Suncorp-Metway Ltd

AND CONTROLLED ENTITIES

ACN 010 831 722

ANNOUNCEMENT OF

CONSOLIDATED FINANCIAL RESULTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

Release Date 28 February 2003

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SUNCORP- METWAY LTD
Interim Results 2003

Profit Overview, $M	Half-Year to Dec-02	Dec-01	Change %
Banking	150	153	(2.0)
General Insurance	72	43	67.4
Wealth Management	17	36	(52.8)
Other	4	4	-
Profit before tax and goodwill	**243**	**236**	**3.0**
Goodwill amortisation	30	30	-
Tax	58	52	11.5
Net profit	**155**	**154**	**0.6**

- Net profit of $155 million, compared with $154 million in 2001. Profit before goodwill, tax, and investment income on shareholders funds increased by 8.8% to $260 million.
- Interim dividend increased by one cent to 26 cents per share.
- **General insurance** pre-tax profit up 67% to $72 million, driven by GIO integration benefits and premium revenue growth. GIO integration proceeding to schedule, with improvements achieved since acquisition now worth $206 million in a full year. Insurance Trading Result increased 90.5% to $80 million, equal to 8% margin.
- **Banking** pre-tax profit down 2.0% to $150 million. Profit before bad debts increased 5.5% to $176 million. Strong commercial lending growth offset by slowing housing lending.
- **Wealth Management** pre-tax profit down 53% to $17 million. Excluding one-off gains, underlying profit of $17 million compares with $28 million in prior corresponding period. Sales and profit affected by slowing investment markets.
- Outlook for the full year :
  - We expect modest growth in Banking revenues, exceeding expense growth, and leading to an increase in pre-tax profit in the range of 8-10%.
  - General Insurance profit will benefit from premium growth and further GIO integration improvements. Earnings will be reduced by Canberra bushfire claims. We are targeting an expense ratio of 21%, and expect to achieve an insurance trading margin of 9-12%, assuming no further major claims events or adjustments to claims provisions.
  - Wealth Management profit is expected to remain flat in the second half, leading to a lower full year profit due to the poor investment market climate and because the prior year's result benefited from one-off gains.
  - On a consolidated basis, we are targeting an increase in underlying operating profit of approximately 20%, before goodwill, tax and investment income on GI shareholders funds. This is assuming no further unusual claims events.

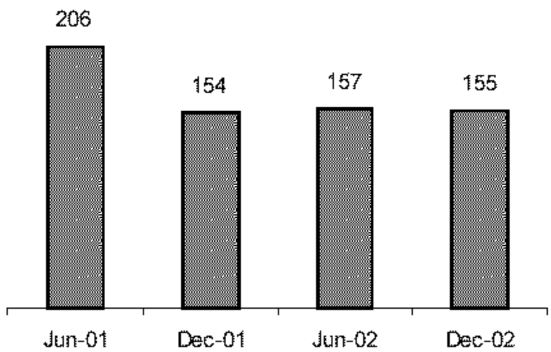
REVIEW OF OPERATIONS

Except where otherwise stated, all figures relate to the half-year ended 31 December 2002 and comparatives are for the half-year ended 31 December 2001. Except where otherwise stated, all figures exclude life insurance policy owners' interests.

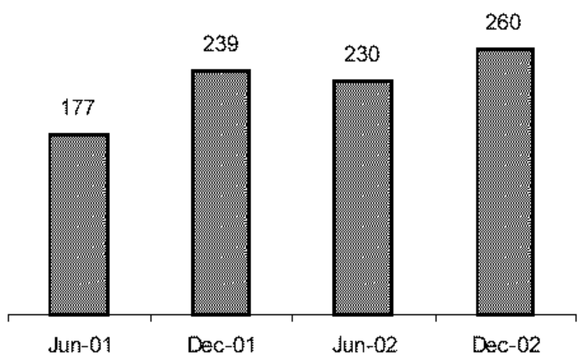
Overview

- Suncorp Metway has recorded a net profit of $155 million for the half year to December 2002, compared with $154 million in the prior corresponding period.
- The operating highlight of the period was the strong progress achieved in the integration of the GIO insurance business, which has delivered anticipated business improvements and led to a 67% increase in the General Insurance profit before tax to $72 million.
- The GIO integration, called Transformation, remains on track to deliver a total of $240 million in annualised savings and benefits by the completion of the program in June 2003. At December 2002, the program had achieved improvements worth $206 million in a full year, before tax.
- The bulk of these improvements were felt in the General Insurance division, leading to a 90.5% increase in the Insurance Trading Result to $80 million – equivalent to an insurance trading margin of 8%.
- The stable group profit performance was despite a $14 million reduction in investment income on general insurance shareholders funds.
- Group profit before goodwill, tax and investment income on shareholders funds increased by 8.8% to $260 million.
- The Group Efficiency Ratio, which measures operating expenses as a proportion of operating income, improved to 24.4% from 25.9% at December 2001, and 27.0% at June 2002. Staff numbers were reduced from 8,393 at December 2001, to 7,998 at December 2002.
- Cash earnings per share was 34.1 cents per share, up slightly over the June figure. Cash return on equity reduced to 10.7% due to higher contributed equity and retained earnings compared with the prior period.
- Directors have declared an interim dividend of 26 cents per share, up one cent.

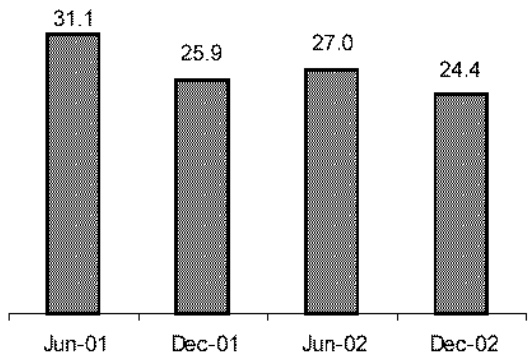
Operating Profit after Tax (half-year, $m)



Profit before tax, goodwill and investment income on shareholders funds (half-year $m)



Group Efficiency Ratio (%)

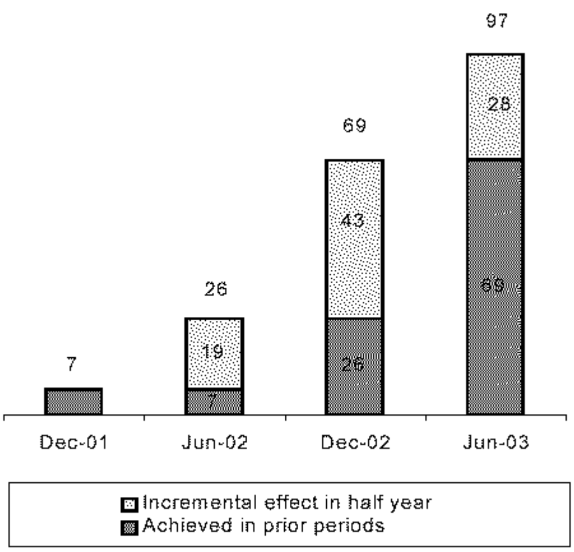


REVEW OF OPERATIONS (CONTINUED)

Transformation update

- The Transformation program is proceeding slightly ahead of schedule. At the release of the full year results in August 2002, the company announced it had achieved benefits worth $111 million in a full year and was expecting to achieve $196 million in annualised savings and benefits by the end of December 2002. This target has been exceeded, and at December 2002, the actual amount of annualised savings achieved since the start of the program was $206 million.
- The profit impact of these savings in the December 2002 half was an increase of $86 million before tax compared with the starting point at June 2001. Implementation costs of $17 million in the half year reduced the net benefit to $69 million.

Transformation Net P & L Benefits
(Includes June 03 forecast)



- The incremental impact of Transformation improvements in the December half, compared to the prior December 2002, was $62 million. The incremental impact in December, compared to June, was $43 million.
- Total implementation costs to the end of December were $127 million of which $28 million had been expensed and $99 million taken to the restructuring provision.
- Tables setting out the timing and source of synergies and benefits are included in Appendix 3 on page 50.

CONTRIBUTION TO PROFIT BY DIVISION EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Half-Year Ended				
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Exc GIO Jun-01 $m	Dec-02 vs Dec-01 %
Banking					
Net interest income	295	273	277	255	6.5
Net fee income	65	58	53	49	22.6
Other revenue (1)	5	7	8	11	(37.5)
Operating expenses	(189)	(172)	(171)	(160)	10.5
Bad debts	(26)	(26)	(14)	(21)	85.7
Contribution before tax	150	140	153	134	(2.0)
Income tax	(41)	(31)	(38)	(33)	7.9
Contribution after tax	109	109	115	101	(5.2)
General Insurance					
Net earned premium (2)	1,003	921	876	371	14.5
Net incurred claims	(866)	(689)	(720)	(340)	20.3
Operating expenses (2)	(222)	(234)	(214)	(101)	3.7
Investment income on insurance provisions	165	73	100	71	65.0
Insurance trading result	80	71	42	1	90.5
Managed schemes net income	14	(2)	8	-	75.0
Joint venture income	4	5	-	-	n/a
Investment income on shareholder funds	(17)	3	(3)	81	466.7
Contribution before tax and GIO funding	81	77	47	82	72.3
Subordinated debt expense - GIO acquisition	(9)	(10)	(4)	-	125.0
Income tax	(14)	(13)	(7)	(10)	100.0
Contribution after tax	58	54	36	72	61.1
Wealth Management					
Contribution from Life Company	13	17	22	39	(40.9)
Contribution from funds management	4	5	14	-	(71.4)
Contribution before tax	17	22	36	39	(52.8)
Income tax	(1)	-	(6)	(3)	(83.3)
Contribution after tax	16	22	30	36	(46.7)
Other (3)					
Contribution before tax	4	4	4	3	-
Income tax	(2)	(2)	(1)	(1)	100.0
Contribution after tax	2	2	3	2	(33.3)
Total contribution before amortisation of goodwill	185	187	184	211	0.5
Amortisation of goodwill	(30)	(30)	(30)	(5)	-
Total contribution after income tax and amortisation of goodwill	155	157	154	206	0.6

Notes:

1. Other revenue is comprised of net profits on trading and investment securities, net profits on derivative and other financial instruments and income on profit share loans.
2. Net of certain statutory fees and charges "grossed-up" in income and expenses in the Consolidated Financial Report.
3. Other is primarily made up of the results of the property management activities of LJ Hooker.

Refer to Appendix 1 for an alternative presentation of the statement of operating profit excluding life insurance policy owners' interests.

STATEMENT OF ASSETS AND LIABILITIES EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Exc GIO Jun-01 $m	Dec-02 vs Dec-01 %
Assets					
Cash and liquid assets	825	1,134	864	286	(4.5)
Receivables due from other financial institutions	17	57	9	12	88.9
Trading securities	2,057	1,498	1,703	1,649	20.8
Investment securities	4,715	4,424	4,363	3,096	8.1
Investments in associates	83	86	80	-	3.8
Loans, advances and other receivables	23,142	22,918	21,912	20,107	5.6
Property, plant and equipment	231	206	197	141	17.3
Unlisted investment in life insurance statutory funds	152	136	139	120	9.4
Deferred tax assets	151	190	171	112	(11.7)
Intangible assets	1,071	1,099	1,122	154	(4.5)
Other financial assets(1)	560	625	981	967	(42.9)
Total assets	33,004	32,373	31,541	26,644	4.6
Liabilities					
Deposits and short term borrowings	20,143	18,167	17,755	16,908	13.4
Payables due to other financial institutions	16	70	-	-	n/a
Payables	674	827	977	655	(31.0)
Current tax liabilities	46	86	26	12	76.9
Provisions	128	345	327	265	(60.9)
Deferred tax liabilities	124	171	182	194	(31.9)
Outstanding claims and unearned premium provisions	4,813	4,591	4,468	2,328	7.7
Bonds, notes and long term borrowings	2,773	3,952	3,652	3,030	(24.1)
Subordinated notes	751	802	806	535	(6.8)
Total liabilities	29,468	29,011	28,193	23,927	4.5
Net assets	3,536	3,362	3,348	2,717	5.6
Equity					
Contributed equity	2,805	2,777	2,760	2,143	1.6
Reserves	22	22	21	22	4.8
Retained profits	703	557	561	546	25.3
Total parent entity interest	3,530	3,356	3,342	2,711	5.6
Outside equity interests	6	6	6	6	-
Total equity	3,536	3,362	3,348	2,717	5.6

Notes:

1. Other financial assets is mainly made up of accrued interest, prepayments, unrealised gains on derivative hedging positions and a security deposit on a repurchase agreement

GROUP PERFORMANCE SUMMARY - Ratios and statistics excluding life insurance policy owners' interests

	Half-Year Ended				
	Dec-02	Jun-02	Dec-01	Exc GIO Jun-01	Dec-02 vs Dec-01 %
Dividend per ordinary share (cents)	26.0	29.0	25.0	28.0	4.0
Earnings per share					
Basic (cents)	27.9	28.3	29.7	55.0	(6.1)
Diluted (cents)	27.9	28.3	29.6	43.4	(5.7)
Cash earnings per share					
Basic (cents)	34.2	34.1	35.3	52.6	(3.1)
Diluted (cents)	34.1	34.0	35.2	41.7	(3.1)
Payout ratio					
Basic (%)	93.5	100.9	90.3	62.1	3.5
Diluted (%)	94.7	103.0	88.5	65.6	7.0
Weighted average number of shares					
Basic (million)	526.6	524.6	505.0	329.6	4.3
Diluted (million)	527.4	525.8	506.6	456.1	4.1
Net tangible asset backing per share					
Basic ($)	4.20	3.83	3.77	5.41	11.4
Diluted ($)	4.67	4.34	4.33	5.20	9.3
Number of shares at end of period					
Basic (million)	527.9	525.3	523.8	369.7	0.8
Diluted (million)	533.5	531.9	525.4	499.0	1.5
Share price at end of period ($)	11.15	12.31	14.01	15.00	(20.0)
Return on average shareholders' equity					
Basic (%)	9.1	9.7	11.3	20.3	(19.5)
Diluted (%)	8.8	9.3	9.9	16.6	(11.1)
Cash return on average shareholders' equity					
Basic (%)	11.2	11.6	13.4	19.4	(16.4)
Diluted (%)	10.7	11.0	11.8	15.9	(9.3)
Return on average total assets (%)	0.94	0.98	1.05	1.59	(10.5)
Return on average investment and interest earning assets (%)	1.08	1.15	1.18	1.73	(8.3)
Total assets ($ million)	33,004	32,373	31,541	26,644	4.6
Investment and interest earning assets ($ million)	29,105	28,020	27,160	24,695	7.2
Group efficiency ratio (operating expenses/operating income)	24.4	27.0	25.9	31.1	(5.8)

Refer page 47 for definitions.

1 INDIVIDUALLY SIGNIFICANT ITEMS AND CHANGES IN ACCOUNTING POLICY

	Half-Year Ended			
				Exc GIO
	Dec-02	Jun-02	Dec-01	Jun-01
	$m	$m	$m	$m
Individually significant items included in profit from ordinary activities before income tax are:				
Restructure of Suncorp Metway Property Funds	-	-	8	-
Excess of net market value of interests in subsidiaries over their recognised net amounts	-	-	-	13
Changes in accounting policy included in profit from ordinary activities before income tax are:				
Adoption of revised accounting standard AASB 1028 "Employee Entitlements"	1	-	-	-
Deferral of commissions paid to loan originators	-	-	-	4
	1	-	8	17

	Half-Year Ended			
				Exc GIO
	Dec-02	Jun-02	Dec-01	Jun-01
	$m	$m	$m	$m
The above items affect the following captions in the Statement of Operating Profit:				
Banking fee and commission expense	-	-	-	4
Other revenue	-	-	8	13
Operating expenses from ordinary activities	1	-	-	-
	1	-	8	17

2 OPERATING EXPENSES EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Half-Year Ended				
				Exc GIO	
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Staff expenses [1]					
Salaries and wages	197	193	171	128	15.2
Other staff expenses [2]	92	90	82	48	12.2
Total staff expenses	289	283	253	176	14.2
Equipment and occupancy expenses					
Depreciation					
Buildings	1	1	1	2	-
Plant, equipment and software	30	18	18	16	66.7
Leasehold improvements	6	8	4	4	50.0
Loss on disposal of property, plant			-		
and equipment	-	1	1	-	(100.0)
Operating lease rentals	24	19	26	16	(7.7)
Other occupancy expenses [3]	7	10	8	4	(12.5)
Total equipment and occupancy expenses	68	57	58	42	17.2
Other					
Hardware, software and data line expenses	25	53	37	16	(32.4)
Advertising and promotion expenses	28	24	22	21	27.3
Office supplies, postage and printing	33	45	23	20	43.5
Amortisation of franchise systems	-	1	-	-	n/a
Other [1], [4], [5]	46	34	75	54	(38.7)
Total other expenses	132	157	157	111	(15.9)
Expenses charged to the Wealth					
Management Statutory Funds	(32)	(28)	(32)	(29)	-
Expenses allocated to claims expense	(24)	(27)	(25)	-	(4.0)
Total operating expenses from					
ordinary activities	433	442	411	300	5.3

Notes:

1. Prior to the transfer of service company functions from AMP to Suncorp on 12 October 2001, employee, information technology and other services w ere charged to GIO as a general service fee and not classified in the underlying expense categories. For this period, a significant portion of GIO expenses are show n as "other". After the transfer of those services to Suncorp, the expenses have been recognised in their respective categories, therefore the comparative information is restricted to this extent.

2. Other staff expenses is mainly made up of employee on costs, staff amenity expenses, training costs and temporary staff expenses.

3. Other occupancy expenses consists mainly of electricity and maintenance expenses.

4. Other is primarily made up of service fees paid by GIO to AMP (refer note 1), w ealth management expenses and general insurance commissions.

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

3 INCOME TAX

	Half-Year Ended				
				Exc GIO	
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:					
Profit from ordinary activities before income tax expense	213	203	206	253	3.4
Prima facie income tax expense calculated at 30% (30 June 2002 : 30%, 31 December 2001 : 30%, 30 June 2001 : 34%)	64	61	62	86	3.4
Tax effect of permanent differences:					
Non-deductible expenditure	2	3	1	1	100.0
Non-deductible write-downs	-	1	-	1	n/a
Amortisation of goodwill	9	9	9	1	-
Non-assessable income	-	(2)	(3)	-	(100.0)
Distribution on converting of capital notes	-	-	-	(8)	n/a
Dividend rebates	-	(3)	(6)	(10)	(100.0)
Dividend tax credits	(11)	-	-	-	n/a
Future income tax benefits not previously brought to account	(4)	(15)	(2)	(1)	100.0
Life and superannuation statutory funds	(6)	(9)	(2)	-	200.0
Other	4	3	(4)	(13)	(200.0)
Income tax adjusted for permanent differences	58	48	55	57	5.7
Over provision in prior year	-	(2)	(3)	-	(100.0)
Restatement of deferred tax balances due to change in company tax rate	-	-	-	(10)	n/a
Income tax expense	58	46	52	47	11.5

Income tax expense by segment					
Banking	41	31	38	33	7.9
General insurance	14	13	7	10	100.0
Wealth management	1	-	6	3	(83.3)
Other	2	2	1	1	100.0
	58	46	52	47	11.5

Tax expense increased by 12% to $58 million. The effective tax rate for the half year was 27%, after goodwill. This was slightly lower than initially expected due to additional franking credits from the group's General Insurance and Wealth Management funds and the benefit of lower tax rates applying in the superannuation and pension business.

4 STATEMENT OF CASH FLOWS EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Half-Year Ended			
				Exc GIO
	Dec-02	Jun-02	Dec-01	Jun-01
	$m	$m	$m	$m
Cash flows from operating activities				
Interest received	916	826	851	864
Dividends received	18	27	31	40
Premiums received	1,227	1,168	918	801
Reinsurance and other recoveries received	157	268	92	51
Other operating revenue received	303	268	330	270
Interest paid	(557)	(475)	(506)	(525)
Outwards reinsurance premiums paid	(80)	(99)	(80)	(40)
Claims paid	(886)	(853)	(862)	(522)
Operating expenses paid	(706)	(513)	(621)	(794)
Income taxes paid – operating activities	(76)	(4)	(51)	(34)
Net cash inflow from operating activities	316	613	102	111
Cash flows from investing activities				
(Payments for purchase)/ proceeds from disposal of controlled entities	(1)	(58)	(1,275)	24
Payments for purchase of investments in associates	-	(80)	-	-
Payments for property, plant and equipment	(63)	(61)	(30)	(30)
Net (purchase)/disposal of banking securities	(557)	239	(67)	(170)
Net increase in loans, advances and other receivables	(337)	(991)	(857)	(1,264)
Purchase of investments integral to insurance activities	(14,678)	(19,136)	(14,645)	(10,779)
Proceeds from disposal of insurance investments	14,375	18,730	15,130	10,425
Income taxes paid – investing activities	(2)	(33)	(9)	(13)
Net cash (outflow) from investing activities	(1,263)	(1,390)	(1,753)	(1,807)
Cash flows from financing activities				
Proceeds from issue of shares	28	17	617	626
Proceeds from/(repayment of) subordinated notes	(51)	(4)	271	(4)
Net increase in borrowings	835	1,155	1,442	791
Dividends paid	(160)	(143)	(152)	(78)
Net cash inflow from financing activities	652	1,025	2,178	1,335
Net increase (decrease) in cash and cash equivalents	(295)	248	527	(361)
Cash at the beginning of the financial period	1,121	873	298	659
Cash acquired on acquisition of GIO	-	-	48	-
Cash at the end of the financial period	826	1,121	873	298

5 SEGMENT INFORMATION – BANKING

Overview

- The banking division achieved a pre-tax profit of $150 million for the six months to December, up 7% on the $140 million recorded in June, but 2% below the $153 million profit for Dec 2001.

- Underlying profit, before bad debts, increased by 5.5% to $176 million, underpinned by solid growth in lending, stable net interest margins and significant increases in fee income. ROE increased to 19.8% from 19.5% at December 2001.

- Total loans, advances and other receivables, including securitised assets, increased 11.5% to $23.9 billion during the year to December, exceeding system growth of 11.2%. (A $750 million securitisation was completed in August.) Commercial lending increased by 16%, but housing lending growth, at 8.4%, was slower than system.

- Total funding increased 8.0% to $23.6 billion. Retail funding rose by 16.4% to $12.6 billion and wholesale funding remained steady at $11.0 billion. The proportion of funding derived from the retail market increased to 53%.

- Net interest margin was 2.37% for the six months to December, up from 2.33% in the June half and in line with the previous December. Interest spread rose to 2.14% for the half, boosted by increases in official interest rates in May and June 2002.

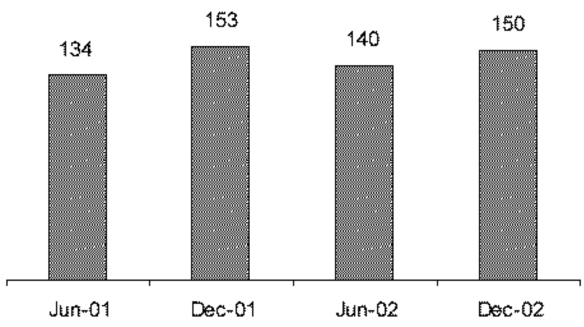
- Net interest income grew by 8% to $295 million over the June half and 6.5% over the previous December due to a combination of higher lending volumes and a more stable interest rate environment.

- Net banking fee and commission income rose by 23% to $65 million. This was due to higher securitisation fees and improved fee collection.

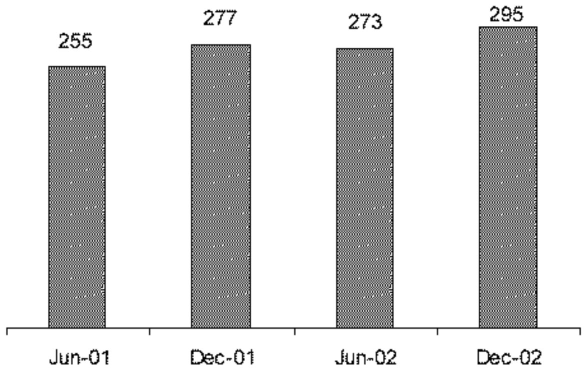
- Banking expenses increased by 10.5% to $189 million due to growth in the book and because of costs associated with the expansion of the branch network interstate. The cost to income ratio increased slightly to 51.8%, but remains in line with the major banks and below regional competitors.

- Asset quality remains sound. Net impaired assets were steady at $117 million at December 2002. The bad debt charge, at $26 million, was in line with the June half, but up from December 2001, mainly due to a $9 million provision for one corporate default.

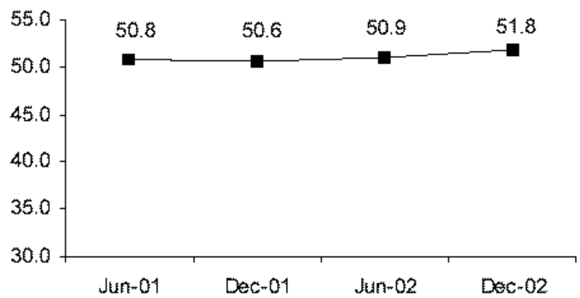
Contribution to Profit (half-year, $m)



Net Interest Income (half-year, $m)



Cost to Income Ratio (%)



5.1 Profit contribution – Banking

	Half-Year Ended				
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Net interest income					
Interest revenue	829	748	783	782	5.9
Interest expense	(534)	(475)	(506)	(527)	5.5
	295	273	277	255	6.5
Net banking fee income					
Banking fee and commission revenue	97	82	73	66	32.9
Banking fee and commission expense	(32)	(24)	(20)	(17)	60.0
	65	58	53	49	22.6
Other operating revenue					
Net profits on trading and investment securities	-	1	-	2	n/a
Net profits on derivative and other financial instruments	3	2	3	3	-
Other income	2	4	5	6	(60.0)
	5	7	8	11	(37.5)
Total income from ordinary banking activities	365	338	338	315	8.0
Operating expenses					
Staff expenses	(106)	(100)	(100)	(102)	6.0
Occupancy expenses	(10)	(10)	(10)	(8)	-
Computer and depreciation expenses	(26)	(23)	(19)	(21)	36.8
Communication expenses	(15)	(14)	(15)	(12)	(.7)
Other operating expenses [1]	(32)	(25)	(27)	(17)	18.5
	(189)	(172)	(171)	(160)	10.5
Contribution to profit from banking activities before bad and doubtful debts	176	166	167	155	5.5
Bad and doubtful debts expense	(26)	(26)	(14)	(21)	85.7
Contribution to profit before tax from banking activities	150	140	153	134	(2.0)

Notes:

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

5.2 Assets and liabilities – Banking

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Assets					
Cash and liquid assets	441	664	272	134	62.1
Receivables due from other financial institutions	17	57	9	12	88.9
Trading securities	2,057	1,498	1,703	1,649	20.8
Investment securities	2,068	2,067	2,067	682	0.0
Loans, advances and other receivables	22,808	22,417	21,319	20,162	7.0
Property, plant and equipment	224	178	168	140	33.3
Deferred tax assets	83	93	67	84	23.9
Intangible assets	23	25	35	35	(34.3)
Other financial assets[1]	282	323	790	931	(64.3)
Total assets	28,003	27,322	26,430	23,829	6.0
Liabilities					
Deposits and short term borrowings	20,871	18,839	18,234	17,257	14.5
Payables due to other financial institutions	16	36	-	-	n/a
Payables	284	331	502	373	(43.4)
Current tax liabilities	36	67	14	8	157.1
Provisions	60	219	184	239	(67.3)
Deferred tax liabilities	58	78	82	95	(29.3)
Bonds, notes and long term borrowings	2,773	3,952	3,652	3,030	(24.1)
Subordinated notes	752	802	806	535	(6.7)
Total liabilities	24,850	24,324	23,474	21,537	5.9
Net assets	3,153	2,998	2,956	2,292	6.7

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

5.3 Banking statistics

	Half-Year Ended			
	Dec-02	Jun-02	Dec-01	Jun-01
Costs to income ratio (%)	51.8	50.9	50.6	50.8
Costs to average total banking assets ratio (%)	1.38	1.34	1.36	1.44
Capital adequacy ratio (%)	10.0	10.6	10.5	14.0
Risk weighted assets ($m)	15,960	15,850	14,914	14,336
Return on average risk weighted assets ratio (%)	1.36	1.43	1.56	1.47
Net interest margin (%)	2.37	2.33	2.38	2.41
Net interest spread (%)	2.14	2.13	2.11	2.12
Non-interest income as a percentage of average assets	0.51	0.51	0.49	0.54
Non-interest income as a percentage of total income	19.2	19.2	18.0	19.0

Refer page 47 for definitions.

5.4 Asset growth

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Housing loans	13,724	13,303	12,665	11,780	8.4
Consumer receivables	504	514	490	519	2.9
Retail loans	14,228	13,817	13,155	12,299	8.2
Commercial loans	3,834	3,632	3,213	3,070	19.3
Development finance	1,293	1,156	1,043	1,155	24.0
Property investment	2,263	2,214	2,033	1,934	11.3
Lease finance	1,675	1,591	1,529	1,490	9.5
Commercial loans	9,065	8,593	7,818	7,649	16.0
Structured finance	18	25	25	48	(28.0)
Other receivables[1]	93	131	190	65	(51.1)
Total lending	23,404	22,566	21,188	20,061	10.5
Provision for impairment	(114)	(124)	(116)	(125)	(1.7)
	23,290	22,442	21,072	19,936	10.5
Intragroup receivables	605	500	350	349	72.9
Total loans, advances and other receivables including securitised balances	23,895	22,942	21,422	20,285	11.5
Less: Securitised loan balances (housing)	(1,087)	(525)	(103)	(123)	955.3
Loans, advances and other receivables	22,808	22,417	21,319	20,162	7.0
Gross banking loans, advances and other receivables	22,317	22,041	21,085	19,938	5.8
Geographical breakdown - total lending					
Queensland	16,113	15,929	15,059	14,695	7.0
New South Wales	3,634	3,075	2,952	2,835	23.1
Victoria	3,140	2,977	2,725	2,247	15.2
Western Australia	517	585	452	284	14.4
	23,404	22,566	21,188	20,061	10.5

Notes:

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

Disbursements

	Half-Year Ended				
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec 01 %
By segment					
Housing	2,294	2,096	2,343	2,114	(2.1)
Consumer	97	129	77	83	26.0
Business	2,875	2,752	2,211	2,240	30.0
Total	5,266	4,977	4,631	4,437	13.7
Geographical breakdown					
Queensland	3,147	2,999	2,831	2,683	11.2
New South Wales	1,142	839	810	768	41.0
Victoria	772	843	787	792	(1.9)
Western Australia	205	296	203	194	1.0
	5,266	4,977	4,631	4,437	13.7

5.4 Asset growth (continued)

Total loans, including securitised assets, rose by 11.5% to $23.9 billion over the 12 months to December, compared with overall industry credit growth of 11.2%, according to statistics from the Reserve Bank of Australia. Lending growth was strongest in NSW, where disbursements increased by 41% to $1.14 billion, and total assets rose by 23% to $3.63 billion. Asset growth also was strong in Victoria and Western Australia, with interstate assets now accounting for almost a third of the total portfolio.

Commercial Lending
The strongest growth in assets was in the commercial market, where assets increased by 16% to $9.1 billion, due to buoyant property development markets, the strong domestic economy and low interest rates.

The Development Finance portfolio grew by 24% due to strong activity in unit and town house developments, particularly in South East Queensland. Property Investment lending, which is mainly for commercial properties such as shopping centres, factories and office buildings, achieved growth of 11%, driven by strong investment flows into property as a result of the low interest rate environment and volatile equity markets.

Commercial Loans, including Agribusiness, rose by 19.3% to $3.8 billion. Lending for commercial projects has remained strong, especially in Queensland, due to the strength of the commercial sector. Agribusiness lending grew by 13%, despite the drought conditions affecting much of rural Australia. Profitability in the Agribusiness sector remains healthy, underpinned by strong security values.

Leasing Finance grew by 9.5% to $1.68 billion assisted by strong disbursement levels and steady growth in sales of motor cars and trucks, which make up the bulk of the portfolio.

Housing Lending
Housing lending grew by 8.4%, including securitised assets, which was slower than industry growth rates. Suncorp traditionally has been stronger in the owner-occupied and first home buyer segments of the market which have slowed in the past six months. The market was affected by the first home buyers scheme, which pulled activity forward into earlier periods. Much of the activity driving the market has now moved into the investor segment and renovation lending, where Suncorp has had a lower market profile.

Another feature of the market during the past year has been the strong growth of broker written business, which is a sales channel in which the company has a smaller presence. While we have grown sales via intermediaries, the growth is off a small base. We have focused on distribution via proprietary channels in order to maintain margins, rather than aggressively pursuing volume.

Lending through the group's LJ Hooker real estate network was strong, with assets increasing by one-third to approximately $900 million. Lending through the group's proprietary distribution network was stable compared with prior years, but still accounts for more than 75% of home lending assets.

New initiatives are being introduced which are aimed at lifting home lending through a focus on retention and improved service.

5.5 Securitisation of loans

Outstanding securitised assets totalled $1.09 billion at the end of December 2002, up from $525 million at June 2002 because of a $750 million issue completed in August 2002. Further securitisations are planned for the current half and will continue to provide a source of funds for the group.

5.6 Net interest income

Net interest income rose by 7% to $295 million during the half year, with increased lending volumes and a relatively stable interest rate environment the main drivers for the increase.

Net interest margins have held up strongly at 2.37% during the six months to December, compared with 2.33% at June. The margin outcome also compares to the December 2001 mark of 2.38%, which enjoyed a 6 basis point benefit from the use of funds raised to purchase GIO. The funds were held on the Suncorp balance sheet for three months prior to settlement.

The underlying increase in margin was largely due to increases in official interest rates in May and June. Spreads increased to 2.14% from 2.13% at June and 2.11% at December 2001. Higher interest rates also increased the value of the free funds and capital on the balance sheet.

5.7 Bank fee income

Net bank fee income rose by 23% to $65 million compared to the previous December, boosted by a increase in securitisation income from $1.1 million to $8.6 million in the half. Improvements in fee collection, with reductions in waivers and rebates, also generated a significant increase in fee revenues.

5.8 Operating expenses

Operating expenses totalled $189 million, up $18 million. This was largely due to higher business volumes and cost inflation. Approximately $5 million was due to the costs associated with the interstate expansion of the branch network. GIO's 38 branches and Suncorp's 8 branches are being integrated to create 40 new outlets, including 35 Allfinanz stores. More than half of these conversions were completed in the period. Revenue gains from this investment have yet to flow through to the profit and loss account.

5.9 Bad and doubtful debts

	Half-Year Ended				
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Charge for bad and doubtful debts					
General provision for impairment	1	5	-	-	n/a
Specific provision for impairment	25	21	14	21	78.6
	26	26	14	21	85.7

The charge for bad and doubtful debts was $26 million for the half year which was in line with the result for the six months to June 2002 and an increase of $12 million on the unusually low levels of December 2001. The increase was mainly due to a $9 million increase in provisions for a single larger manufacturing loan, which has now been written off.

As a proportion of average loans, advances and other receivables, the bad debt charge amounts to 23.0 basis points, down from 24.1 basis points at June, and well below major bank average of 32 basis points. This confirms the high credit quality of the portfolio and reflects the higher relative proportion of low risk housing loans in the loan book. Home mortgages constitute 55% of assets, excluding securitised loans. The portfolio also has a relatively low exposure to higher risk segments such as credit cards and unsecured personal loans.

Overall credit quality remains sound, with gross impaired assets falling 10% to $146 million, compared with $162 million at December 2001. Impaired assets as a percentage of gross loans and receivables reduced to 0.65%.

5.10 Impaired assets

	Half-Year Ended				
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Gross balances of non-accrual loans					
with specific provisions set aside	45	76	66	80	(31.8)
without specific provisions set aside	101	50	96	49	5.2
Gross impaired assets	146	126	162	129	(9.9)
Interest reserved	(13)	(16)	(17)	(15)	(23.5)
Net balances	133	110	145	114	(8.3)
Specific provision for impairment	(16)	(27)	(24)	(33)	(33.3)
Net impaired assets	117	83	121	81	(3.3)
Details of size of gross impaired assets					
Less than one million	48	40	50	48	(4.0)
Greater than one million but less than ten million	98	58	74	70	32.4
Greater than ten million	-	28	38	11	(100.0)
	146	126	162	129	(9.9)
Past due loans not shown as impaired assets					
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the statement of operating profit. The value of past due loans is	96	104	91	99	5.5
Interest income forgone on impaired assets					
Net interest charged but not recognised as revenue in the statement of operating profit during the half-year was	6	7	7	7	(14.3)
Interest income on impaired assets recognised in the statement of operating profit					
Net interest charged and recognised as revenue in the statement of operating profit during the half-year was	3	4	4	3	(25.0)
Analysis of movements in impaired assets					
Balance at the beginning of the half-year	126	162	129	130	(2.3)
Recognition of new impaired assets and increases in previously recognised impaired assets	72	18	77	25	(6.5)
Impaired assets written off during the half-year	(40)	(21)	(25)	(19)	60.0
Impaired assets which have been restated as performing assets	(12)	(33)	(19)	(7)	(36.8)
Balance at the end of the half-year	146	126	162	129	(9.9)
Gross impaired assets as a percentage of gross loans, advances and other receivables (%)	0.65	0.57	0.77	0.65	(15.4)
Gross non-performing loans as a percentage of gross loans, advances and other receivables (%)	1.08	1.04	1.20	1.14	(10.0)

5.11 Provision for impairment

	Half-Year Ended				
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
General provision					
Balance at the beginning of the period	97	92	92	92	5.4
Charge against statement of operating profit	1	5	-	-	n/a
Balance at the end of the period	98	97	92	92	6.5
Specific provision					
Balance at the beginning of the period	27	24	33	31	(18.2)
Charge against statement of operating profit					
new and increased provisions	28	30	21	25	33.3
write back of provisions no longer required	(3)	(9)	(7)	(4)	(57.1)
Net bad debts written-off	(36)	(18)	(23)	(19)	56.5
Balance at the end of the period	16	27	24	33	(33.3)
Total provision for impairment - banking activities	114	124	116	125	(1.7)

	Dec-02 %	Jun-02 %	Dec-01 %	Jun-01 %
Provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
specific provision	12.0	24.5	16.6	29.0
total provision	85.7	112.7	80.0	109.7
General provision for impairment expressed as a percentage of risk weighted assets, including off balance sheet positions	0.58	0.58	0.56	0.59

Overall provisioning levels remain prudent considering the makeup of the portfolio, the strong security position of the company and low loss history. The general provision, at $98 million, is equivalent to 0.58% of risk weighted assets, in line with prior periods. However, unlike the major banks, the general provision is only partially tax-effected. If the provision were fully tax effected, the provision would increase by $13 million to approximately $111 million, which would be equal to 0.69% of risk weighted assets.

The specific provision reduced to $16 million during the period, due to write-offs being higher than new provisions.

Total provisions are equivalent to 86% of gross impaired assets less interest reserved, again reflecting the relatively strong quality of impaired assets, with high levels of security underpinning the portfolio.

5.12 Average banking assets and liabilities

	Half-Year Ended 31 December 2002			Half-Year Ended 30 June 2002		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
ASSETS						
Interest earning assets						
Trading securities	1,953	48	4.88	1,662	36	4.37
Gross loans, advances and other receivables	22,275	770	6.86	21,597	705	6.58
Other interest earning assets	492	11	4.44	359	7	3.93
Total interest earning assets	24,720	829	6.65	23,618	748	6.39
Non-interest earning assets						
Provision for impairment	(127)			(117)		
Property, plant and equipment	200			173		
Other financial assets	2,326			2,259		
Total non-interest earning assets	2,399			2,315		
TOTAL ASSETS	27,119			25,933		
LIABILITIES						
Interest bearing liabilities						
Deposits and short term borrowings	19,895	437	4.36	18,348	372	4.09
Bonds, notes and long term borrowings	3,108	79	5.04	3,616	85	4.74
Subordinated notes (1)	493	18	7.24	528	18	6.87
Total interest bearing liabilities	23,496	534	4.51	22,492	475	4.26
Non-interest bearing liabilities						
Other liabilities	610			481		
Total non-interest bearing liabilities	610			481		
TOTAL LIABILITIES	24,106			22,973		
NET ASSETS	3,013			2,960		
Analysis of interest margin and spread						
Interest earning assets	24,720	829	6.65	23,618	748	6.39
Interest bearing liabilities	23,496	534	4.51	22,492	475	4.26
Net interest spread			2.14			2.13
Net interest margin	24,720	295	2.37	23,618	273	2.33

Notes:

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

5.12 Average banking assets and liabilities (continued)

	Half-Year Ended 31 December 2001			Half-Year Ended 30 June 2001		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
ASSETS						
Interest earning assets						
Trading securities	1,716	41	4.74	1,332	36	5.45
Gross loans, advances and other receivables	20,812	728	6.93	19,444	732	7.59
Other interest earning assets	570	14	4.87	496	14	5.69
Total interest earning assets	23,098	783	6.72	21,272	782	7.41
Non-interest earning assets						
Provision for impairment	(121)			(126)		
Property, plant and equipment	162			135		
Other financial assets	1,796			1,149		
Total non-interest earning assets	1,837			1,158		
TOTAL ASSETS	24,935			22,430		
LIABILITIES						
Interest bearing liabilities						
Deposits and short term borrowings	18,317	412	4.45	15,965	400	5.05
Bonds, notes and long term borrowings	2,860	74	5.13	3,608	106	5.92
Subordinated notes (1)	533	20	7.44	535	21	7.92
Total interest bearing liabilities	21,710	506	4.61	20,108	527	5.29
Non-interest bearing liabilities						
Other liabilities	630			548		
Total non-interest bearing liabilities	630			548		
TOTAL LIABILITIES	22,340			20,656		
NET ASSETS	2,595			1,774		
Analysis of interest margin and spread						
Interest earning assets	23,098	783	6.72	21,272	782	7.41
Interest bearing liabilities	21,710	506	4.61	20,108	527	5.29
Net interest spread			2.11			2.12
Net interest margin	23,098	277	2.38	21,272	255	2.41

Interest spreads and net interest average margins may be analysed as follows:

	Half-Year Ended			
	Dec-02 %	Jun-02 %	Dec-01 %	Jun-01 %
Gross interest spread	2.18	2.16	2.14	2.18
Interest (foregone)/recovered on impaired assets	(0.04)	(0.03)	(0.03)	(0.06)
Net interest spread	2.14	2.13	2.11	2.12
Interest attributable to net non-interest bearing assets	0.23	0.20	0.27	0.29
Net interest margin	2.37	2.33	2.38	2.41

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

5.13 Changes in net interest income: Volume and rate analysis

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

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

	Dec 01 v Jun 01 Changes due to:			Jun 01 v Dec 00 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	10	(5)	5	4	(7)	(3)
Gross loans, advances and other receivables	51	(55)	(4)	30	(57)	(27)
Other interest earning assets [1]	1	(1)	-	6	1	7
Change in interest income	62	(61)	1	40	(63)	(23)
Interest bearing liabilities						
Deposits and short term borrowings	56	(45)	11	26	(37)	(11)
Bonds, notes and long term borrowings	(21)	(10)	(31)	4	(11)	(7)
Subordinated notes	-	(1)	(1)	-	(1)	(1)
Change in interest expense	35	(56)	(21)	30	(49)	(19)
Change in net interest income	27	(5)	22	10	(14)	(4)

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

5.14 Credit risk concentration

Industry exposures associated with each asset class are detailed with respect to the banking assets of the consolidated entity (excluding intergroup funding of $605m, June 2002 $500 million, December 2001 $350 million). Contingent liabilities represent credit commitments and guarantees.

Risk concentrations by asset class as at 31 December 2002 are as follows:

	Trading Securities $m	Investment Securities $m	Total Lending $m	Contingent Liabilities $m	Derivative Instruments $m	Total $m
Agribusiness	-	-	1,994	17	-	2,011
Construction and development	-	-	1,773	-	-	1,773
Financial services	2,057	2,068	157	21	495	4,798
Hospitality	-	-	605	-	-	605
Manufacturing	-	-	357	-	-	357
Professional services	-	-	569	-	-	569
Property investment	-	-	2,516	-	-	2,516
Real estate - mortgage	-	-	13,686	762	-	14,448
Personal	-	-	504	-	-	504
Government and public authorities	-	-	2	-	-	2
Other commercial and industrial	-	-	1,241	115	20	1,376
	2,057	2,068	23,404	915	515	28,959
Receivables due from other financial institutions						17
Less securitised balances						(1,087)
Total gross credit risk						27,889

Risk concentrations by asset class as at 30 June 2002 are as follows:

	Trading Securities $m	Investment Securities $m	Total Lending $m	Contingent Liabilities $m	Derivative Instruments $m	Total $m
Agribusiness	-	-	1,926	-	-	1,926
Construction and development	-	-	1,609	134	-	1,743
Financial services	1,358	2,067	154	-	541	4,120
Hospitality	-	-	581	-	-	581
Manufacturing	-	-	387	-	-	387
Professional services	-	-	565	-	-	565
Property investment	-	-	2,401	-	-	2,401
Real estate - mortgage	-	-	13,190	575	-	13,765
Personal	-	-	514	6	-	520
Government and public authorities	140	-	2	-	-	142
Other commercial and industrial	-	-	1,237	160	17	1,414
	1,498	2,067	22,566	875	558	27,564
Receivables due from other financial institutions						57
Less securitised balances						(525)
Total gross credit risk						27,096

5.14 Credit risk concentration (continued)

Risk concentrations by asset class as at 31 December 2001 are as follows:

	Trading Securities $m	Investment Securities $m	Total Lending $m	Contingent Liabilities $m	Derivative Instruments $m	Total $m
Agribusiness	-	-	1,824	-	-	1,824
Construction and development	-	-	1,424	668	-	2,092
Financial services	1,408	2,067	178	5	827	4,485
Hospitality	-	-	555	-	-	555
Manufacturing	-	-	374	-	-	374
Professional services	-	-	752	-	-	752
Property investment	-	-	2,225	-	-	2,225
Real estate - mortgage	-	-	12,458	644	-	13,102
Personal	-	-	490	-	-	490
Government and public authorities	295	-	2	21	-	318
Other commercial and industrial	-	-	906	149	10	1,065
	1,703	2,067	21,188	1,487	837	27,282
Receivables due from other financial institutions						9
Less securitised balances						(103)
Total gross credit risk						27,188

5.14 Credit risk concentration (continued)

Impaired asset concentrations by asset class as at 31 December 2002 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m	Recoveries $m	Net write-off $m
Agribusiness	1,994	76	7	-	-	-
Construction and development	1,773	10	1	-	2	(2)
Financial services	157	-	-	-	-	-
Hospitality	605	13	1	1	-	1
Manufacturing	357	7	-	25	-	25
Professional services	569	6	1	-	-	-
Property investment	2,516	18	2	-	-	-
Real estate mortgage	13,686	3	1	2	-	2
Personal	504	-	1	10	1	9
Government and public authorities	2	-	-	-	-	-
Other commercial and industrial	1,241	13	2	2	1	1
	23,404	146	16	40	4	36

Impaired asset concentrations by asset class as at 30 June 2002 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m	Recoveries $m	Net write-off $m
Agribusiness	1,926	47	2	1	-	1
Construction and development	1,609	7	1	2	-	2
Financial services	154	-	-	-	-	-
Hospitality	581	6	1	3	2	1
Manufacturing	387	35	16	4	-	4
Professional services	565	3	1	7	-	7
Property investment	2,401	17	2	3	-	3
Real estate mortgage	13,190	4	2	3	-	3
Personal	514	-	1	17	2	15
Government and public authorities	2	-	-	-	-	-
Other commercial and industrial	1,237	7	1	6	1	5
	22,566	126	27	46	5	41

Impaired asset concentrations by asset class as at 31 December 2001 are as follows:

	Total Lending $M	Impaired Assets $M	Specific Provision $M	Write-offs $M	Recoveries $M	Net write-off $M
Agribusiness	1,824	43	2	1	-	1
Construction and development	1,424	13	2	1	-	1
Financial services	178	-	-	-	-	-
Hospitality	555	9	3	-	-	-
Manufacturing	374	34	2	3	-	3
Professional services	752	4	1	5	-	5
Property investment	2,225	31	4	1	-	1
Real estate mortgage	12,458	5	2	1	-	1
Personal	490	-	2	8	1	7
Government and public authorities	2	-	-	-	-	-
Other commercial and industrial	906	23	6	5	1	4
	21,188	162	24	25	2	23

5.15 Funding

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Deposits and short term borrowings unsecured					
Call deposits	6,456	5,960	5,509	5,084	17.2
Term deposits	5,420	5,166	4,938	4,544	9.8
Short term securities issued	4,317	4,286	4,942	5,329	(12.6)
Euro commercial paper	2,159	1,375	639	527	237.9
Long term securities issued maturing within 12 months	2,519	2,052	2,206	1,773	14.2
Total deposits and short term borrowings	20,871	18,839	18,234	17,257	14.5
Bonds, notes and long term borrowings					
Secured					
Long term securities issued	-	-	2	-	(100.0)
Unsecured					
Long term securities issued					
Domestic	1,016	1,081	1,324	1,085	(23.3)
Offshore	1,757	2,871	2,326	1,945	(24.5)
	2,773	3,952	3,650	3,030	(24.0)
Total bonds, notes and long term borrowings	2,773	3,952	3,652	3,030	(24.1)
Total funding	23,644	22,791	21,886	20,287	8.0
Represented by:					
Retail	12,614	11,719	10,837	10,125	16.4
Wholesale	11,030	11,072	11,049	10,162	(0.2)
Total	23,644	22,791	21,886	20,287	8.0

Total funding increased by 8.0% to $23.6 billion, with retail funding rising by 16.4% to $12.6 billion and wholesale funding steady at $11.0 billion.

Financial market uncertainty has led customers to prefer bank deposits, contributing to an inflow of funds, particularly into management accounts and term deposits. Significant growth continued within the business deposit market due to product and promotional initiatives.

A $750 million mortgage securitisation which took place in August 2002 curtailed the requirement for wholesale funding.

5.16 Capital adequacy

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m
CONSOLIDATED BANKING CAPITAL				
Tier 1				
Share capital	2,805	2,777	2,760	1,585
Converting capital notes	-	-	-	558
Preconversion reserve	13	13	13	13
Retained profits	193	200	170	137
Less intangibles	(23)	(25)	(35)	(35)
Less intangible component of investment in non-banking subsidiaries	(1,204)	(1,203)	(1,191)	(166)
Less net future income tax benefit	(8)	-	-	-
Total tier 1 capital	1,776	1,762	1,717	2,092
Tier 2				
Asset revaluation reserve	8	8	8	8
General provision for doubtful debts	82	84	81	80
Subordinated notes	509	622	625	365
Perpetual subordinated notes	170	170	170	170
Total tier 2 capital	769	884	884	623
Tier 1 plus tier 2 capital	2,545	2,646	2,601	2,715
Less investments in non-banking subsidiaries (net of intangible component deducted from Tier 1)	(859)	(859)	(871)	(511)
Less guarantees and facilities to non-banking subsidiaries	(10)	(10)	(10)	(10)
Capital base	1,676	1,777	1,720	2,194

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m
RECONCILIATION OF DEDUCTION FOR INVESTMENTS IN SUBSIDIARIES				
Investment securities - Assets and liabilities - Banking (page 15)	2,068	2,067	2,067	682
Less intangible component deducted from Tier 1 capital - non-banking subsidiaries	(1,204)	(1,203)	(1,191)	(166)
Less non-subsidiary investment securities	(5)	(5)	(5)	(5)
Deduction from total capital for investment in subsidiaries	859	859	871	511

In accordance with APRA capital adequacy requirements, the consolidated banking position includes only those subsidiaries involved in the conduct of the banking operations. The book value of the investment in non-banking subsidiaries is required to be deducted from total capital, except for the goodwill component of the investment that must be deducted from Tier 1 capital.

Reconciliation of banking retained earnings for capital adequacy

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m
Retained earnings banking by half-year				
Retained earnings opening for the half-year	200	170	137	152
Opening retained profit adjustments	151	(7)	(12)	4
Add banking profit after tax for the half-year	109	109	115	101
Less dividend expense/accrual	(296)	(158)	(140)	(103)
Less capital notes distribution net of tax	-	-	-	(17)
Add dividends from non-banking subsidiaries	29	86	70	-
Retained earnings closing for the half-year	193	200	170	137

5.16 Capital adequacy (continued)

RISK WEIGHTED ASSETS AND OFF BALANCE SHEET POSITIONS

	Carrying Value		Risk	Risk Weighted Balance			
	Dec-02	Jun-02	Weights	Dec-02	Jun-02	Dec-01	Jun-01
	$m	$m	%	$m	$m	$m	$m
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	159	113	0%	-	-	-	-
Claims on banks and local governments	40	591	20%	8	118	9	25
Loans secured against residential housing	12,720	13,041	50%	6,360	6,521	6,350	5,843
All other assets	9,592	9,211	100%	9,592	9,211	8,555	8,468
Total banking assets (1)	22,511	22,956		15,960	15,850	14,914	14,336

	Notional Amount	Credit Equivalent	Risk	Risk Weighted Balance			
	Dec-02	Dec-02	Weights	Dec-02	Jun-02	Dec-01	Jun-01
	$m			$m	$m	$m	$m
Off balance sheet positions							
Guarantees entered into in the normal course of business	132	65	20-100%	65	64	61	78
Commitments to provide loans and advances	3,838	849	0-100%	563	638	1,123	976
Capital commitments	-	-	100%	-	-	1	1
Foreign exchange contracts	8,556	385	20-50%	78	98	156	163
Interest rate contracts	11,914	130	20-50%	37	22	18	16
Total off balance sheet positions	24,440	1,429		743	822	1,359	1,234
Market risk capital charge				131	107	91	91
Total risk weighted assets				15,960	15,850	14,914	14,336
Total assessed risk				16,834	16,779	16,364	15,661
Risk weighted capital ratios				%	%	%	%
Tier 1				10.6	10.5	10.5	13.4
Tier 2				4.6	5.3	5.4	4.0
Deductions				(5.2)	(5.2)	(5.4)	(3.4)
				10.0	10.6	10.5	14.0

Notes:

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

The capital position of the bank does not include any allowance for interim dividends that may be declared by the general insurance companies (SMIL) in relation to the first half.

A new accounting standard does not allow dividends to be provided until they are declared. As a consequence, the bank cannot recognise income from dividends expected from SMIL until they are declared by SMIL. On the other hand, APRA requires dividends expected to be paid by the bank to be deducted from capital for capital adequacy purposes.

Subsequent to 31 December 2002, the directors of SMIL have declared a dividend of $70 million. Had that dividend receivable been recognised by SML at 31 December 2002, the capital adequacy ratio would have been 10.4%.

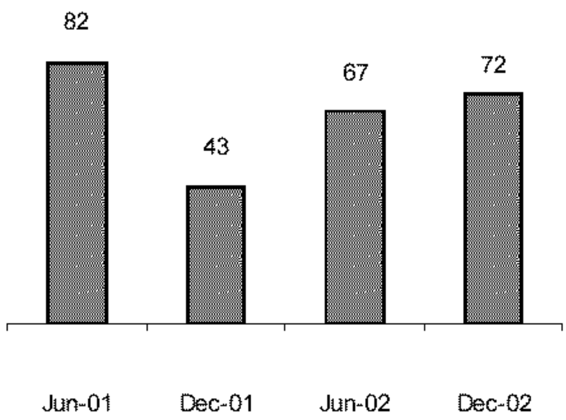
6 SEGMENT INFORMATION – GENERAL INSURANCE

- The General Insurance division achieved a strong 67% increase in pre-tax profit to $72 million from the prior corresponding period.
- The result was driven by the benefits of the GIO integration and significant increases in premium revenue.
- These factors contributed to a 90.5% increase in the insurance trading result to $80 million, equivalent to 8% of net premium.
- A feature of the result was a strong improvement in the expense ratio to 22.1%, from 24.4% at December 2001, and 25.4% at June 2002, as a result of the gains being made integrating the GIO operations and realising the benefits of the Transformation program.
- Other income in the General Insurance result increased from $8 million to $18 million. This includes profits from the Managed Schemes business and the group's interests in insurance joint ventures with motoring clubs in Queensland and South Australia.
- The division's operational insurance earnings therefore increased by 96% to $98 million.
- This was reduced by investment returns on shareholders funds, which fell to a loss of $17 million, from a loss of $3 million in the prior corresponding period.

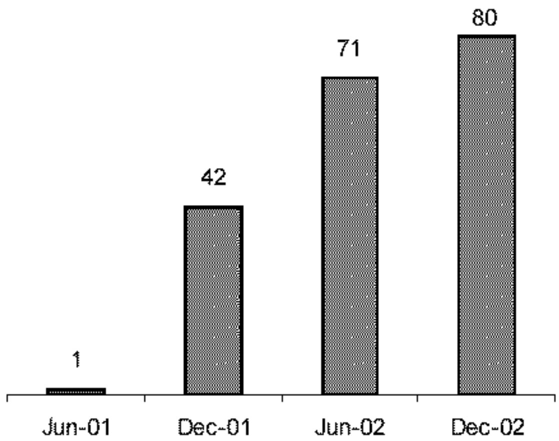
GIO Integration

- The GIO integration process, called Transformation, is progressing according to schedule, with total cumulative synergies and benefits in the general insurance division expected to reach $233 million annually by the completion of the program. (The other $7 million of the total $240 million in Transformation savings are in Banking and Wealth Management.)
- By the end of December 2002, the annualised value of the changes which had been implemented through Transformation in the General Insurance business totalled $199 million.
- This was made up of $30 million in claims, $30 million in revenue and $139 million in expenses.

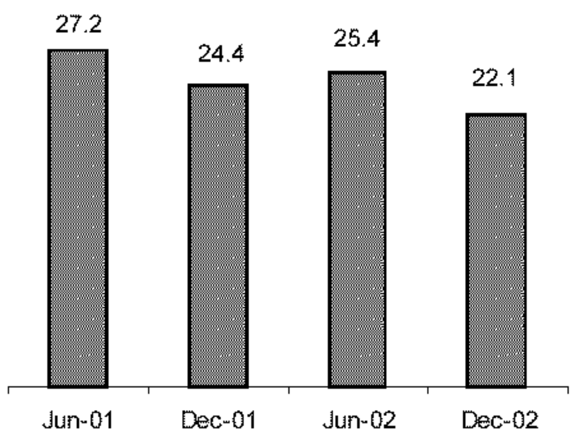
Pre-tax profit (half-year, $m)



Insurance Trading Result (half-year, $m)



Expense ratio (%)

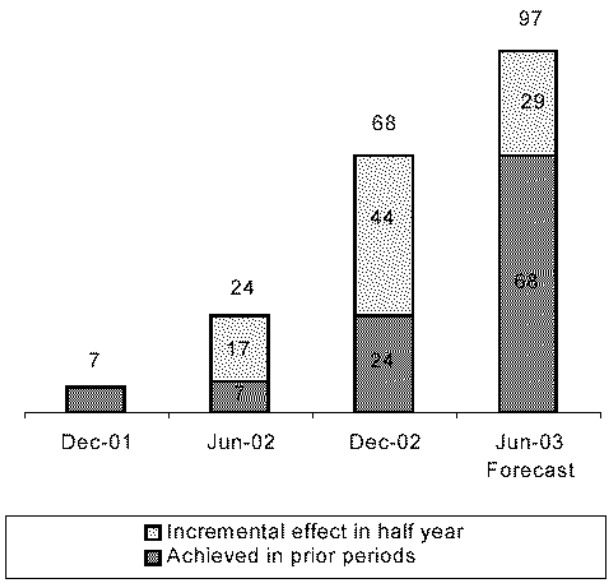


GIO Integration (Continued)

- The following chart shows the incremental profit impact of Transformation initiatives from half year to half year. It shows that Transformation initiatives increased GI profit by $17 million in the June half of 2002, compared to the prior December half and then an incremental $44 million in the December half of 2002, compared with the preceding June half of 2002. These figures are net of implementation costs. Transformation is forecast to deliver an additional $29 million to the profit result in the current half.

P & L Impact of Transformation

(General Insurance division only)



- The following table gives an allocation of the incremental profit impact between revenue, claims and operating expenses as follows:

Transformation initiatives	Dec-02	Jun-02
	$m	$m
Revenue	14	1
Claims	-	5
Expenses	35	20
Benefits	49	26
Implementation expenses	(5)	(9)
Net profit and loss	44	17

6.1 Profit contribution – General Insurance

	Half-Year Ended				
				Exc GIO	
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Net earned premium					
Premium revenue (1)	1,076	1,002	946	400	13.7
Outwards reinsurance expense	(73)	(81)	(70)	(29)	4.3
	1,003	921	876	371	14.5
Net incurred claims					
Claims expense	(976)	(849)	(848)	(437)	15.1
Reinsurance and other recoveries revenue	110	160	128	97	(14.1)
	(866)	(689)	(720)	(340)	20.3
Gross Operating expenses					
Acquisition costs (1)	(122)	(124)	(114)	(38)	7.0
Other underwriting expenses	(108)	(120)	(113)	(66)	(4.4)
	(230)	(244)	(227)	(104)	1.3
Reinsurance commission income	8	10	13	3	(38.5)
Net Operating expenses	(222)	(234)	(214)	(101)	3.7
Underwriting result	(85)	(2)	(58)	(70)	46.6
Investment revenue - insurance provisions					
Interest, dividends, rent, etc	114	92	92	68	23.9
Realised gains/(losses) on investments	24	(26)	7	(10)	242.9
Unrealised gains/(losses) on investments	27	7	1	13	2,600.0
	165	73	100	71	65.0
Insurance trading result	80	71	42	1	90.5
Managed schemes income	63	54	62	-	1.6
Managed schemes expenses	(49)	(56)	(54)	-	(9.3)
Joint venture income	4	5	-	-	n/a
Profit contribution - Total insurance operational earnings	98	74	50	1	96.0
Investment revenue - shareholder funds					
Interest, dividends, rent, etc	21	23	32	23	(34.4)
Realised gains/(losses) on investments	(11)	13	(4)	(13)	175.0
Unrealised gains/(losses) on investments	(30)	(31)	(23)	70	30.4
Other revenue (2)	7	5	1	4	600.0
Other expenses (3)	(4)	(7)	(9)	(3)	(55.6)
	(17)	3	(3)	81	466.7
Contribution to profit from general insurance activities before tax and GIO funding	81	77	47	82	72.3
Subordinated debt expense - GIO acquisition	(9)	(10)	(4)	-	125.0
Contribution to profit before tax from general insurance activities	72	67	43	82	67.4

Notes:
1. Net of certain statutory fees and charges included in income and expenses in the Consolidated Financial Report.
2. Other revenue consists mainly of allocated service fee revenue.
3. Other expenses is primarily made up of investment management expenses.

6.2 Profit contribution (excluding discount rate adjustment)

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

Movements in market interest rates, which are outside the company's control, have a significant effect on the profit and loss accounts.

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

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

To eliminate the impact of these movements, and gain a better understanding of the underlying claims and underwriting performance, we have produced the following table, which removes discount rate effects from claims expense and investment income on claims reserves. This causes an adjustment to the underwriting result, but has no impact on the insurance trading result.

	Half-Year Ended				
				Exc GIO	
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Net earned premium	1,003	921	876	371	14.5
Net incurred claims	(774)	(705)	(696)	(339)	11.2
Operating expenses	(222)	(234)	(214)	(101)	3.7
Underwriting result	7	(18)	(34)	(69)	(120.6)
Investment revenue - insurance provisions	73	89	76	70	(3.9)
Insurance trading result	80	71	42	1	90.5
Managed schemes income	63	54	62	-	1.6
Managed schemes expenses	(49)	(56)	(54)	-	(9.3)
Joint venture income	4	5	-	-	n/a
Profit contribution - Total insurance operational earnings	98	74	50	1	96.0
Investment revenue - shareholder funds	(17)	3	(3)	81	466.7
Contribution to profit from general insurance activities before tax and GIO funding	81	77	47	82	72.3
Subordinated debt expense - GIO acquisition	(9)	(10)	(4)	-	125.0
Contribution to profit before tax from general insurance activities	72	67	43	82	67.4

6.3 General insurance statistics

	Half-Year Ended			
				Exc GIO
	Dec-02 %	Jun-02 %	Dec-01 %	Jun-01 %
Including discount rate adjustment				
Expense ratio (%)	22.1	25.4	24.4	27.2
Loss ratio (%)	86.3	74.8	82.2	91.6
Combined operating ratio (%)	108.4	100.2	106.6	118.8
Insurance trading ratio (%)	8.0	7.7	4.8	0.3
Excluding discount rate adjustment				
Expense ratio (%)	22.1	25.4	24.4	27.2
Loss ratio (%)	77.2	76.5	79.5	91.4
Combined operating ratio (%)	99.3	101.9	103.9	118.6
Insurance trading ratio (%)	8.0	7.7	4.8	0.3

Refer page 47 for ratio definitions. These ratios relate to the group's insurance trading operations and do not include other revenues on the general insurance profit contribution, such as income from Managed Scheme business or the equity accounted contribution from the group's 50% interest in motoring club joint ventures.

6.4 Assets and liabilities – General Insurance

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Exc GIO Jun-01 $m	Dec-02 vs Dec-01 %
Assets					
Cash and liquid assets	424	586	608	101	(30.3)
Investment securities	4,744	4,387	4,405	3,096	7.7
Investments in associates	83	86	80	-	3.8
Receivables	1,038	1,070	923	304	12.5
Property, plant and equipment	6	27	28	-	(78.6)
Deferred tax assets	66	94	104	26	(36.5)
Intangible assets	930	954	973	-	(4.4)
Other financial assets[1]	232	219	243	68	(4.5)
Total assets	7,523	7,423	7,364	3,595	2.2
Liabilities					
Interest bearing liabilities	31	36	35	-	(11.4)
Payables	468	528	527	337	(11.2)
Current income tax liabilities	16	14	17	1	(5.9)
Provisions	49	113	129	70	(62.0)
Deferred tax liabilities	61	87	89	90	(31.5)
Outstanding claims and unearned premium provisions	4,799	4,577	4,453	2,329	7.8
Total liabilities	5,424	5,355	5,250	2,827	3.3
Net assets	2,099	2,068	2,114	768	(0.7)

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

6.5 Profit overview

Net earned premium

Net earned premium increased 15% to $1.0 billion due to a combination of favourable pricing conditions and increased business volumes in some segments.

Business volumes increased by 4.1% in the former Suncorp general insurance business, led by solid growth in personal lines risks in force. GIO business volumes eased by 3%, due partly to adjustments in portfolio mix.

For the general insurance business as a whole, the strongest premium growth was recorded in the commercial insurance segment, which increased revenue by 40% to $215 million. Approximately $30 million of this was due to the delayed transfer of an AMP commercial insurance book acquired as part of the GIO acquisition. While the GIO acquisition took effect from July 2001, the transfer of some commercial business was deferred until October 2001 in order to complete the separation of associated business which AMP was retaining. Premium revenue from this source during this three months was not included in the Suncorp premium revenue for this period.

Commercial premium revenue otherwise increased by $31 million due to substantial increases in rates, and was despite withdrawal from certain segments of the Commercial market.

Workers compensation premium revenues also increased strongly, rising 25% to $74 million. Under the terms of some workers compensation business, premium income can be adjusted retrospectively depending on claims experience outcomes. This led to increases in premium during the period to December 2002.

CTP revenues rose by 11% to $235 million, due to portfolio growth in both NSW and Queensland. CTP premium rates in the Queensland and NSW statutory schemes moved during the period, adjusted in accordance with claims costs and experience. In NSW prices reduced, while in Queensland prices increased.

Revenue in Home insurance increased by 6% to $165 million, while Motor revenues rose by 4% to $295 million.

	Half-Year Ended				
				Exc GIO	
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Net earned premium					
CTP	235	217	212	153	10.8
Home	165	158	156	59	5.8
Motor	295	300	284	90	3.9
Commercial	215	185	154	69	39.6
Workers compensation	74	62	59	-	25.4
Other	19	(1)	11	-	72.7
	1,003	921	876	371	14.5

Reinsurance

Reinsurance expense increased $3 million from the prior corresponding period to $73 million. While reinsurance prices across the industry have increased significantly during the past 12 months, due in part to the impact of the September 11 terrorist attack in New York, Suncorp's reinsurance costs have been contained through the aggregation of the Suncorp and GIO reinsurance programs from July 2002.

In recognition of the combined Group's capital base and the hardening of the reinsurance market, event retentions were increased in July 2002 from previous levels which had been unusually low. The retention level in the group's property catastrophe reinsurance program has been increased to $50 million, while the total cover has been increased to $1.0 billion.

6.5 Profit overview (continued)

Claims expense

Net incurred claims increased by 20% to $866 million, however this was affected by reductions in discount rates which are applied to future claims liabilities to bring them to present value. Discount rates fell by approximately 0.9 percentage points across the portfolio.

The movement in discount rates led to higher outstanding claims valuations and therefore increased claims expense by $92 million. (As stated previously, this is offset by the impact of interest rates on investment returns on technical provisions, and therefore has no effect on the insurance trading profit.) In the prior corresponding period, reductions in discount rates led to a $24 million increase in claims expense.

Removing the impact of discount rate movements, claims expense increased by 11% to $774 million. (See table 6.2 on page 33). This was due to the following three factors:

1) Growth in the portfolio. New business contributed to a 14.5% increase in premium revenue in the period, and this also caused a commensurate increase in claims expense.
2) Claims experience. Overall claims experience during the period was reasonably stable, although there were a number of smaller bushfires and some minor storms during the half year. Claims costs in the current half year to June 2003 will be affected by the recent Canberra bushfires, which gave rise to claims worth an estimated $30 million.
3) Other movements in valuations, actuarial assumptions and claims duration. These led to a net $20 million reduction in claims expense. Inflation rates applied to estimated future claims were unchanged. Included amongst the valuation movements was an increase in provisions for future claims related to dust diseases in a GIO Workers Compensation portfolio which is now being run off.

The combination of these factors caused the loss ratio, excluding discount rate adjustments, to reduce to 77.2% from 79.5% at December 2001, slightly higher than the 76.5% level recorded at June 2002.

Outstanding claims and unearned premium provisions

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Exc GIO Jun-01 $m	Dec-02 vs Dec-01 %
Expected future claims payments					
Undiscounted	4,270	4,241	4,020	2,263	6.2
Present value discounted	(626)	(784)	(629)	(348)	(.5)
Outstanding claims	3,644	3,457	3,391	1,915	7.5
Unearned premiums	1,155	1,120	1,062	414	8.8
Total outstanding claims and unearned premium provisions	4,799	4,577	4,453	2,329	7.8

6.5 Profit overview (continued)

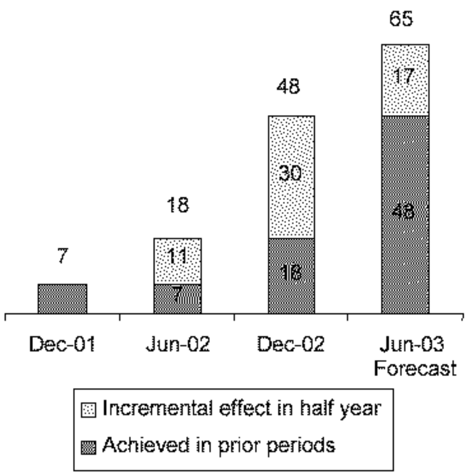
Operating expenses

Operating expenses have remained consistent with prior year and have fallen from the June 2002 half. This is largely due to the Transformation program and other integration benefits, which delivered a $30 million reduction in operating expenses in the period (after implementation costs) compared with the immediately preceding June half. This was on top of an $11 million reduction in the June half over the prior six months to December 2001.

The following chart sets out the incremental impact of Transformation on operating expenses.

Expense savings

Net of implementation costs ($m)



This chart shows a combined $41 million reduction in expenses at December 2002, compared with December 2001. Net operating expenses rose by 3.7% to $222 million.

The containment of the expense line, despite increases in premium revenue, led to a reduction in the expense ratio to 22.1%, compared with 24.4% at the previous December and 25.4% at June.

Underwriting result

The underwriting result based on the statutory accounting reporting format is a loss of $85 million. However, as explained above, this is affected by movements in interest rates. Eliminating the impact of these movements, the underlying underwriting result is a profit of $7 million, which is more indicative of insurance trading performance.

6.6 Investments

Allocation of investments held against:

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Exc GIO Jun-01 $m
Insurance provisions				
Cash and short term deposits	979	1,156	808	447
Fixed interest	2,957	2,540	2,676	1,604
Australian Equities	-	-	195	178
Property	114	-	106	138
Infrastructure	4	-	11	-
	4,054	3,696	3,796	2,367
Shareholder funds				
Cash and short term deposits	205	64	61	-
Fixed interest	-	178	130	-
Australian Equities	806	844	868	714
Property	-	112	84	96
Infrastructure	-	3	7	-
	1,011	1,201	1,150	810

	Dec-02 %	Jun-02 %	Dec-01 %	Exc GIO Jun-01 %
Insurance provisions				
Cash and short term deposits	24%	31%	21%	19%
Fixed interest	73%	69%	71%	68%
Australian Equities	-	-	5%	7%
Property	3%	-	3%	6%
Infrastructure	-	-	-	-
	100%	100%	100%	100%
Shareholder funds				
Cash and short term deposits	15%	5%	5%	-
Fixed interest	-	15%	11%	-
Australian Equities	85%	70%	76%	88%
Property	-	10%	7%	12%
Infrastructure	-	-	1%	-
	100%	100%	100%	100%

Investment income on technical provisions

Investment income on insurance provisions increased by 65% to $165 million due mainly to capital gains arising from movements in interest rates. Realised and unrealised gains on investments totalled $51 million, from $8 million at December 2001. As noted above, the increased investment return on technical provisions offsets the increase in claims expense arising from increases in discount rates. If the impact of movements in interest rates is eliminated, the investment income on technical provisions reduces to $73 million, down 3.9% on the prior corresponding period. The reduction is due to lower than expected active returns on fixed interest securities (negative $10 million).

Insurance Trading Result

The Insurance Trading Result therefore increased by 90.5% to $80 million, equivalent to an insurance trading margin of 8.0%.

Other income

The Managed Scheme contribution includes non-underwritten workers compensation business and the Self Insurance Solutions business, in which we manage self-insurance schemes for other organisations. Contribution from this area increased from $8 million to $14 million.

6.6 Investments (continued)

Other income (Continued)

Joint venture income is the equity accounted contribution from the group's 50% shares in the RACQ insurance business in Queensland and the RAA insurance businesses in South Australia. The contribution was $4 million in the six months to December 2002. Given the timing of the acquisition, there was no contribution in the prior corresponding period.

Investment Income on Shareholders Funds.

Investment income on shareholder funds returned a loss of $17 million compared with a prior year loss of $3 million. The shareholder fund is 85% invested in Australian equities. Australian equities, as a whole, lost 4.54% during the period, as measured by the ASX 200 benchmark, but Suncorp's equities team managed to achieve a 0.92% active return, reducing the loss to 3.62%.

6.7 Capital/solvency

New system (minimum capital ratio)
Under the prudential standards effective from 1 July 2002, the solvency test has been replaced by a minimum capital requirement (MCR) that is calculated by assessing the risks inherent in the business, which comprise:

- The risk that the provision for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium account is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of assets is diminished (investment risk);
- 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 31 December 2002 the consolidated general insurance business has a strong capital position at 1.5 times the minimum requirement, calculated as follows:

	Dec-02 ($m)	Jun-02 ($m)
APRA capital base	1,368	1,189
Outstanding claims risk capital charge	425	399
Premium liabilities risk capital charge	169	167
Total insurance risk capital charge	594	566
Investment risk capital charge	233	231
Catastrophe risk capital charge	50	50
Total minimum capital requirement	877	847
MCR coverage ratio	156%	140%

Old system (solvency ratio)
The following table sets out the general insurance solvency ratio based on the system in force during previous half-years.

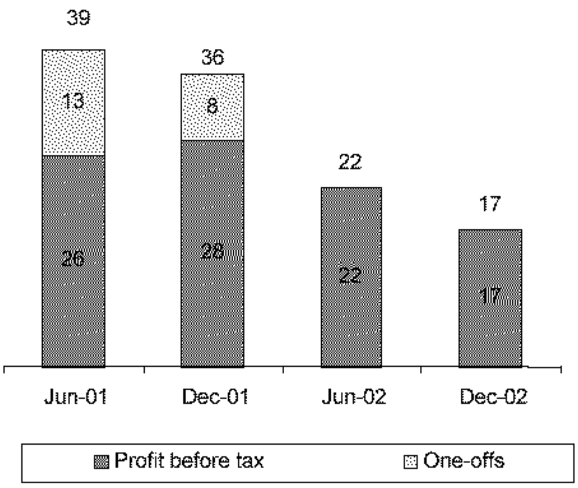
	Dec-02	Jun-02	Dec-01	Exc GIO Jun-01
Adjusted Net Tangible Assets ($m)	1,024	975	989	755
Required Solvency Margin, being 15% of net outstanding claims provisions ($m)	483	479	468	278
Solvency Surplus ($m)	542	496	521	477
Solvency Coverage	2.12	2.04	2.11	2.71

7 SEGMENT INFORMATION – WEALTH MANAGEMENT

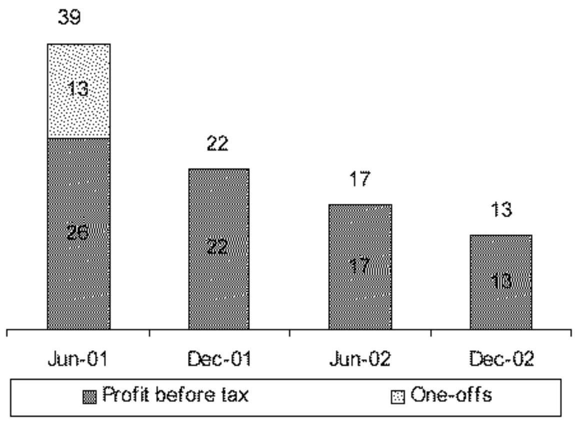
Overview

- The Wealth Management division recorded profit before tax of $17 million in the half year to December 2002, compared with a profit of $36 million in the prior corresponding period.
- The result for December 2001 benefited from a one-off profit of $8 million associated with the sale and restructure of the group's property portfolio.
- Excluding this one-off gain, the $17 million profit for the December half compares with a $28 million profit in the previous December half, and a $22 million profit in the six months to June 2002.
- The reduction in profit for the December 2002 half-year is largely due to weaker investment returns, lower planned profits and a fall in valuation of Life Company subsidiaries (mainly due to the slowdown of fund net inflows).
- Pre-tax profit in December 2001 had benefited from a $3 million revaluation of the inforce book due to changes in actuarial assumptions.
- Total new business sales for the half-year to December 2002 were $327 million, a decline of 5.8% on December 2001. New business sales stabilised between June 2002 ($329 million) and December 2002.
- The slowdown of fund inflows into the funds management business has been evident across the Australian funds management industry following reductions in investment returns on equity markets.
- The Wealth Management division profits can be viewed in two parts: the Life company profits and earnings from Funds Management operations.
- The **Life Company** made a profit before tax of $13 million in the six months to December 2002, compared to $22 million in the previous corresponding period. The reduction in earnings was due to lower expected future profitability of the inforce business and lower investment earnings in the statutory funds.
- **Funds management** recorded a pre-tax profit of $4 million in the six months to December 2002, compared to $14 million in the half year to December 2001. However, the prior December half included the $8 million one-off gain referred to above. Excluding the gain, the $4 million profit in the six months to December 2002 compares with $6 million at December 2001, and $5 million at June 2002.

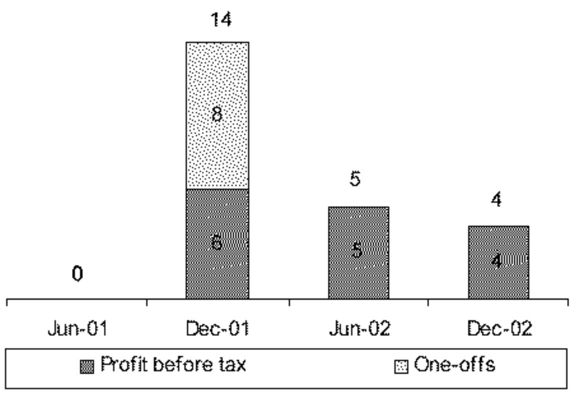
Wealth management operating profit before tax (half-year, $m)



Life Company operating profit before tax (half-year, $m)



Fund management operating profit before tax (half-year, $m)



7.1 Profit overview

Contribution from Wealth Management activities excluding life insurance policy owners' interests

	Half-Year Ended				Dec-02 vs
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-01 %
Planned profit margins	14	15	16	15	(12.5)
Experience profits	-	1	3	2	(100.0)
Investment income on capital and retained earnings (statutory fund)	1	-	1	9	-
Economic entity's interest in earnings of life insurance statutory funds	15	16	20	26	(25.0)
Other revenue[1]	5	8	9	21	(44.4)
Operating expenses	(7)	(7)	(7)	(8)	-
Contribution to profit before tax from activities in the Life Company	13	17	22	39	(40.9)
Fee income funds management	22	23	28	15	(21.4)
Other expenses funds management	(18)	(18)	(14)	(15)	28.6
Contribution to profit before tax from funds management activities	4	5	14	-	(71.4)
Contribution to profit before tax from wealth management activities	17	22	36	39	(52.8)
Individually significant items and changes in accounting policy	-	-	8	13	(100.0)

Notes:

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

Life Company

Planned profits

Planned profits of $14 million in the half year to December 2002 were down by 12.5% compared with the prior December half.

The reduction in planned profits is largely due to lower long-term earnings assumptions and lower investment earnings.

Experience profits

Experience profits were negligible in the year, with favourable claims experience offset by the negative experience on investment earnings and surrender rates. This compares with an experience profit at December 2001 of $3 million following a revaluation in the inforce book of business in that reporting period.

Investment income

Investment income on capital and retained earnings in the statutory funds was steady at $1 million. Investment returns exceeded benchmark returns in most asset classes.

Other revenue

Other revenue consists of earnings generated from shareholder fund investment returns, revaluations of investments in subsidiaries (embedded value) and management fees.

Other revenues declined from $9 million in December 2001 to $5 million in December 2002. The reduction was due to lower investment returns on shareholders funds, and a $3 million fall in embedded value of a subsidiary company.

7.1 Profit overview (continued)

Other revenue (continued)

Shareholder funds invested in financial markets returned negative $0.7 million for the December 2002 half, down $1 million on the previous corresponding period, due to weak investment markets. The majority of funds are invested in equities.

Changes to the market value of Life Company investment subsidiaries must be brought to account under accounting standards. The market value is based on the embedded value, which includes the net assets of the entity and present value of future profits from inforce business. The Life Company has a subsidiary that operates the customer service activities of the retail unit trusts business. Negative investment earnings and an outflow of unit trust business, due to reduced returns in equity markets, resulted in a reduction of the embedded value of $3 million in the half year to December 2002. In the prior corresponding period, the market value increased by $1 million. Combined, the valuation adjustments result in a $4 million lower profit contribution in the half-year to December 2002.

7.2 New business sales Life Company

	Half-Year Ended				Dec-02 vs
	Dec-02	Jun-02	Dec-01	Jun-01	Dec-01
	$m	$m	$m	$m	%
Risk Sales	5	5	6	5	(16.7)
Superannuation, Investment and External Product Sales	322	324	341	341	(5.6)
Total sales new business	327	329	347	346	(5.8)

Total new business sales for the half-year to December 2002 were $327 million, a decline of 5.8% on December 2001. Despite the fall in new business sales in the half-year comparisons, new business sales have stabilised between June 2002 ($329 million) to December 2002.

7.3 Portfolio allocation of investments

Statutory funds

	Dec-02	Jun-02	Dec-01	Jun-01
	%	%	%	%
Equities	37	36	35	35
Interest bearing securities	44	44	43	42
Property	18	19	20	21
Other directly held assets	1	1	2	2
	100	100	100	100

Shareholder fund

	Dec-02	Jun-02	Dec-01	Jun-01
	%	%	%	%
Equities	68	69	76	71
Interest bearing securities	28	28	21	19
Property	4	3	3	10
	100	100	100	100

7.4 Assets and liabilities – Wealth management

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Assets					
Cash and liquid assets	28	78	65	113	(56.9)
Investments relating to life insurance business	3,119	3,162	3,155	2,999	(1.1)
Excess of net market value of interests in subsidiaries over their recognised net amounts	12	16	15	13	(20.0)
Loans, advances and other receivables	56	63	49	47	14.3
Deferred tax assets	2	3	2	-	-
Gross policy liabilities ceded under reinsurance	12	9	13	13	(7.7)
Other assets [1]	12	6	3	1	300.0
Total assets	3,241	3,337	3,302	3,186	(1.8)
Liabilities					
Deposits and short term borrowings	6	9	18	9	(66.7)
Accounts payable and other liabilities	37	38	33	32	12.1
Current income tax liability	2	(11)	-	7	n/a
Provisions	29	4	1	3	2,800.0
Deferred tax liability	25	33	48	52	(47.9)
Life insurance policy liabilities	2,624	2,780	2,704	2,651	(3.0)
Unvested policy holder retained benefits	317	271	302	247	5.0
Total liabilities	3,040	3,124	3,106	3,001	(2.1)
Net assets					
Net assets Life Company	178	193	175	174	1.7
Net assets fund management	23	20	21	11	9.5
Total net assets	201	213	196	185	2.6

Notes:
1. Other assets is primarily made up of Fund Management investments

The above statement of assets and liabilities is in accordance with the requirements of accounting standard AASB 1038 and accordingly includes the policy owners' interests.

The net assets of the shareholder's fund in the Life Company and subsidiaries total $26 million.

7.5 Embedded Value - Life Company

A valuation of the shareholders' interests in the statutory funds, shareholder fund, and subsidiaries was undertaken as at 31 December 2002.

Embedded Value at 31 December 2002

	11.0%	12.0%	13.0%
Discount rate (%)	11.0%	12.0%	13.0%
Shareholder Fund excluding subsidiaries ($m)			
Value of Profits/Net Assets	12	11	11
Value of Imputation Credits at 70% full value	4	4	3
Statutory Funds ($m)			
Value of Profits/Net Assets	248	235	224
Value of Imputation Credits at 70% full value	45	43	40
Subsidiaries ($m)			
Value of Profits/Net Assets	14	14	14
Value of Imputation Credits at 70% full value	3	3	3
Total December 2002 ($m)	326	310	295
Total June 2002 ($m)	375	358	342

7.6 Value of new sales – Life Company

The table below shows the value, to shareholders, of new business written over the 6 months to 31 December 2002 (together with half-year figures). The values are based on:

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

	Half-Year Ended	
	Dec-02 $m	Dec-01 $m
Statutory Fund new business: Present value of MOS profit margins *	6.6	8.5
* discount rates used were between 5% and 11% (2001: between 5% and 11%)		
Unit Trust new business EV *	0.0	0.4
* discount rate used was 12.30% pa (2001: 12.25%)		

7.7 Funds Management – Group Funds under Management

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

Funds Management profit was $4 million at December 2002, compared with $6 million in the prior corresponding period (excluding an $8 million one-off profit for the sale and restructure of property portfolios in the six months to December 2001).

Fee income in the half year to December 2002 increased by $2 million to $22 million (excluding the one-off profit), but expenses relating to funds management activities increased by $4 million to $18 million during the same period. This was partly due to start up expenses associated with the introduction of new funds management products. Expenses have remained stable between June and December 2002.

Funds managed

	Dec-02 $m	Jun-02 $m	Dec-01 $m	Exc GIO Jun-01 $m	Dec-02 vs Dec-01 %
General insurance	4,829	4,645	4,715	2,945	2.4
Life, superannuation and managed investments	3,563	3,687	3,622	3,490	(1.6)
Other managed funds[1]	1,275	1,172	832	779	53.2
	9,667	9,504	9,169	7,214	5.4

7.7 Funds Management – Group Funds under Management (continued)

Funds Under Management	Opening balance Jul-02 $m	Inflows $m	Outflows $m	Investment income $m	Closing balance Dec-02 $m
General Insurance	4,645	1,174	1,136	146	4,829
Statutory Life & Superannuation	3,213	504	614	15	3,118
External Wholesale	1,172	653	520	(30)	1,275
Retail Unit Trusts	474	37	61	(5)	445
Total	9,504	2,368	2,331	126	9,667

Note: Asset switches between sub-funds have not been netted off.

Investment performance

A positive investment return was recorded by the benchmark asset classes of cash, fixed interest and property trusts, while both domestic and international equity classes recorded negative returns, in the six months to December 2002.

Suncorp outperformed its benchmark in all asset classes but for domestic fixed interest.

Note General Insurance shareholder funds do not include any exposure to international equities.

APPENDIX 1 – STATEMENT OF OPERATING PROFIT EXCLUDING LIFE INSURANCE POLICY OWNERS' INTEREST

	Half-Year Ended				
				Exc GIO	
	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m	Dec-02 vs Dec-01 %
Banking interest revenue	821	741	773	769	6.2
Banking interest expense	(526)	(468)	(496)	(514)	6.0
	295	273	277	255	6.5
General insurance premium revenue (1)	1,076	1,002	946	400	13.7
Reinsurance and other recoveries revenue	110	160	128	97	(14.1)
Other revenue (2)	49	69	73	93	(32.9)
Banking fee and commission revenue	97	82	73	66	32.9
Banking fee and commission expense	(32)	(24)	(20)	(17)	60.0
General insurance investment revenue					
- insurance provisions	165	73	100	71	65.0
- managed schemes income	14	(2)	8	-	75.0
- joint venture income	4	5	-	-	n/a
- shareholder funds	(17)	3	(3)	81	466.7
Total income from ordinary activities	1,761	1,641	1,582	1,046	11.3
Claims expense	(976)	(849)	(848)	(437)	15.1
Outwards reinsurance expense	(73)	(81)	(70)	(29)	4.3
Operating expenses from ordinary activities (2)	(433)	(442)	(411)	(300)	5.4
Total expenses from ordinary activities	(1,482)	(1,372)	(1,329)	(766)	11.5
Profit from ordinary activities before bad and doubtful debts expense, GIO funding, amortisation of goodwill and income tax expense	279	269	253	280	10.3
Bad and doubtful debts expense (3)	(27)	(26)	(13)	(22)	107.7
Profit from ordinary activities before GIO funding, amortisation of goodwill and related income tax expense	252	243	240	258	5.0
Subordinated debt expense - GIO acquisition	(9)	(10)	(4)	-	125.0
Profit from ordinary activities before amortisation of goodwill and related income tax expense	243	233	236	258	3.0
Amortisation of goodwill	(30)	(30)	(30)	(5)	-
Profit from ordinary activities before related income tax expense	213	203	206	253	3.4
Income tax expense attributable to profit from ordinary activities	(58)	(46)	(52)	(47)	11.5
Net profit attributable to members of the parent entity	155	157	154	206	0.6

Notes:

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

2. Other revenue is primarily made up of wealth management profit, dividend revenue, property income, trust distributions and royalty income.

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

APPENDIX 2 - RATIO DEFINITIONS

ITEM	DEFINITION
Basic shares	Ordinary shares on issue.
Cash earnings per share	Cash earnings per share adjusts the numerator in earnings per share by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.
Cash return on average shareholders' equity	Cash return on equity adjusts the numerator in return on equity by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the insurance business.
Cost to average total banking assets ratio	Operating expenses of the banking business divided by average total banking assets as shown in the average banking assets and liabilities statement. The ratio is annualised.
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, converting capital notes and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares in the first five years of issue. For the purposes of weighted average shares, excludes options where the exercise price exceeds the market price.
Embedded value	An assessment of the economic value arising out of the current in force business of the company. An embedded value comprises two components being the adjusted net assets and the value of in force business.
Earnings per share	Basic earnings per share is calculated by dividing the earnings of the company for the financial year less dividends on preference shares by the weighted average number of ordinary shares of the company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Calculated in accordance with accounting standard AASB 1027 Earnings per Share.
Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing insurance business. Premium revenue and operating expenses are net of statutory fees and charges included in income and expenses in the Consolidated Financial Report.

APPENDIX 2 – RATIO DEFINITIONS (Continued)

Group efficiency ratio	Operating expenses as a percentage of total operating income excluding General Insurance shareholder funds investment income and excluding the impact of life insurance accounting standard AASB 1038.
Gross banking loans, advances and other receivables	Total lending less securitised loan balances.
Gross non-performing loans	Gross impaired assets plus past due loans.
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Investment and interest earning assets	Comprises receivables due from other financial institutions, trading securities, investment securities and gross banking loans, advances and other receivables.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in the provision for outstanding claims.
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing - basic	Shareholders' equity attributable to members of the Company less preference shares, converting capital notes, and intangibles; divided by ordinary shares at the end of the period.
Net tangible asset backing - diluted	Shareholders equity attributable to members of the Company, plus outstanding options, less intangibles; divided by diluted shares at the end of the period.
Non-interest income as a percentage of average assets	Total income from ordinary banking activities less net interest income divided by average banking assets. Average assets are based on the average banking assets and liabilities. The ratio is annualised.
Non-interest income as a percentage of total income	Total income from ordinary banking activities less net interest income divided by total income from ordinary banking activities.
Payout ratio - basic	Total dividends and distributions which relate to the half-year divided by operating profit after tax.
Operating income	Total income from ordinary activities less general insurance shareholder funds investment income.
Payout ratio - diluted	Diluted shares at the end of the period times ordinary dividend per share for the half-year plus preference share dividends, divided by operating profit after tax.

APPENDIX 2 – RATIO DEFINITIONS (Continued)

Return on average investment and interest earning assets	Operating profit after tax divided by average investment and interest earning assets. Average balances are based on beginning and end of period balances.
Return on average risk weighted assets	Banking operating profit after tax divided by average risk weighted assets. Averages are based on beginning and end of period balances. The ratio is annualised.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of the life insurance standard AASB 1038. Averages are based on beginning and end of period balances.
Return on average shareholders equity - basic	Operating profit after tax less preference dividends and capital note distributions divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares and converting capital notes. Averages are based on beginning and end of period balances.
Return on average shareholders equity - diluted	Operating profit after tax less tax benefit on capital note distribution divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity included preference shares and outstanding options. Averages are based on beginning and end of period balances.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.

APPENDIX 3 – Transformation savings schedules

The Table below sets out the timing and source of synergies and benefits and the implementation costs associated with those changes by half-year.

Transformation timeline
(Annualised value of changes achieved)

	Dec-01	Jun-02	Dec-02	Jun-03	Total
Revenue	0	10	20	5	35
Claims	0	15	15	0	30
Expense	36	50	60	29	175
	36	75	95	34	240
Implementation Costs					
Expensed	-	11	17	20	48
Capitalised in Goodwill	7	43	40	22	112
	7	54	57	42	160

- The following table shows how these savings were spread across the operating divisions of the group in 2002.

Transformation by division
(Annualised value of changes achieved)

	Schedule as at December 2002			Schedule for Total Program		
	GI	Non GI	Total	GI	Non GI	Total
Revenue	30	-	30	35	-	35
Claims	30	-	30	30	-	30
Expense	139	7	146	168	7	175
	199	7	206	233	7	240
Implementation Costs						
Expensed	23	5	28	39	9	48
Capitalised in Goodwill	99	-	99	112	-	112
	122	5	127	151	9	160

- The table below shows the cumulative P&L impact of savings and benefits, allocated between GI and non GI parts of the group.

Transformation by division

(Cumulative impact on P&L)

	Dec 01 Actuals			June 02 Actuals			Dec 02 Actuals			June 03 Forecast		
	GI	Non GI	Total	GI	Non GI	Total	GI	Non GI	Total	GI	Non GI	Total
Revenue	-	-	-	1	-	1	15	-	15	17	-	17
Claims	-	-	-	5	-	5	5	-	5	15	-	15
Expense	7	-	7	27	4	31	62	4	66	81	4	85
Benefits	7	-	7	33	4	37	82	4	86	113	4	117
Implementation	-	-	-	(9)	(2)	(11)	(14)	(3)	(17)	(16)	(4)	(20)
Net P&L	7	-	7	24	2	26	68	1	69	97	-	97

APPENDIX 3 – Transformation savings schedules

- The table below shows the incremental P&L impact of Transformation, by division and by category.

Transformation by division

(Incremental impact on P&L)

	June 02 Actuals			Dec 02 Actuals			June 03 Forecast		
	GI	Non GI	Total	GI	Non GI	Total	GI	Non GI	Total
Revenue	1	-	1	14	-	14	2	-	2
Claims	5	-	5	-	-	-	10	-	10
Expense	20	4	24	35	-	35	19	-	19
Benefits	26	4	30	49	-	49	31	-	31
Implementation	(9)	(2)	(11)	(5)	(1)	(6)	(2)	(1)	(3)
Net P&L	17	2	19	44	(1)	43	29	(1)	28