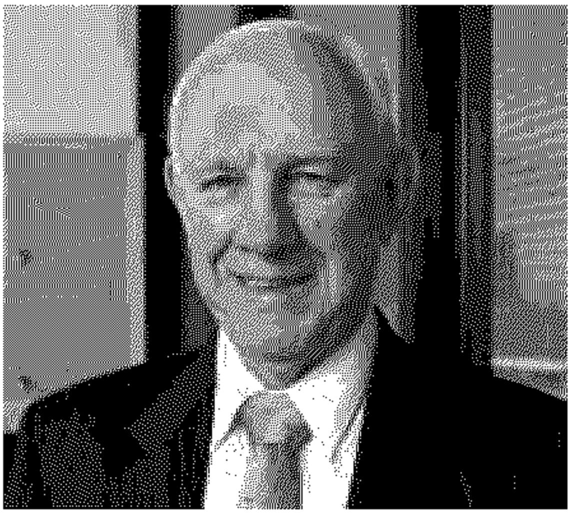
SUNCORP

Chairman John Lamble



DEAR SHAREHOLDER

On behalf of the board I am pleased to announce a profit for the six months to 31 December 2002 of $155 million and a small increase in dividend per share from 25 cents to 26 cents fully franked.

In this letter I will make some high level comments on the performance for the last six months, but will leave a detailed review to the Chief Executive Officer, John Mulcahy. I will also tell you a bit more about John Mulcahy, the arrangements flowing from my retirement on 7 March 2003, and briefly discuss the outlook for the balance of the financial year.

Set out in **Table 1** is a summary of the consolidated results of the business divisions for the last four half-year periods.

A few comments on the contents of **Table 1** are appropriate. The banking result is disappointingly flat but still represents a reasonable 19.8 percent return on the equity invested in that business. For some time our concentration has been on transforming and improving our general insurance business. From now on more of that emphasis will be on banking operations.

Table 1

	Half Year Ended			
	Dec-02 $m	June-02 $m	Dec-01 $m	June-01 $m
Banking	150	140	153	134
General insurance	72	67	43	82
Wealth management	17	22	36	39
Other activities	4	4	4	3
Profit from ordinary activities before goodwill and income tax	243	233	236	258
Amortisation of goodwill	(30)	(30)	(30)	(5)
Income tax expense relating to ordinary activities, excluding life insurance policyholders' interests	(58)	(46)	(52)	(47)
Net profit attributable to members of the parent entity	155	157	154	206

As regards general insurance, to gain a proper understanding of the company's performance, we need to unravel some of the mysteries of general insurance accounting. Under current accounting regulations, we are required to take to the profit and loss account each six months the changes in valuations of our investment portfolio, irrespective of whether we have actually sold any of the assets. This often creates a misleading picture, because some of these assets we regard as long term investments which we have no intention of selling, and which we fully expect to increase in value over time. To get a better picture of performance, we need to separate out the results of insurance trading, including interest, dividends, rents and distributions actually received, from the changes in market value (revaluation) of the long term investments held by our shareholder's funds.

For this reason I set out the insurance results in the format in **Table 2**.

Table 2

	Half Year Ended			
	Dec-02 $m	June-02 $m	Dec-01 $m	June-01 $m
Insurance Trading Result + received investment income	113	85	70	25
Revaluation profit (loss)	(41)	(18)	(27)	57
Total general insurance results	72	67	43	82

The top line in **Table 2** reflects the things which our managers can control, in terms of insurance operations. The steady progress over the last four periods needs to be emphasised – particularly the $113 million for the last six months, which is a 33 percent increase over the previous six months and a 61 percent increase over the comparable period 12 months ago. This is the kind of improvement that we were hoping for during this period. I would add to that by saying that there are increased premium rates and improved efficiencies in the pipeline which should contribute to further improvements in the future.

The revaluation line reflects the general trends in the stock market. Long term we still believe that investment in the stock market aligns the future of the company with the economic progress of Australia. When stock market sentiment changes it is important to be there as improving profits arise.

We have maintained our policy of a strong prudential margin over and above our actuaries' central (or most likely) estimate of outstanding claims. During the six months to December, the margin was increased from $514 million to $539 million.

Wealth management results are down, partly reflecting the absence of any once-off gains; partly revaluation losses on the investments of shareholder's funds, and partly the general nervousness in the community about committing to long term savings.

NEW CHIEF EXECUTIVE OFFICER

The last few months has seen the board take a most important decision. That is the appointment of a new chief executive officer, John Mulcahy. On interview John impressed the selection committee and the board as being highly intelligent (excellent academic results including a PhD in Engineering); very straight forward and practical (he is an engineer by training!); great ability in management and leadership (Lend Lease in its best days and Commonwealth Bank); and a sound knowledge of financial services (Lend Lease/MLC and Commonwealth Bank). In the few weeks since John Mulcahy joined the group on 6 January 2003, he has shown an ability to listen, learn quickly and provide leadership about our direction and future.

In one way I am disappointed that I will not be working with John Mulcahy in the future because I am retiring. But on the other hand, as a shareholder, I am comforted that he will be providing able leadership for improved performance in the future.

I also would like to thank the Chief Financial Officer Chris Skilton for filling in as Acting Chief Executive in the weeks prior to John's commencement. Chris did an excellent job, and in recognition of his on-going contribution to the group, he has been appointed to the board as an executive director. I congratulate him on his appointment.

CHAIRMAN'S RETIREMENT

I will be retiring from the board on 7 March 2003 – one week after these results are announced. It has been a great experience for me to have had the opportunity to chair the board since the original amalgamation in 1996, through to the acquisition of the GIO, to the sound position we are in today.

As I am now retiring from Suncorp Metway, I would like to make a few personal observations about the company and the progress we have made in the past few years.

Many of our 200,000 shareholders have been with us since the creation of the company back in 1996, through the merger of Suncorp, Metway and QIDC.

They will recall those turbulent but exciting times, and the controversial birth of the company.

There were many critics of the merger who said it was politically motivated and would never succeed.

Well, it wasn't easy. It would have to rank as one of the most complex, three-way mergers in Australian corporate history, and a major challenge for staff and management.

Now, more than six years down the track, even the most ardent critics of that time would have to agree that the merger was a success. The company has prospered beyond our initial expectations. It is now capitalised at approximately $6 billion, has 8000 employees across Australia and total assets of $33 billion. Shareholders who stuck with us have been amply rewarded.

Following the GIO merger, the company has a truly national presence and a great future ahead of it.

It is a tribute to all the people who played a part in its development. I would like to place on record my heartfelt thanks to my fellow board members, the senior management and all staff who, collectively, have worked so hard and so ably to position Suncorp Metway as a top Queensland-based company. It has been a highlight of my career and I am privileged to have played a part.

On a personal note, I should say that I still enjoy corporate life. Even after 50 years I get a thrill out of seeing companies respond to good management. So I don't intend to retire as such. I have been invited to remain on the boards of our insurance joint ventures with the RACQ and RAA of South Australia and I plan to take up positions on two or three other unlisted companies.

The Deputy Chairman, John Story, who will succeed me, is both very capable and experienced. We have worked closely together during the changeover period over the last six months or so. We have thought alike on all important issues and I have no doubt that John will provide excellent leadership for the board and the company in the coming years.

OUTLOOK

Despite the apparent flatness of our results over recent half-yearly periods, an analysis of them indicates an improving underlying trend, particularly in general insurance.

Given that our transformation efforts involved quite an amount of one-off expenditure to achieve recurring savings, we should show further improvement in the next six months. In saying this, I make the normal reservation about forecasts – at the time of writing the position in Iraq has not been resolved; the economic 'weather' is very hard to forecast; and Australia is in the midst of its worst drought for a long time. One particular factor affecting our six month results will be the recent bush fires which may cost the insurance group something of the order of $30 million – but we shouldn't be in the insurance business if we are not prepared to take risks.

I tend to take the view that the most important thing for a company is to set out to deliberately build a better business through improving its customer franchise, streamlining processes to increase efficiency and building financial strength. I believe Suncorp Metway has made important improvements in recent times in these areas and that over time these efforts will reflect themselves in improved results to the group.

In closing, I would like to thank the shareholders for their support for myself and for their continuing interest in the company.

John Lamble AO
Chairman

Deputy Chairman John Story

As the incoming Chairman, it is my pleasure on behalf of all shareholders to thank John Lamble for his inspirational leadership over the past six years.

Before joining us, John had had an outstanding career in the financial services industry, including 25 years as chief executive of NRMA Insurance, from 1968 until 1992. He served as Chairman of the State Bank of NSW, Perpetual Trustees Australia and the State Government Insurance Commission of South Australia, and as a director of a number of major corporations including Macquarie Bank, RGC Ltd and Email.

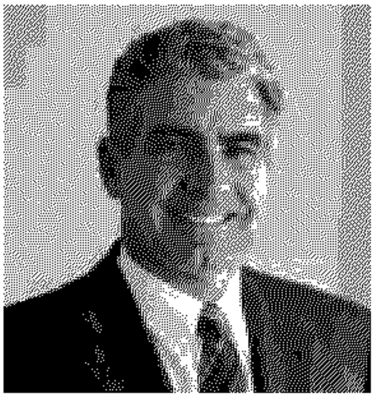
John was awarded an Order of Australia in 1993 for his service to the insurance industry. He is a former President of the Sydney Chamber of Commerce, an ex-member of the Council of the University of NSW and an adviser to governments at State and Federal level on insurance issues.

When Suncorp Metway was formed in 1996, it needed a strong leader to pull together the three disparate merger partners to create a united company. John was the perfect choice. His style has been tough but fair, and his encyclopedic knowledge of the insurance industry, his skills of financial analysis and his general commercial acumen have been invaluable to management and his board colleagues. He has been an excellent chairman.

He has also been a good friend and confidante. I wish him a long and happy retirement.

John Story
Deputy Chairman

CEO John Mulcahy



DEAR SHAREHOLDER,

I am delighted to be writing to you as the new managing director of Suncorp Metway. It is a privilege to lead this company and I am confident that it has a great future and will deliver healthy returns for shareholders.

I took up my duties on January 6 and this is my first opportunity to address shareholders. I would like to tell you a little about my background, my initial impressions of Suncorp and our plans for the company. I also will report to you on the financial results for the six months to December and our expectations for the full year.

BACKGROUND

I graduated in Civil Engineering and following a post graduate degree at Sydney University, I spent 10 years in the property development, design and construction industry. A great training ground for looking to the future, commercial analysis, leadership and team building.

Since that time, I have led teams within the financial services arena including funds management, insurance and banking.

Whilst leading a major bank's retail division, I recognised the strength of Australia's regional banks, and I particularly envied their reputation with customers. Suncorp was always a fierce competitor with a great customer focus and good service. It seemed to me to be a company with significant potential, a point of difference and a strong franchise on which to build. So when offered the opportunity to join the company as managing director, I was very enthusiastic to accept.

INITIAL IMPRESSIONS

After seven weeks in the role of CEO, I am positively impressed. It is refreshing to work in a company with such a can-do attitude focused on meeting the needs of our customers. The people that I work with are professional, knowledgeable and hard working. The culture is one of a team perspective with friendliness and efficiency.

In addition to the strong franchise, loyal customer base, good product capability and healthy financial position, Suncorp has some other important attributes that I did not fully appreciate prior to joining the company.

One of these is the group's organisational capability to re-engineer processes and optimise synergies from acquisitions and mergers. Something like 60 percent of acquisitions/mergers fail to deliver on anticipated increases in shareholder wealth. But in Suncorp's case, the initial merger with Metway and QIDC in 1996 clearly led to significant rewards for shareholders. Now Suncorp is delivering the anticipated benefits from the GIO acquisition which will lead to increased profits and higher value for shareholders. The reason Suncorp has been successful is because of the process called 'Transformation'. It is a very rigorous and disciplined approach which ensures that the benefits are delivered, and then sustained. It is now a core strength of Suncorp and can be used to gain further efficiencies in the current business.

A second pleasing discovery was Suncorp's excellent Information Technology group. This team has developed a number of excellent systems which help our people deliver improved service to our customers. This group has an efficient, no wastage approach which provides the group with a competitive advantage because it enables Suncorp to be more flexible and responsive to customer needs.

CHALLENGES

Suncorp has many strengths, however there are challenges ahead.

Over the last 18 months the world community, including Australia, has lost a sense of security through growth of terrorism, failure of the equity markets and failure of a number of major corporations. Now we all watch nervously the Iraq situation.

The world's biggest economy, the United States, continues to struggle and whilst the Australian economy has held up well, it is now showing signs of slowing in some sectors, particularly wealth management and housing.

These factors will impact people's behaviour and require changing business models.

Our challenge is to respond rapidly to this environment and optimise our performance by recognising these changes, focusing on the opportunities, prioritising our actions and minimising wastage.

We need to put in place a strategy to take us forward after the GIO Transformation. We must review our progress to date, our competitive position in the financial services sector, plan how we will leverage our strengths and be committed as a team to build improved returns for shareholders over the next five years.

We have already made significant progress in this process, and expect to be able to set out our strategic plan around the middle of the year, timed nicely for the completion of Transformation.

From an operational perspective, the most important task is to complete the GIO integration and ensure that it delivers the expected improvement to profits. In the results we have announced for the half year to December, we have implemented changes which are worth $206 million in a full year – well on the way to achieving the annual target of $240 million by June this year. The improvements we have made meant that the profit for the half year to December was $69 million higher than the profitability of the combined business at the time of the acquisition of GIO in June 2001.

PROFIT ANALYSIS

That leads me to the results for the six months to December.

The net profit of $155 million was up $1 million on the corresponding half year in 2001. At first glance, that is a disappointing outcome, given the strong gains we have made in Transformation. However there are a couple of factors that make the comparison slightly misleading.

Firstly, in the December half of 2001, we benefited from an $8 million one-off profit from the restructuring of our property investments division. There were no one-off profits this time around.

Secondly, the poor investment climate, over which we have no control, meant that investment income on General Insurance shareholders funds was down by $14 million compared with the prior corresponding period.

If these two factors are backed out of the result, then the underlying profit before tax and goodwill was actually up 12.6 percent to $260 million.

The fact that we were able to maintain profits despite lower investment returns demonstrates the benefits of our diversified income streams.

I will now expand on results for each of our three business lines.

General Insurance

General Insurance Profit Contribution

	Half Year Ended		
	Dec-02 $m	Dec-01 $m	Change %
Net earned premium	1,003	876	14.5
Net incurred claims	(866)	(720)	20.3
Operating expenses	(222)	(214)	3.7
Investment income – insurance provisions	165	100	65
Insurance trading result	80	42	90.5
Managed schemes net income	14	8	75
Joint venture income	4	0	n/a
Investment income – shareholder funds	(17)	(3)	466.7
Contribution before tax and GIO funding	81	47	72.3

Net premium income increased by a healthy 14.5 percent to $1.0 billion for the half year, reflecting both an increase in business volumes and significant premium rate increases during the past 12 months. Claims experience during the half year was reasonably stable. Bushfires and storms, whilst often tragic for customers, were within normal expectations during the period.

While premium was up 14.5 percent, operating expenses rose by 3.7 percent to $222 million. Expenses were contained because of the expense savings implemented in the Transformation program, which delivered savings worth $41 million since December 2001. The expense ratio, which measures operating expenses as a proportion of premium income, improved to 22.1 percent from 24.4 percent at the prior December.

This meant that the insurance trading result, which excludes investment income on shareholders funds, and is the best indicator of underlying insurance operational performance, increased by 90.5 percent to $80 million. This is equivalent to 8 percent of premium income, and is a satisfying outcome.

The contribution from our other insurance operations also increased strongly, from $8 million to $18 million. This includes income from the managed scheme business, in which we administer insurance schemes for various external parties without taking the underwriting risk, and also our interests in the automobile club joint ventures in Queensland and South Australia.

Altogether, our operational insurance earnings therefore almost doubled to $98 million.

Unfortunately, this was offset by the impact of falling equity markets. Even though our investments team managed to outperform the market in most asset classes, the investment return on GI shareholder funds was a loss of $17 million, compared with a loss of $3 million in the prior corresponding period. Typically, we would expect to see a profit of approximately $40 million, if markets behaved in accordance with their long term average return of about 8.5 percent.

Even so, the total profit before tax was $72 million, up 67 percent, which is a good result.

Banking

Banking Profit Contribution

	Half Year Ended		
	Dec-02 $m	Dec-01 $m	Change %
Net interest income	295	277	6.5
Net fee income	65	53	22.6
Other revenue	5	8	(37.5)
Operating expenses	(189)	(171)	10.5
Bad debts	(26)	(14)	85.7
Contribution before tax from Banking	150	153	(2.0)

Banking recorded a profit before tax of $150 million, down 2 percent on the prior corresponding period, with the profit affected by one significant bad debt charge of $9 million in the manufacturing sector. Underlying profit before bad debts increased by 5 percent to $176 million, underpinned by solid lending growth, stable net interest margins and increased non-interest income.

Total loans, advances and other receivables, including securitised assets, rose by a healthy 11.5 percent, which slightly exceeded asset growth for the industry as a whole. The growth was mainly in commercial lending, which was up 16 percent to $9.1 billion.

Housing lending was more subdued, rising 8 percent to $13.7 billion, which was slower than system growth. This was mainly because the most rapid growth in housing lending across the industry was through mortgage brokers, which is a channel that Suncorp has not previously chosen to use vigorously given the higher costs of writing broker business.

Because of growth in higher margin commercial business and increases in official interest rates in May and June last year, we were able to maintain net interest margins at 2.37 percent, compared with 2.33 percent in June and 2.38 percent at December 2001.

The combination of asset growth and stable margins meant that net interest income grew by 7 percent to $295 million.

Non interest income rose 23 percent to $65 million, boosted by increased fees from securitised home loans, improved fee collection processes and less fee waivers.

Banking expenses increased by 11 percent, which was high. This was partially due to the $5 million cost to introduce banking products and services to the former GIO branch network outside of Queensland. The cost to income ratio increased slightly to 51.8 percent, which is competitive with the major banks and well below our regional bank competitors.

The bad debt charge increased from $14 million to $26 million, largely because of the single bad debt referred to earlier. Underlying credit quality remains sound, with gross impaired assets falling 10 percent to $146 million.

Wealth Management

Wealth Management Profit Contribution

	Half Year Ended		
	Dec-02 $m	Dec-01 $m	Change %
Contribution from Life Company	13	22	(40.9)
Contribution from funds management	4	14	(71.4)
Contribution before tax	17	36	(52.8)

The Wealth Management division has suffered from the sharp slowdown in funds flowing into the industry in the wake of falling equity markets. The division recorded a profit of $17 million in the half year to December, compared with $36 million in the prior corresponding period. However, the previous result benefited from an $8 million one-off profit on the restructuring of the group's property investment division.

Excluding this one-off gain, the $17 million profit for the half to December 2002 compares with a $28 million profit in the previous December half. The reduction was due to lower planned profit margins, lower experience profits and a $3 million fall in the value of Life company subsidiaries. These are all partially a reflection of the generally poor investment climate, which has led to reduced Wealth Management sales and lower investment income.

OUTLOOK

Let me now turn to the outlook for the full year.

Our immediate priority is finalising Transformation. At the same time, each of our business lines is focussed on improving customer service, developing our people and their skills, capitalising on growth opportunities and driving operational efficiencies.

Assuming no global shocks, or sharp deterioration in the Australian economy or stock market, we would expect to see continued profit growth during the rest of this financial year.

In Banking, while commercial lending is expected to remain strong, we are clearly confronted with a slowing housing market. In response, we are focusing on improving the skills of lending staff, and refining our service levels to lift retention rates. We are expecting reasonable revenue growth and moderate expense growth in the current half, with credit quality to remain sound. This should produce an increase in pre-tax profit of 8–10 percent for the year.

General Insurance profit will benefit from premium growth and further GIO integration improvements, although earnings in the current half will be affected by the claims relating to the Canberra bushfires, which may total up to $30 million. We continue to expect to achieve an insurance trading margin of 9–12 percent for the year, assuming no major claims events.

Wealth Management profits are expected to remain flat in the second half due in the absence of a recovery in equity markets and improved investor sentiment.

Overall, we are expecting to achieve an increase in underlying operating profit, before goodwill, tax and investment income on shareholder's funds, of approximately 20 percent for the year.

CHAIRMAN'S RETIREMENT

John Lamble has clearly provided strong leadership to Suncorp over the past six years. He has guided the team using his refined leadership skills and excellent industry knowledge.

In my initial time at Suncorp John has given me good insight into the business and excellent guidance about the best opportunities for further improvement.

I look forward to John's continuing input via his role on our insurance joint ventures with the RACQ and RAA of South Australia.

I congratulate John on his wonderful career and achievements and wish him good health and happiness in the future.

THANKS

Finally, I would like to thank staff for their hard work so far this year. I also would like to thank shareholders for their on-going support. I look forward to the challenges ahead and am confident that together we can build a great future.

John Mulcahy
CEO

A video webcast of the Half Year Results presentation can be viewed on the Suncorp website using the following link: http://corporate.suncorp.com.au/investor/results.asp#half_2002

KEY DATES FOR 2003

Ordinary Shares (SUN)

Interim Dividend

Ex dividend date	5 March
Record date	12 March
Dividend paid	31 March

Final Dividend

Ex dividend date	2 September
Record date	8 September
Dividend paid	3 October

Floating Rate Capital Notes (SUNHB)

Ex interest date	11February
Record date	17 February
Interest paid	4 March
Ex interest date	9 May
Record date	15 May
Interest paid	30 May
Ex interest date	11 August
Record date	15 August
Interest paid	1 September
Ex interest date	11 November
Record date	17 November
Interest paid	2 December

Reset Preference Shares (SUNPA)

Ex dividend date	5 March
Record date	12 March
Dividend paid	14 March
Ex dividend date	2 September
Record date	8 September
Dividend paid	15 September

Annual General Meeting

Brisbane Convention & Exhibition Centre, cnr Merivale & Glenelg Sts, South Brisbane — 29 October

* Dates may be subject to change

REGISTER YOUR EMAIL ADDRESS

Shareholders can receive information via email, register a proxy vote and check holding details online. By using your SRN/HIN and other requested details when you access the share registry website www.dhb.com.au you will be able to view details of your shareholding, obtain registry forms and record your email address. For assistance and more information, call the share registry, Douglas Heck & Burrrell Registries on 1300 882 012.

CHANGE OF ADDRESS

Shareholders sponsored by Suncorp (issuer sponsored) must advise Douglas Heck & Burrell Registries in writing, appropriately signed, of the amended details. Change of address forms can be obtained via the Suncorp or share registry websites or by contacting the share registry.

Shareholders sponsored by a broker (broker sponsored) should advise their broker in writing of the amended details.

PAYMENT OF DIVIDENDS

Shareholders who wish to have their dividends paid directly into their bank, building society or credit union account should obtain a direct credit application form from the share registry or via the Suncorp or share registry websites.

DIVIDEND REINVESTMENT PLAN

Shareholders can elect to take their cash dividends by way of shares in full or in part at a 2.5 percent discount on the average market price calculated over the five trading days immediately following the Record Date for payment of the relevant dividend. An election/variation form is available on the Suncorp and share registry websites.

CONTACT DETAILS

Suncorp website: www.suncorp.com.au

Investor Relations: (07) 3835 5797

Share Registry: Douglas Heck & Burrrell Registries
1300 882 012
www.dhb.com.au