of $2,551 million and a decrease to payables and other liabilities of $96 million, with no change in retained profits.

At 30 June 2005, the adjustments result in an increase to loans, advances and other receivables of $3,725 million, a decrease to other assets of $10 million, the recognition of securitised liabilities of $3,907 million and a decrease to payables and other liabilities of $192 million, with no change in retained profits.

Whilst there is no impact on profit for AIFRS comparative purposes, the consolidation of the securitisation vehicles results in a reclassification of amounts in the Income Statement. For the half-year ended 31 December 2004, net banking interest revenue increases by $6 million, and banking fee and commission revenue decreases by $6 million. For the half-year ended 30 June 2005, net banking interest revenue increases by $9 million, banking fee and commission revenue decreases by $8 million, and operating expenses increase by $1 million.

Managed investment schemes

Under previous GAAP, the group controlled the managed investment schemes operated by its subsidiaries when the group owned 75% or greater of the units in the managed investment schemes. Under AIFRS, the group also needs to consider the role of the subsidiaries as the responsible entity of the managed investment schemes. Under AIFRS, the group is considered to control an increased number of managed investment schemes operated by its subsidiaries.

Under 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 share capital, with unrealised gains or losses being eliminated against retained profits.

At 1 July 2004, the net impact of consolidating additional managed investment schemes and eliminating the related treasury shares is a decrease to investment securities of $6 million, an increase to loans, advances and other receivables of $1 million, an increase to payables and other liabilities of $1 million, a decrease to share capital of $10 million, a decrease to reserves of $2 million, a decrease to retained profits of $2 million and an increase to outside equity interests of $8 million.

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

(b) Consolidation of special purpose vehicles (continued)

Managed investment schemes (continued)

At 31 December 2004, the adjustments result in an increase to cash and liquid assets of $7 million, a decrease to investment securities of $14 million, an increase to payables and other liabilities of $2 million, a decrease to share capital of $10 million, a decrease to reserves of $4 million, a decrease to retained profits of $3 million and an increase to outside equity interests of $8 million.

At 30 June 2005, the adjustments result in a decrease to investment securities of $12 million, an increase to loans, advances and other receivables of $1 million, an increase to payables and other liabilities of $1 million, a decrease to share capital of $11 million, a decrease to reserves of $5 million, a decrease to retained profits of $4 million and an increase to outside equity interests of $8 million.

For AIFRS comparative disclosure purposes for the half-year ended 31 December 2004, other revenue and profit decreased by $1 million. For the half-year ended 30 June 2005, other revenue and profit decreased by $1 million.

Employee share plan

Under previous GAAP, the group did not control the Executive Performance Share Plan (EPSP) and the EPSP's assets and liabilities were not recognised in the consolidated Balance Sheet. Under AIFRS, the group controls 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 share capital, with unrealised gains or losses being eliminated against retained profits.

At 1 July 2004, this results in an increase to investment securities by $2 million, a decrease to other assets of $10 million, an increase to payables and other liabilities of $2 million and a decrease to share capital of $10 million, with no change in retained profits.

At 31 December 2004 and at 30 June 2005, the adjustment results in an increase to investment securities by $2 million, a decrease to other assets of $17 million, a decrease to deposits and short-term borrowings of $1 million, an increase to payables and other liabilities of $2 million, a decrease to share capital of $17 million, and an increase in retained profits of $1 million.

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

Under previous GAAP, AASB 1038 *Life Insurance Business* required a Life Insurer to recognise the excess of net market value of an interest in a subsidiary over the net assets of the subsidiary, as an asset in its consolidated Balance Sheet and movements in the asset in the consolidated Income Statement. 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 Balance Sheet or the movement in the asset to be recognised in the consolidated Income Statement.

On transition to AIFRS, the EMVONA asset has been written off resulting in a decrease to the EMVONA asset and retained profits of $15 million at 1 July 2004, $17 million at 31 December 2004 and $18 million at 30 June 2005. The additional EMVONA value recognised under previous GAAP of $2 million for the half-year ended 31 December 2004 and $1 million for the half-year ended 30 June 2005 has been reversed resulting in a decrease in profit before tax 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 previous GAAP. 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 on 1 July 2004, 31 December 2004 and 30 June 2005 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 $7 million and a decrease in retained profits of $5 million for the tax effect of tax and accounting carrying value based differences on buildings and intangible assets.

In addition, at 1 July 2004 and 31 December 2004, deferred tax liabilities increased and the asset revaluation reserve decreased by $1 million for the tax effect of the asset revaluation reserve not previously required to be recognised. At 30 June 2005, deferred tax liabilities increase and asset revaluation reserve decrease by $2 million.

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

(d) Income tax (continued)

Impact from adopting other AIFRS standards

The impact 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:

- At 1 July 2004 and 31 December 2004, deferred tax assets increase by $6 million, deferred tax liabilities decrease by $5 million and retained profits increase by $11 million;
- At 30 June 2005, deferred tax assets increase by $8 million, deferred tax liabilities decrease by $6 million and retained profits increase by $14 million.

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 were recognised as an income tax expense in the controlled entity and an income tax expense recovery in the head 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.

As this section excludes the AIFRS impacts on life insurance policy owners' interests which are part of the group's tax consolidation group, the impact of UIG 1052 is to decrease deferred tax liabilities and increase payables and other liabilities by $34 million at 1 July 2004 and at 31 December 2004, and $48 million at 30 June 2005.

For AIFRS comparative purposes, the impact on the tax expense is nil for the half-year ended 31 December 2004 and a decrease of $2 million for the half-year ended 30 June 2005.

(e) Intangible assets

Reclassification of software

Under AIFRS, the group's software assets are reclassified from property, plant and equipment to intangible assets. This reclassification adjustment results in a decrease in property, plant and equipment and an increase in intangible assets of $84 million at 1 July 2004, $79 million at 31 December 2004 and $86 million at 30 June 2005.

Remeasurement of software

Under previous GAAP, the group capitalised and amortised:

- 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 results 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 Balance Sheet and there will be a reduction in amortisation expense in future years.

At 1 July 2004, the impact of the change in capitalisation and amortisation of software costs results in a decrease to intangible assets of $15 million, a decrease to other assets of $3 million and a decrease to retained profits of $18 million. At 31 December 2004, this results in a decrease to intangible assets of $17 million, a decrease to other assets of $2 million and a decrease to retained profits of $19 million. At 30 June 2005, this results in an increase to property, plant and equipment of $6 million, a decrease to intangible assets of $27 million, a decrease to other assets of $3 million and a decrease to retained profits of $24 million.

For AIFRS comparative disclosure purposes, operating expenses increase and profit before tax decreases by $1 million for the half-year ended 31 December 2004 and $5 million for the half-year ended 30 June 2005.

Franchise systems

The group has franchise systems that were classified as other assets under previous GAAP. Under AIFRS, franchise systems are reclassified as intangible assets. This results in an increase to intangible assets and a decrease to other assets of $11 million at 1 July 2004, $11 million at 31 December 2004 and $10 million at 30 June 2005.

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

(f) Post employment benefits

Under previous GAAP, the group did not recognise an asset or a liability in its Balance Sheet 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 consolidated Balance Sheet, and permits three options for recognising actuarial gains and losses on an ongoing basis. The group has elected to recognise actuarial gains and losses in the Income Statement.

On transition to AIFRS at 1 July 2004, the group has recognised the defined benefit superannuation plan surplus of $2 million as an asset with a corresponding increase in retained profits. At 31 December 2004 and 30 June 2005, the group continues to recognise an asset of $2 million, with no significant impact on profit before tax.

(g) Property, plant and equipment

Under previous GAAP, the group used the deemed cost basis to record property, plant and equipment. On transition to AIFRS, the group elected 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 asset revaluation reserve of $8 million has been transferred to retained profits.

As set out in note (e) above, the group's software assets have been reclassified from property, plant and equipment to intangible assets under AIFRS.

(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 consolidated Income Statement are deferred and recognised in the consolidated Balance Sheet, and amortised to the consolidated Income Statement over the period of the service or contract term.

On transition to AIFRS at 1 July 2004, this adjustment results in an increase to other assets of $1 million, an increase to payables and other liabilities of $5 million, and a decrease to retained profits of $4 million. At 31 December 2004, this adjustment results in an increase to payables and other liabilities of $5 million and a decrease to retained profits of $5 million. At 30 June 2005, this adjustment results in a decrease to other assets of $1 million, an increase to payables and other liabilities of $5 million and a decrease to retained profits of $6 million.

For AIFRS comparative purposes, operating expenses increase and profit before tax decreases by $1 million for the half-year ended 31 December 2004 and $1 million for the half-year ended 30 June 2005.

(i) Share-based payments

Shares

Under previous GAAP, the group recognised 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 was amortised to the consolidated Income Statement over the vesting period.

Under AIFRS, AASB 2 *Share-Based Payments* requires the group 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 consolidated Income Statement over the vesting period, adjusted to reflect actual and expected levels of the ultimate entitlement.

On transition to AIFRS at 1 July 2004, this adjustment results in an increase in other assets of $3 million, an increase in share capital of $2 million, and an increase in retained profits of $1 million, representing the reversal of an expense recognised under previous GAAP. At 31 December 2004, this adjustment results in an increase in other assets of $5 million, an increase in share capital of $3 million, and an increase in retained profits of $2 million. At 30 June 2005, this adjustment results in an increase in other assets of $8 million, an increase in share capital of $5 million, and an increase in retained profits of $3 million.

For AIFRS comparative disclosure purposes, operating expenses decrease and profit before tax increases by $1 million for the half-year ended 31 December 2004 and by $1 million for the half-year ended 30 June 2005.

Options

Under previous GAAP, the group did not recognise an expense for the options issued under the Executive Option Plan (EOP). As permitted by the election available under AASB 1, the group 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.

Impact of adopting AIFRS (continued)

Part A: AIFRS adjustments in the comparative periods (continued)

(j) Securitisation transactions

The group is a party to certain lease securitisation transactions in relation to investment properties that it owns. Under previous GAAP, the relevant assets and liabilities, and revenue and expense items were 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 results in the group recognising the relevant assets, liabilities, and revenue and expense items on a gross basis. The assets and liabilities are recognised at fair value.

At 1 July 2004, this adjustment results in an increase in cash and liquid assets of $8 million, a decrease in loans, advances and other receivables of $3 million, an increase in investment properties of $56 million, and an increase in bonds, notes and long term borrowings of $61 million, with no change in retained profits.

At 31 December 2004, this adjustment results in an increase in cash and liquid assets of $8 million, a decrease in loans, advances and other receivables of $4 million, an increase in investment properties of $57 million, an increase in bonds, notes and long term borrowings of $59 million, and an increase in retained profits of $2 million.

At 30 June 2005, this adjustment results in an increase in cash and liquid assets of $10 million, a decrease in loans, advances and other receivables of $3 million, an increase in investment properties of $61 million, a decrease in other assets of $2 million, an increase in bonds, notes and long term borrowings of $60 million, and an increase in retained profits of $6 million.

For AIFRS comparative purposes, General Insurance investment income and profit before tax increase by $1 million for the half-year ended 31 December 2004. For the half-year ended 30 June 2005, General Insurance investment income and profit before tax increase by $5 million.

(k) Balance sheet reclassification

On transition to AIFRS, certain assets and liabilities have been reclassified to Balance Sheet categories that are different from previous GAAP. The significant reclassifications in addition to the adjustments above are as follows:

- Loans to a joint venture of $4 million at 1 July 2004, $15 million at 31 December 2004 and $16 million at 30 June 2005 have been reclassified from loans, advances and other receivables to investments in associates and joint ventures; and
- Investment properties of $92 million at 1 July 2004, $97 million at 31 December 2004 and $98 million at 30 June 2005 have been reclassified from investment securities to investment properties.

	Note	1 Jul-04 $m	31 Dec-04 $m	30 Jun-05 $m
Equity reconciliation at 1 July 2004, 31 December 2004 and 30 June 2005				
A summary of the effect of the above adjustments on equity is set out below.				
Business combinations and goodwill	(a)	-	32	63
Consolidation of special purpose vehicles	(b)	(24)	(32)	(36)
EMVONA	(c)	(15)	(17)	(18)
Income tax	(d)	5	6	7
Intangible assets	(e)	(18)	(19)	(24)
Defined benefit fund	(f)	2	2	2
Revenue recognition and deferred acquisition costs	(h)	(4)	(5)	(6)
Share-based payments	(i)	3	2	8
Securitisation transactions	(j)	-	1	6
Other		(1)	-	-
Total parent entity interest		(52)	(30)	2
Outside equity interests		8	8	9
Total equity		**(44)**	**(22)**	**11**

Impact of adopting AIFRS (continued)

Part B: AIFRS impacts on 1 July 2005

The impacts of the significant changes in accounting policy from adopting AASB 132, AASB 139, AASB 4, AASB 1023 and AASB 1038 from 1 July 2005 are set out below. The restated consolidated Balance Sheet reflects all AIFRS adjustments, whereas the notes following only include the significant adjustments.

			Adjustments		
	Note	30 Jun-05 AIFRS $m	Reclassify $m	Remeasure $m	1 Jul-05 AIFRS $m
Restated consolidated Balance Sheet at 1 July 2005					
Assets					
Cash and liquid assets		1,008	-	-	1,008
Receivables due from other banks		67	-	-	67
Other financial assets					
Trading securities		3,396	-	-	3,396
Investment securities		5,510	-	(3)	5,507
Investments in associates and joint ventures		129	-	-	129
Loans, advances and other receivables	(v), (vi)	35,728	-	44	35,772
Bank acceptances of customers		74	-	-	74
Property, plant and equipment		102	-	-	102
Investment property		159	-	-	159
Unlisted investment in life insurance statutory funds	(iv), (vii)	200	-	(34)	166
Deferred tax assets	(vii)	158	-	48	206
Intangible assets		1,104	-	-	1,104
Other assets	(ii), (iii), (iv), (v)	586	-	(79)	507
Total assets		**48,221**	**-**	**(24)**	**48,197**
Liabilities					
Deposits and short term borrowings	(iii)	27,171	-	4	27,175
Payables due to other banks		66	-	-	66
Bank acceptances		74	-	-	74
Payables and other liabilities	(iii), (iv), (v), (viii)	959	51	29	1,039
Current tax liabilities		179	-	-	179
Provisions	(viii)	202	(51)	-	151
Deferred tax liabilities	(vii)	176	-	6	182
Outstanding claims and unearned premiums provisions		5,526	-	-	5,526
Outside beneficial interests	(i)	-	23	-	23
Securitisation liabilities		3,907	-	-	3,907
Bonds, notes and long term borrowings		4,468	-	-	4,468
Subordinated notes	(iii)	968	-	(11)	957
Preference shares	(i)	-	250	-	250
Total liabilities		**43,696**	**273**	**28**	**43,997**
Net assets		**4,525**	**(273)**	**(52)**	**4,200**
Equity					
Share capital	(i)	2,773	-	-	2,773
Share capital – preference shares	(i)	244	(250)	6	-
Reserves	(iii)	12	-	(17)	(5)
Retained profits		1,473	-	(41)	1,432
Total parent entity interest		**4,502**	**(250)**	**(52)**	**4,200**
Outside equity interests	(i)	23	(23)	-	-
Total equity		**4,525**	**(273)**	**(52)**	**4,200**

Impact of adopting AIFRS (continued)

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

(i) Debt/equity classification

The group's preference shares, which were classified as equity under previous GAAP, have been reclassified as a financial liability and dividends paid on these preference shares are 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 $8 million for the half-year ended 31 December 2005. Transaction costs from issuing the preference shares of $6 million were transferred to retained profits on 1 July 2005.

The group 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 previous GAAP, have been reclassified as a financial liability in accordance with AASB 132. Consequently, the outside equity interests in the net assets of the consolidated managed investment schemes at 1 July 2005 of $23 million has been reclassified as a financial liability titled outside beneficial interests.

(ii) General insurance business

Under previous GAAP, 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 group's general insurance products meet the definition of a general insurance contract.

Under previous GAAP, the Liability Adequacy Test was performed at the reporting entity level. Under AIFRS, the Liability Adequacy Test is applied to portfolios or products that are subject to broadly similar risks and are managed together as a single portfolio. In conducting this test, the expected cash flows relating to future claims include 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. As a result of the revised Liability Adequacy Test, other assets and retained profits decrease by $40 million on 1 July 2005.

(iii) Hedge accounting

Under AIFRS all derivative contracts, whether used as hedging instruments or otherwise, are recorded at fair value on the group's Balance Sheet, with a corresponding entry to the consolidated Income Statement 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 are recorded in the Income Statement, which may result in volatility.

Where cash flow hedges are used and the hedge effectiveness tests are met, the movement in fair value of the derivative instrument is recorded in an equity reserve to the extent this amount is equal to or less than the movement in the fair value of the hedged item. Where fair value hedges are used and the hedge effectiveness tests are met, the movement in fair value of the derivative instrument is recorded in the Income Statement. 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 Income Statement.

The group has adopted a hybrid approach to address the potential earnings volatility that may arise from measuring all derivative instruments at fair value. The group uses cash flow hedging and fair value hedging and measures some derivative instruments and the underlying asset or liability at fair value through profit or loss. As a result of applying these changes on 1 July 2005, other assets increase by $4 million, payables and other liabilities increase by $30 million, short-term and long-term borrowings increase by $4 million, subordinated debt decreases by $11 million, equity reserves decrease by $17 million and retained profits decrease by $2 million.

Impact of adopting AIFRS (continued)

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

(iv) Life insurance business

Under previous GAAP, AASB 1038 dealt with the accounting for a life insurance business. Under AIFRS, products are designated as either Life Insurance Contracts or Life Investment Contracts. The group has life insurance products that are designated as insurance and investment contracts.

Products that meet the definition of a Life Insurance Contract continue to use the Margin on Services valuation for policy liabilities under revised AASB 1038. 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 is recognised as a financial liability under AIFRS and measured at fair value. The management service component is recognised as revenue under AIFRS, with certain acquisition costs deferred and recognised as an asset in the Balance Sheet. The AIFRS requirements result in changes to the timing of profit recognition for Life Investment Contract products.

The AIFRS rules in relation to the deferral of acquisition costs on investment business are more stringent than under previous GAAP. As a result, some acquisition costs deferred under previous GAAP have been written-off on transition to AIFRS, and the subsequent recognition of profits on new business is delayed compared to the timing of profit recognition under previous GAAP.

The changes to accounting for life insurance business (excluding the impact on life insurance policy owners' interests) on 1 July 2005 result in a decrease to unlisted investment in life insurance statutory funds of $33 million, a decrease to other assets of $12 million and a decrease in retained profits of $45 million.

(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 are deferred and recognised as an adjustment to the yield on the loan and disclosed as interest income.

On 1 July 2005, certain loan establishment fees and acquisition expenses that were previously recognised in the Income Statement have been recognised in the Balance Sheet, with a corresponding adjustment to retained profits. This results in an increase to loans, advances and other receivables of $8 million, a decrease to other assets of $32 million, a decrease to payables and other liabilities of $1 million and a decrease in retained profits of $23 million.

(vi) Loan impairment provisions

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

Specific provisions are raised for losses that have already been incurred on loans that are known to be impaired. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and as this discount unwinds, interest is recognised in the Income Statement. At 1 July 2005, the adjustments for specific provisions result in a decrease to loans, advances and other receivables and a decrease to retained profits of $4 million.

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

At 1 July 2005, the adjustment to reverse the previous GAAP general provision and recognise the AIFRS collective provision results in an increase to loans, advances and other receivables and retained profits of $40 million. It is anticipated that the AIFRS loan impairment provision requirements will increase volatility in the Income Statement.

(vii) Income tax

The impact of the change in basis of calculating income tax balances under AASB 112 and the transition adjustments required by the application of the AIFRS standards adopted from 1 July 2005 is to decrease unlisted investment in life insurance statutory funds by $3 million, increase deferred tax assets by $48 million, increase deferred tax liabilities by $6 million and increase retained profits by $39 million.

(viii) Balance sheet reclassification

On 1 July 2005, the application of AASB 132 requires certain assets and liabilities be reclassified to Balance Sheet categories that are different from previous GAAP. The significant reclassification in addition to the adjustments above is to increase payables and other liabilities by $51 million and decrease provisions by $51 million.

Appendix 1 – Income Statement

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Dec-05 vs Dec-04 %
Banking interest revenue	1,416	1,314	1,218	16.3
Banking interest expense	(994)	(911)	(835)	19.0
	422	403	383	10.2
General insurance premium revenue [1]	1,289	1,273	1,256	2.6
Banking fee and commission revenue	100	106	105	(4.8)
Banking fee and commission expense	(35)	(44)	(38)	(7.9)
Reinsurance and other recoveries revenue	145	144	172	(15.7)
General insurance investment income:				
Insurance provisions	131	136	156	(16.0)
Managed schemes income	14	14	11	27.3
Joint venture income	10	16	12	(16.7)
Shareholder funds	116	88	122	(4.9)
Other operating income [2]	92	84	76	21.1
Total revenue	2,284	2,220	2,255	1.3
Claims expense	(1,018)	(1,020)	(1,064)	(4.3)
Outwards reinsurance expense	(58)	(54)	(55)	5.5
Operating expenses from ordinary activities [1]	(547)	(520)	(502)	9.0
Non-banking interest expense	(19)	(14)	(12)	58.3
Total expenses	(1,642)	(1,608)	(1,633)	0.6
Profit before impairment losses on loans and advances and tax	642	612	622	3.2
Impairment losses on loans and advances	(15)	(10)	(18)	(16.7)
Profit before tax	627	602	604	3.8
Income tax expense	(173)	(162)	(163)	6.1
Net profit attributable to members of the parent entity	**454**	**440**	**441**	**2.9**

Notes:

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

[2] Other operating income is primarily made up of Wealth Management profit, dividend revenue, property income, trust distributions and royalty income.

	Half-Year Ended			
	Dec-05	Jun-05	Dec-04	Dec-05 vs Dec-04
	$m	$m	$m	%
Appendix 2 – Statement Of Recognised Income And Expenses				
Cash flow hedges	(2)	-	-	n/a
Net income recognised directly in equity	(2)	-	-	n/a
Net profit	454	440	441	2.9
Total recognised income and expenses for the period	**452**	**440**	**441**	**2.5**

Appendix 3 – Balance Sheet Reconciliation

	As at 31 December 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidated [1] $m	Total $m
Assets						
Investment securities	2,153	5,636	42	-	(2,346)	5,485
Intangibles	84	931	-	10	105	1,130
Other	41,322	1,921	240	37	(188)	43,332
	43,559	8,488	282	47	(2,429)	49,947
Liabilities	39,798	6,314	33	16	(343)	45,818
Net assets	3,761	2,174	249	31	(2,086)	4,129

Notes:

[1] Group consolidation entries include the following:
– elimination of investments in subsidiaries; and
– elimination of intercompany cash deposits/loans.

Appendix 4 – 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.
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 balance sheet. 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 until September 2006 and their dividends exceed the basic earnings per share. Weighted average shares are calculated in accordance with accounting standard AASB 133 *Earnings per Share* and excludes treasury shares as well as options where the exercise price exceeds the market price.
Effective tax rate	Income tax expense divided by operating profit before tax.
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 period less dividends on preference shares classified as equity 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. Both basic and diluted weighted average number of ordinary shares are adjusted for treasury shares. Calculated in accordance with accounting standard AASB 133 *Earnings per Share*.
Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing 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 life insurance policy owner interests.
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.

Appendix 4 – Definitions (continued)

Net tangible asset backing – basic	Shareholders' equity attributable to members of the Company less preference shares (when classified as equity) and intangibles divided by ordinary shares at the end of the period adjusted for treasury shares. 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 preference shares (when classified as equity) and intangibles divided by diluted shares at the end of the period adjusted for treasury shares.
Operating income	Total income from ordinary activities.
Payout ratio – basic	Total after tax dividends and distributions on ordinary and preference shares which relate to the period divided by operating profit after tax adjusted for after-tax interest on preference shares (when classified as liability). Ordinary shares are adjusted for treasury shares.
Payout ratio – diluted	Diluted shares at the end of the period multiplied by ordinary dividend per share for the period divided by operating profit after tax adjusted for anti-dilutive preference share (when classified as equity) dividends. Diluted shares are adjusted for treasury shares.
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 life insurance 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 shares (when classified as equity) dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares (when classified as equity). 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 less anti-dilutive preference share (when classified as equity) dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes funds generated on outstanding options. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – Banking	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting investment in non-banking subsidiaries and adding the notional reallocation to reflect the Bank's calculated share of group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – General Insurance	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting outside equity interests and deducting the notional reallocation to reflect the General Insurer's calculated share of group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – Wealth Management	Operating profit after tax divided by average equity. 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, investment income on Shareholder Funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained profits in Wealth Management and one-off items.

Appendix 5 – Ratio Calculations

	Half-Year Ended		
	Dec-05 No. of Shares	Jun-05 No. of Shares	Dec-04 No. of Shares
Earnings per share			
Denominator			
Weighted average number of shares:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	547,742,968	541,581,806	537,553,914
Weighted average number of potential ordinary shares relating to:			
Options on ordinary shares	171,044	409,821	454,611
Partly paid ordinary shares	(197)	4,712	6,958
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	547,913,815	541,996,339	538,015,483

The 2,500,000 preference shares recognised in liabilities (December 2005)/equity (comparative periods) are not considered to be either ordinary or potential ordinary shares as they are anti-dilutive in nature as the dividends are payable at 6.25% pa which exceeds basic earnings per share. Therefore, preference shares have not been included in either basic or diluted earnings per share.

	Half-Year Ended		
	Dec-05 $m	Jun-05 $m	Dec-04 $m
Numerator			
Earnings:			
Reconciliations of earnings used in calculating earnings per share:			
Net profit	454	440	441
Less preference share dividends (when classified as equity)	-	(8)	(8)
Earnings used in calculating basic and diluted earnings per share	**454**	**432**	**433**

Appendix 5 – Ratio Calculations (continued)

Return on average shareholders' equity – basic

Numerator

Earnings for return on average shareholders' equity – basic is as per "earnings per share" information above.

	Half-Year Ended		
	Dec-05 $m	Jun-05 $m	Dec-04 $m
Denominator			
Adjusted average shareholders' equity:			
Opening total equity	4,525	4,239	3,998
Less outside equity interest	(23)	(14)	(6)
Less preference shares (when classified as equity)	(244)	(244)	(244)
Opening adjusted equity	4,258	3,981	3,748
Closing total equity	4,129	4,525	4,239
Less outside equity interest	-	(23)	(14)
Less preference shares (when classified as equity)	-	(244)	(244)
Closing adjusted equity	4,129	4,258	3,981
Average adjusted equity	**4,194**	**4,120**	**3,865**

Return on average shareholders' equity – diluted

Numerator

Earnings for return on average shareholders' equity – diluted is as per "earnings per share" information on the previous page.

	Half-Year Ended		
	Dec-05 $m	Jun-05 $m	Dec-04 $m
Denominator			
Adjusted average shareholders' equity:			
Opening total equity	4,525	4,239	3,998
Less outside equity interest	(23)	(14)	(6)
Less anti-dilutive preference shares (when classified as equity)	(244)	(244)	(244)
Plus funds generated on outstanding options	14	16	48
Opening adjusted equity	4,272	3,997	3,796
Closing total equity	4,129	4,525	4,239
Less outside equity interest	-	(23)	(14)
Less anti-dilutive preference shares (when classified as equity)	-	(244)	(244)
Plus funds generated on outstanding options	5	14	16
Closing adjusted equity	4,134	4,272	3,997
Average adjusted equity	**4,203**	**4,135**	**3,897**

Appendix 5 – Ratio Calculations (continued)

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

The following table reconciles the equity base per the balance sheet 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 return on equity calculations, and the profit after tax which is the numerator for the calculation.

	As at 31 December 2005					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation $m	Total $m
Reconciliation of profit after tax for diluted return on average shareholders' equity calculations						
Profit before tax	255	330	42	6	(6)	627
Less tax expense [1]	(77)	(99)	(2)	(2)	7	(173)
Profit after tax	178	231	40	4	1	454
Reconciliation of average adjusted equity for diluted return on average shareholders' equity calculations						
Opening adjusted equity June 2005:						
Opening total equity	3,965	2,229	300	32	(2,001)	4,525
Less outside equity interests	-	(18)	(10)	-	5	(23)
Less anti-dilutive preference shares (classified as equity)	(244)	-	-	-	-	(244)
Adjustment for investment in subsidiaries	(2,074)	-	-	-	2,074	-
Notional reallocation of subordinated debt [2]	144	(144)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	14	14
Adjusted opening equity	1,791	2,067	290	32	92	4,272
Closing adjusted equity December 2005:						
Closing total equity	3,761	2,174	249	31	(2,086)	4,129
Adjustment for investment in subsidiaries	(2,147)	-	-	-	2,147	-
Notional reallocation of subordinated debt and preference shares [2]	343	(343)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	5	5
Adjusted closing equity	1,957	1,831	249	31	66	4,134
Adjusted average equity	1,874	1,949	270	32	79	4,203
	%	%	%	%	%	%
Diluted return on average shareholders' equity	**18.8**	**23.5**	**29.4**	**25.2**	**n/a**	**21.4**

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 and preference shares from 1 July 2005 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 all preference shares and the subordinated debt of the group except for $201 million in General Insurance. The notional allocation adjusts the free capital of the business lines. The capital funding expense shown in General Insurance for the current half-year reflects its calculated share of group subordinated debt and preference shares.

Appendix 6 – Details Of Share Capital

	Half-Year Ended		
	Dec-05	**Jun-05**	**Dec-04**
Ordinary shares each fully paid			
Number at the end of the period	553,580,870	545,844,729	541,984,473
Dividend declared for the period (cents per share)	47	45	42
Preference shares (classified as equity) each fully paid			
Number at the end of the period	-	2,500,000	2,500,000
Dividend declared for the period ($ per share)	-	3.07	3.18
Preference shares (classified as liability) each fully paid			
Number at the end of the period	2,500,000	-	-
Dividend declared for the period ($ per share) [1]	3.18	-	-
Ordinary shares each 5 cents partly paid			
Number at the end of the period	-	11,250	16,750
Non-participating shares fully paid			
Number at the end of the period	2,000	2,000	2,000

Notes:

[1] Classified as interest expense.

Appendix 7 – Key Dates[1]

Ordinary shares (SUN)

2006

Interim dividend		
Ex dividend date [2]	1	March
Record date	7	March
Dividend payment	3	April
Final dividend		
Ex dividend date [2]	6	September
Record date	12	September
Dividend payment	2	October

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

2006

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)

2006

Ex dividend date [2]	1	March
Record date	7	March
Dividend payment	14	March
Ex dividend date [2]	6	September
Record date	12	September
Dividend payment	14	September

Notes:

[1] Dates may be subject to change.

[2] Subject to ASX confirmation.