Suncorp-Metway Ltd

AND CONTROLLED ENTITIES

ABN 66 010 831 722

ANNOUNCEMENT OF

CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2003

Release Date 29 August 2003

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SUNCORP- METWAY LTD

Year End Results 2003

Profit Overview, $M	Year to Jun-03	Year to Jun-02	Change %
Banking	318	293	8.5
General Insurance	233	110	111.8
Wealth Management	41	58	(29.3)
Other	9	8	12.5
Profit before tax and goodwill	**601**	**469**	**28.2**
Goodwill amortisation	62	60	3.3
Tax	155	98	58.2
Net profit	**384**	**311**	**23.5**

- **Net profit** increased 23.5% to $384 million, compared with $311 million in 2002. Half year profit increased by 45.8% to a record $229 million.
- **Underlying profit** before goodwill, tax, one-off gains and investment income on general insurance shareholders funds increased by 26% to $582 million.
- **Earnings** per ordinary share, on a cash basis before goodwill, rose 19% to 82 cents.
- **Return on Equity**, on a cash basis, fully diluted, increased from 11.9% to 12.7%, and reached 14.5% in the second half.
- **Dividend** for the second half increased by one cent to 30 cents per share, taking the annual dividend to 56 cents per share, up two cents.
- **General insurance** pre-tax profit more than doubled to $233 million, driven by GIO integration benefits, solid premium revenue growth and improved investment returns. The Insurance Trading Result increased 85% to $209 million, equal to 10.4% of premium.
- **Banking** pre-tax profit rose 8.5% to $318 million, and profit before bad debts increased 10% to $367 million. The result was driven by increased fee income and continued strong growth in commercial lending, which offset slower housing lending.
- **Wealth Management** pre-tax profit fell 29% to $41 million. Excluding an $8 million one-off gain in the prior year, profit was down 18%. Sales and profit were affected by subdued investment markets.
- **Outlook:**
  Banking – high single digit increase in profit before tax
  General Insurance – ITR of 10-13%
  Wealth Management – High single digit growth in profit before tax
  Group – Underlying profit growth of approximately 15%

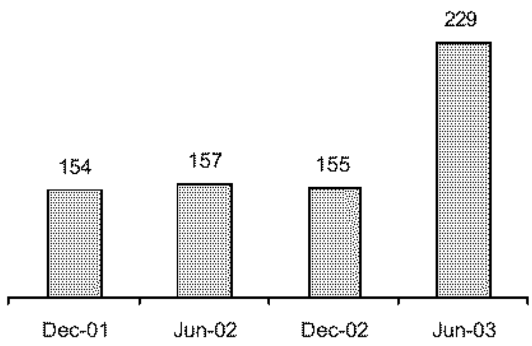
REVIEW OF OPERATIONS

Except where otherwise stated, all figures relate to the year ended 30 June 2003, comparatives are for the year ended 30 June 2002, and life insurance policy owners' interests are excluded.

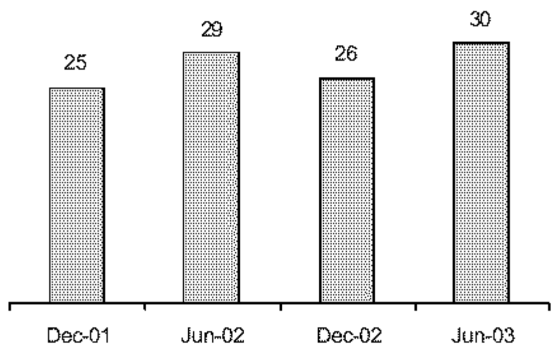
Group Overview

- Suncorp Metway has recorded a 23.5% increase in net profit to $384 million for the year to 30 June 2003. The profit for the six months to June was a record $229 million, up 45.8% on the previous corresponding period.
- Earnings per share on a cash basis, fully diluted, increased by 18.7% to 82.0 cents.
- The final dividend was increased by one cent to 30 cents per share, taking the full year dividend to 56 cents, up 2 cents.
- Return on equity, on a cash basis, fully diluted, increased to 12.7% for the year, and reached 14.5% for the second half.
- The feature of the result was the very strong improvement in earnings in the general insurance division, which more than doubled pre-tax profit to $233 million for the year. This was a record result for the general insurance division.
- The Insurance Trading Result, which is the clearest indicator of performance in the underwritten general insurance business, increased to a strong 10.4% of net earned premium for the year, and reached 12.8% for the second half.
- Banking operations also delivered record results, reporting a solid 8.5% increase in profit for the year to $318 million, and a 20% rise in profit for the second half, to $168 million.
- The Wealth Management division achieved a profit of $41 million for the year, down 29% on the prior year which had benefited from a one-off gain of $8 million.
- Underlying profit for the group, (before tax, goodwill, investment income on general insurance shareholders and one-off gains) increased by 26% to $582 million.
- Although equity markets continue to be subdued, investment income improved compared to the prior year. Investment income on general insurance shareholder funds increased to $11 million, from nil in 2002.
- The profit result included a one-off gain of $16 million before tax from the sale of two property assets in the Brisbane CBD, and a one-off loss of $8 million in the Managed Scheme business. The prior year included a one-off $8 million gain in Wealth Management.
- Income tax expense increased by 58% during the year to $155 million, due to higher income and one off tax benefits recognised in the prior year.
- The Group Efficiency Ratio, which measures operating expenses as a proportion of operating income, improved from 26.5% to 23.9%.

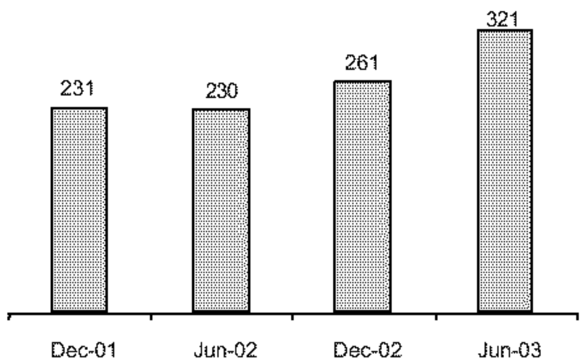
Operating Profit after Tax (half-year, $m)



Dividend (Cents per share)



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

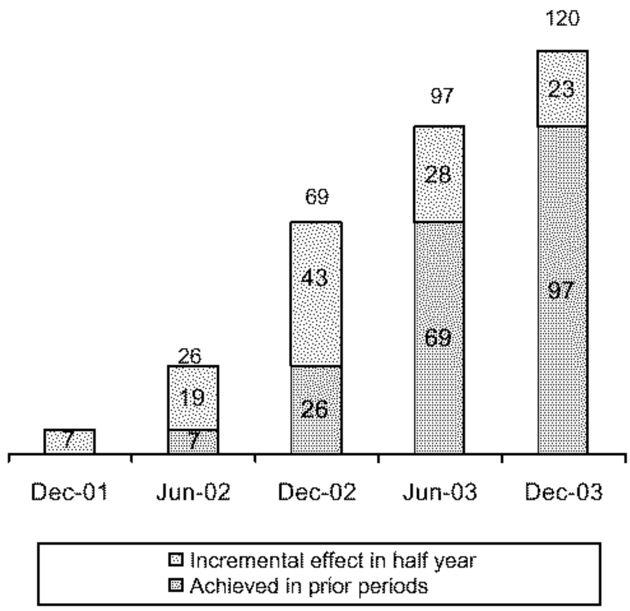


Transformation update

- The operating highlight of the period was the completion of the GIO integration program, called "Transformation". The 18 month program was finalised at the end of June, and delivered savings and benefits worth $240 million annually.

- The profit impact of these savings in the June half was an increase of $97 million before tax compared with the starting point at June 2001.

Transformation Net P & L Benefits (half-year, $m)



- The incremental impact of transformation improvements in the June half, compared to the preceding December half, was $28 million.
- While the full annualised savings target of $240 million had been achieved at June, the timing of implementation of the initiatives means that further benefits worth $23 million will flow to the profit and loss account in the current half.
- Some examples of initiatives implemented in the year to June include:
  - Technology upgrade within some call centres including skills based routing and the installation of Virtual Call Centre technology. The combination of these upgrades in technology and process have produced greater efficiency and improved customer service.
  - On-line invoicing has been introduced to Workers Compensation, making service faster and reducing paper work.
  - A single General Ledger has been installed and is in operation.
  - Insurance Claims have introduced motor parts pricing on-line between Suncorp and repairers, enabling a streamlined process for repairs, customers and Suncorp.

CONTRIBUTION TO PROFIT BY DIVISION FOR THE YEAR ENDED 30 JUNE 2003

EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Full Year Ended		
	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Banking			
Net interest income	592	550	7.6
Net fee income	144	111	29.7
Other revenue[(1)]	11	15	(26.7)
Operating expenses	(380)	(343)	10.8
Bad debts	(49)	(40)	22.5
Contribution before tax	318	293	8.5
General Insurance			
Net earned premium [(2)]	2,012	1,797	12.0
Net incurred claims	(1,651)	(1,409)	17.2
Operating expenses [(2)]	(433)	(448)	(3.3)
Investment income on insurance provisions	281	173	62.4
Insurance trading result	209	113	85.0
Managed schemes net income	7	6	16.7
Joint venture income	9	5	80.0
Investment income on shareholder funds	11	-	n/a
Profit on sale of property	16	-	n/a
Contribution before tax and GIO funding	252	124	103.2
Subordinated debt expense - GIO acquisition funding	(19)	(14)	35.7
Contribution before tax	233	110	111.8
Wealth Management			
Contribution from Life Company	32	39	(17.9)
Contribution from funds management	9	19	(52.6)
Contribution before tax	41	58	(29.3)
Other[(3)]			
Contribution before tax	9	8	12.5
Total contribution before amortisation of goodwill	601	469	28.1
Amortisation of goodwill	(62)	(60)	3.3
Income tax	(155)	(98)	58.2
Total contribution after income tax and amortisation of goodwill	384	311	23.5

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.

CONTRIBUTION TO PROFIT BY DIVISION FOR THE HALF YEAR ENDED 30 JUNE 2003

EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Banking					
Net interest income	297	295	273	277	8.8
Net fee income	79	65	58	53	36.2
Other revenue [1]	6	5	7	8	(14.3)
Operating expenses	(191)	(189)	(172)	(171)	11.1
Bad debts	(23)	(26)	(26)	(14)	(11.5)
Contribution before tax	168	150	140	153	19.9
General Insurance					
Net earned premium [2]	1,009	1,003	921	876	9.6
Net incurred claims	(785)	(866)	(689)	(720)	13.9
Operating expenses [2]	(211)	(222)	(234)	(214)	(9.8)
Investment income on insurance provisions	116	165	73	100	58.9
Insurance trading result	129	80	71	42	81.7
Managed schemes net income	(7)	14	(2)	8	250.0
Joint venture income	5	4	5	-	-
Investment income on shareholder funds	28	(17)	3	(3)	833.3
Profit on sale of property	16	-	-	-	n/a
Contribution before tax and GIO funding	171	81	77	47	122.1
Subordinated debt expense - GIO acquisition funding	(10)	(9)	(10)	(4)	-
Contribution before tax	161	72	67	43	140.3
Wealth Management					
Contribution from Life Company	19	13	17	22	11.8
Contribution from funds management	5	4	5	14	-
Contribution before tax	24	17	22	36	9.1
Other [3]					
Contribution before tax	5	4	4	4	25.0
Total contribution before tax and amortisation of goodwill	358	243	233	236	53.6
Amortisation of goodwill	(32)	(30)	(30)	(30)	6.7
Income tax	(97)	(58)	(46)	(52)	110.9
Total contribution after income tax and amortisation of goodwill	229	155	157	154	45.8

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 which are "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

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Assets					
Cash and liquid assets	841	825	1,134	864	(25.8)
Receivables due from other financial institutions	68	17	57	9	19.3
Trading securities	3,174	2,057	1,498	1,703	111.9
Investment securities	4,804	4,715	4,424	4,363	8.6
Investments in associates	83	83	86	80	(3.5)
Loans, advances and other receivables	24,426	23,142	22,918	21,912	6.6
Property, plant and equipment	217	231	206	197	5.3
Unlisted investment in life insurance statutory funds	156	152	136	139	14.7
Deferred tax assets	165	151	190	171	(13.2)
Intangible assets	1,038	1,071	1,099	1,122	(5.6)
Other financial assets[(1)]	462	548	580	973	(20.3)
Total assets	35,434	32,992	32,328	31,533	9.6
Liabilities					
Deposits and short term borrowings	21,579	20,143	18,167	17,755	18.8
Payables due to other financial institutions	26	16	70	-	(62.9)
Payables	1,242	688	801	987	55.1
Current tax liabilities	134	46	86	26	55.8
Provisions	104	102	326	309	(68.1)
Deferred tax liabilities	115	124	171	182	(32.7)
Outstanding claims and unearned premium provisions	5,062	4,813	4,591	4,468	10.3
Bonds, notes and long term borrowings	2,710	2,773	3,952	3,652	(31.4)
Subordinated notes	815	751	802	806	1.6
Total liabilities	31,787	29,456	28,966	28,185	9.7
Net assets	3,647	3,536	3,362	3,348	8.5
Equity					
Contributed equity	2,831	2,805	2,777	2,760	1.9
Reserves	22	22	22	21	-
Retained profits	787	703	557	561	41.3
Total parent entity interest	3,640	3,530	3,356	3,342	8.5
Outside equity interests	7	6	6	6	16.7
Total equity	3,647	3,536	3,362	3,348	8.5

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
FULL YEAR ENDED JUNE 2003

	Full Year Ended		Jun-03 vs
	Jun-03	Jun-02	Jun-02 %
Financial position			
Investment and interest earning assets ($ million)	31,455	28,020	12.3
Total assets ($ million)	35,434	32,373	9.5
Shareholder summary			
Dividend per ordinary share (cents)	56.0	54.0	3.7
Payout ratio			
Basic (%)	81.3	96.6	(15.8)
Diluted (%)	82.1	96.3	(14.7)
Weighted average number of shares			
Basic (million)	528.0	514.2	2.7
Diluted (million)	528.5	515.5	2.5
Number of shares at end of period			
Basic (million)	530.8	525.3	1.0
Diluted (million)	536.2	531.9	0.8
Net tangible asset backing per share			
Basic ($)	4.44	3.83	15.8
Diluted ($)	4.91	4.34	13.0
Share price at end of period ($)	11.60	12.31	(5.7)
Performance ratios			
Earnings per share			
Basic (cents)	69.8	58.0	20.3
Diluted (cents)	69.8	57.9	20.6
Cash earnings per share			
Basic (cents)	82.1	69.3	18.5
Diluted (cents)	82.0	69.1	18.7
Return on average shareholders' equity			
Basic (%)	11.3	11.4	(0.9)
Diluted (%)	10.8	10.1	6.9
Cash return on average shareholders' equity			
Basic (%)	13.3	13.5	(1.5)
Diluted (%)	12.7	11.9	6.7
Return on average total assets (%)	1.13	1.06	6.6
Return on average investment and interest earning assets (%)	1.29	1.18	9.4
Insurance trading ratio	10.4	6.3	65.1
Productivity			
Group efficiency ratio	23.9	26.5	(9.8)

Refer page 56 for definitions

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GROUP PERFORMANCE SUMMARY - Ratios and statistics
EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS (Continued)
HALF YEAR ENDED JUNE 2003

	Half-Year Ended				Jun-03 vs
	Jun-03	Dec-02	Jun-02	Dec-01	Jun-02 %
Financial position					
Investment and interest earning assets ($ million)	31,455	29,106	28,020	27,160	12.3
Total assets ($ million)	35,434	32,992	32,373	31,541	9.5
Shareholder summary					
Dividend per ordinary share (cents)	30.0	26.0	29.0	25.0	3.4
Payout ratio					
Basic (%)	73.0	93.5	100.9	90.3	(27.7)
Diluted (%)	73.3	94.7	103.0	88.5	(28.8)
Weighted average number of shares					
Basic (million)	529.4	526.6	524.6	503.6	0.9
Diluted (million)	529.9	527.3	525.8	505.2	0.8
Number of shares at end of period					
Basic (million)	530.8	527.9	525.3	523.8	1.0
Diluted (million)	536.2	533.2	531.9	525.4	0.8
Net tangible asset backing per share					
Basic ($)	4.44	4.20	3.83	3.77	15.9
Diluted ($)	4.91	4.67	4.34	4.33	13.0
Share price at end of period ($)	11.60	11.15	12.31	14.01	(5.7)
Performance ratios					
Earnings per share					
Basic (cents)	41.9	27.9	28.3	29.8	48.1
Diluted (cents)	41.8	27.9	28.2	29.7	48.2
Cash earnings per share					
Basic (cents)	47.8	34.2	33.9	35.5	41.0
Diluted (cents)	47.8	34.2	33.8	35.4	41.4
Return on average shareholders' equity					
Basic (%)	13.4	9.1	9.7	11.3	38.1
Diluted (%)	12.8	8.8	9.3	9.9	37.6
Cash return on average shareholders' equity					
Basic (%)	15.3	11.2	11.6	13.4	31.9
Diluted (%)	14.5	10.7	11.0	11.8	31.8
Return on average total assets (%)	1.35	0.94	0.98	1.05	37.8
Return on average investment and interest earning assets (%)	1.53	1.08	1.15	1.18	36.4
Insurance trading ratio	12.8	8.0	7.7	4.8	66.2
Productivity					
Group efficiency ratio	23.4	24.4	27.0	25.9	(13.3)

ONE-OFF ITEMS AND CHANGES IN ACCOUNTING POLICY

	Half-Year Ended			
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
One-off items included in profit from ordinary activities before income tax are:				
Sale of Suncorp Metway Plaza and Trittons Site	16	-	-	-
Restructure of Suncorp Metway Property Funds	-	-	-	8
Write back of previous year's performance fees for Workers' Compensation managed funds following finalisation of performance audits	(8)	-	-	-
Changes in accounting policy included in profit from ordinary activities before income tax are:				
Adoption of revised accounting standard AASB 1028 "Employee Entitlements"	(1)	1	-	-
	7	1	-	8

	Half-Year Ended			
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
The above items affect the following captions in the Statement of Operating Profit:				
Profit on sale of property	16	-	-	8
Managed schemes net income	(8)	-	-	-
Operating expenses from ordinary activities	(1)	1	-	-
	7	1	-	8

During the year the group reviewed various "CBD" occupancy options. As a result the group sold the Suncorp Metway Plaza. It also sold the Trittons site and entered into a development agreement with ABN Amro Australia Limited who will develop the site. The group has entered into an agreement to lease space in the completed building. The net profit on the Trittons development agreement and sale of Suncorp Metway Plaza was $16 million.

Within the Managed Schemes business, an $8 million gain from the prior year was reversed. This was due to base fees and bonus payments in NSW workers compensation business being lower than initially booked, following finalisation of performance audits.

OPERATING EXPENSES

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Staff expenses [1]					
Salaries and wages	201	197	193	171	4.1
Other staff expenses [2]	89	92	90	82	(1.1)
Total staff expenses	290	289	283	253	2.5
Equipment and occupancy expenses					
Depreciation					
Buildings	1	1	1	1	-
Plant, equipment and software	36	30	18	18	100.0
Leasehold improvements	6	6	8	4	(25.0)
Loss on disposal of property, plant and equipment	6	-	1	1	500.0
Operating lease rentals	21	24	19	26	10.5
Other occupancy expenses [3]	8	7	10	8	(20.0)
Total equipment and occupancy expenses	78	68	57	58	36.8
Other					
Hardware, software and data line expenses	23	25	53	37	(56.6)
Advertising and promotion expenses	25	28	24	22	4.2
Office supplies, postage and printing	32	33	45	23	(28.9)
Amortisation of franchise systems	1	-	1	-	-
Other [1], [4], [5]	26	46	34	75	(23.5)
Total other expenses	107	132	157	157	(31.8)
Expenses charged to the Wealth Management Statutory Funds	(30)	(32)	(28)	(32)	7.1
Expenses allocated to claims expense	(18)	(24)	(27)	(25)	(33.3)
Total operating expenses from ordinary activities	427	433	442	411	(3.4)

Notes:

1. Prior to the transfer of service company functions from AMP to Suncorp on 12 October 2001, employee, information technology and other services were 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 shown 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), wealth management expenses and general insurance commissions.
5. Net of certain statutory fees and charges included in income and expenses in the Consolidated Financial Report.

INCOME TAX

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
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	326	213	203	206	60.6
Prima facie income tax expense calculated at 30% (31 December 2002 : 30%, 30 June 2002: 30%, 31 December 2001 : 30%)	98	64	61	62	60.6
Tax effect of permanent differences:					
Non-deductible expenditure	3	2	3	1	-
Non-deductible write-downs	-	-	1	-	(100.0)
Amortisation of goodwill	10	9	9	9	11.1
Non-assessable income	(1)	-	(2)	(3)	(50.0)
Imputation gross up on dividends received	5	-	-	-	n/a
Dividend rebates	-	-	(3)	(6)	(100.0)
Dividend tax credits	(6)	(11)	-	-	n/a
Future income tax benefits not previously brought to account	4	(4)	(15)	(2)	(126.7)
Life and superannuation statutory funds	(8)	(6)	(9)	(2)	(11.1)
Other	(3)	4	3	(4)	(200.0)
Income tax adjusted for permanent differences	102	58	48	55	112.5
Over provision in prior year	(5)	-	(2)	(3)	150.0
Income tax expense	97	58	46	52	110.9

Income tax expense by segment	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Banking	52	41	31	38	67.7
General insurance	41	14	13	7	215.4
Wealth management	2	1	-	6	n/a
Other	2	2	2	1	-
	97	58	46	52	110.9

Income tax expense increased by 58% to $155 million in the year to June. This was equal to an effective tax rate of 26% of profit before goodwill. This was slightly higher than anticipated due to tax exempt dividend income not growing proportionately with the accounting profit. Relative to the prior year, this change in the mix of income has resulted in an approximate increase in income tax expense of 1% - 1.5%. Prior years also benefited from one-off factors which reduced the effective tax rate.

STATEMENT OF CASH FLOWS

EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

	Half-Year Ended				Full Year Ended	
	Jun-03	Dec-02	Jun-02	Dec-01	Jun-03	Jun-02
	$m	$m	$m	$m	$m	$m
Cash flows from operating activities						
Interest received	960	916	826	851	1,876	1,677
Dividends received	15	18	27	31	33	58
Premiums received	1,278	1,227	1,168	918	2,505	2,086
Reinsurance and other recoveries received	66	157	268	92	223	360
Other operating revenue received	264	303	268	330	567	598
Interest paid	(547)	(557)	(475)	(506)	(1,104)	(981)
Outwards reinsurance premiums paid	(85)	(80)	(99)	(80)	(165)	(179)
Claims paid	(911)	(886)	(853)	(862)	(1,797)	(1,715)
Operating expenses paid	(467)	(706)	(513)	(621)	(1,173)	(1,134)
Income taxes paid – operating activities	(36)	(76)	(4)	(51)	(112)	(55)
Net cash inflow from operating activities	537	316	613	102	853	715
Cash flows from investing activities						
(Payments for purchase)/ proceeds from disposal of controlled entities	-	(1)	(58)	(1,275)	(1)	(1,333)
Payments for purchase of investments in associates	-	-	(80)	-	-	(80)
Payments for property, plant and equipment	(60)	(63)	(61)	(30)	(123)	(91)
Net (purchase)/disposal of banking securities	(1,102)	(557)	239	(67)	(1,659)	172
Net increase in loans, advances and other receivables	(1,066)	(337)	(991)	(857)	(1,403)	(1,848)
Purchase of investments integral to insurance activities	(4,435)	(14,678)	(19,136)	(14,645)	(21,536)	(33,781)
Proceeds from disposal of insurance investments	4,194	14,375	18,730	15,130	20,992	33,860
Income taxes paid – investing activities	(29)	(2)	(33)	(9)	(31)	(42)
Net cash (outflow) from investing activities	(2,498)	(1,263)	(1,390)	(1,753)	(3,761)	(3,143)
Cash flows from financing activities						
Proceeds from issue of shares	1	5	-	616	6	616
Proceeds from/(repayment of) subordinated notes	64	(51)	(4)	271	13	267
Net increase in borrowings	2,073	835	1,155	1,442	2,908	2,597
Dividends paid	(120)	(137)	(126)	(151)	(257)	(277)
Net cash inflow from financing activities	2,018	652	1,025	2,178	2,670	3,203
Net increase (decrease) in cash and cash equivalents	57	(295)	248	527	(238)	775
Cash at the beginning of the financial period	826	1,121	873	298	1,121	298
Cash acquired on acquisition of controlled entities	-	-	-	48	-	48
Cash at the end of the financial period	883	826	1,121	873	883	1,121

DIVIDEND

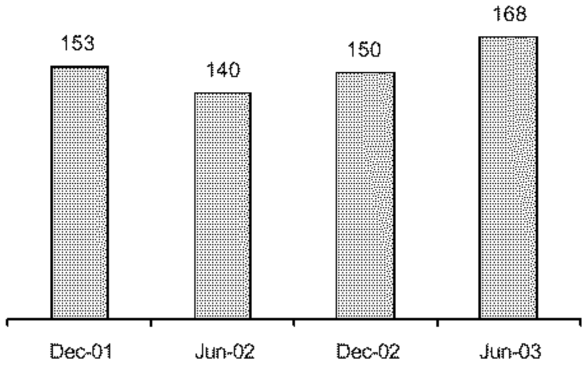
The final dividend of 30 cents per share is fully franked and due to be paid on 3 October 2003. The record date for determining entitlements to the final dividend is 9 September 2003. Shareholders participating in the company's Dividend Reinvestment Plan (DRP) will receive a 2.5% discount to the weighted average price over five days following the record date.

SEGMENT INFORMATION – BANKING

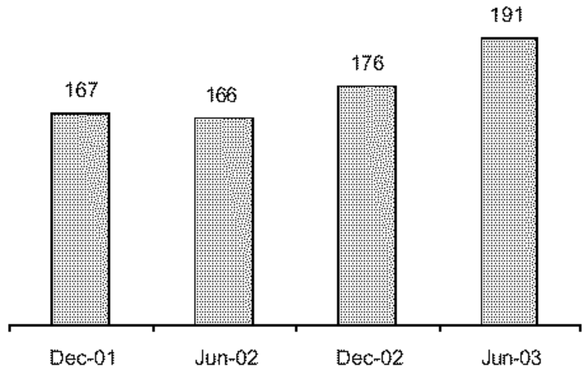
Overview

- The banking division made a pre-tax profit of $318 million for the year to June, up 8.5%.
- Following a 2% reduction in profit in the first half, the division achieved a significant turnaround in performance in the second half of the year, recording a 20% increase in pre-tax profit to $168 million, compared with $140 million in the prior corresponding period.
- Underlying profit, before bad debts, increased by 10% to $367 million for the year, and was up 15% in the second half to $191 million compared to the prior corresponding period.
- The improvement in the full year result was driven by continued steady growth in net interest income and fee revenues. This was partially offset by rising operating costs, particularly in the first half, and an increase in bad debt expenses following unusually low bad debts in the prior year.
- While growth in total lending was slightly slower than the overall industry, it continued at a steady pace for the year. Total lending, including securitised assets, increased 11%, compared with system growth of 12.7%. Commercial lending growth was particularly strong, increasing by 15.4%, compared with 4.6% for the industry. However housing lending growth, at 9.4%, was below the exceptionally strong 21.4% growth rate recorded for the banking system.
- A combination of steady asset growth and stable margins over the full year led to a 7.6% increase in net interest income to $592 million. Securitisations reduced net interest income by $18 million. In the absence of securitisations, the increase in NII would have been 10%.
- Net banking fee and commission income rose 29.7% to $144 million, driven by higher securitisation fees and improved fee collection.
- Banking expenses increased 10.8% to $380 million, however, the bulk of the increase occurred in the first half. Costs in the second half, at $191 million, were in line with the first half figure of $189 million. The cost to income ratio for the year increased slightly to 50.9%, but fell in the second half to 50.0%.
- Asset quality remains sound, with gross impaired assets falling by 20.5% in the second half to $116 million. The bad debt charge increased to $49 million for the year, mainly due to a single corporate default in the first half.

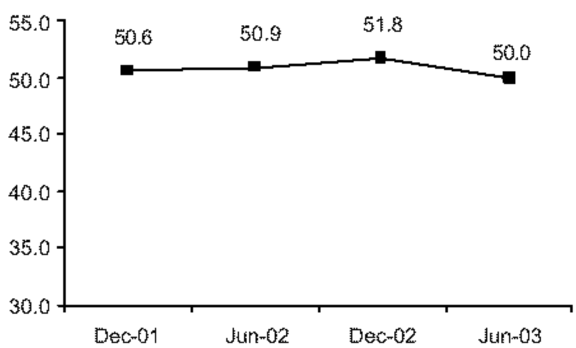
Contribution to Profit (half-year, $m)



Underlying profit (half-year, $m)



Cost to Income Ratio (%)



Profit contribution – Banking

	Half-Year Ended				Full Year Ended		
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Net interest income							
Interest revenue	855	829	748	783	1,684	1,531	10.0
Interest expense	(558)	(534)	(475)	(506)	(1,092)	(981)	11.3
	297	295	273	277	592	550	7.6
Net banking fee income							
Banking fee and commission revenue	105	97	82	73	202	155	30.3
Banking fee and commission expense	(26)	(32)	(24)	(20)	(58)	(44)	31.8
	79	65	58	53	144	111	29.7
Other operating revenue							
Net profits on trading and investment securities	-	-	1	-	-	1	(100.0)
Net profits on derivative and other financial instruments	-	3	2	3	3	5	(40.0)
Other income	6	2	4	5	8	9	(11.1)
	6	5	7	8	11	15	(26.7)
Total income from ordinary banking activities	382	365	338	338	747	676	10.5
Operating expenses							
Staff expenses	(111)	(106)	(100)	(100)	(217)	(200)	8.5
Occupancy expenses	(10)	(10)	(10)	(10)	(20)	(20)	-
Computer and depreciation expenses	(24)	(26)	(23)	(19)	(50)	(42)	19.0
Communication expenses	(17)	(15)	(14)	(15)	(32)	(29)	10.3
Advertising and promotion expenses	(9)	(10)	(9)	(9)	(19)	(18)	5.6
Other operating expenses [1]	(20)	(22)	(16)	(18)	(42)	(34)	23.5
	(191)	(189)	(172)	(171)	(380)	(343)	10.8
Contribution to profit from banking activities before bad and doubtful debts	191	176	166	167	367	333	10.2
Bad and doubtful debts expense	(23)	(26)	(26)	(14)	(49)	(40)	22.5
Contribution to profit before tax from banking activities	168	150	140	153	318	293	8.5

Notes:

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

Assets and liabilities – Banking

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Assets					
Cash and liquid assets	448	441	664	272	(32.5)
Receivables due from other financial institutions	68	17	57	9	19.3
Trading securities	3,174	2,057	1,498	1,703	111.9
Investment securities	2,067	2,068	2,067	2,067	-
Loans, advances and other receivables	23,685	22,808	22,417	21,319	5.7
Property, plant and equipment	215	224	178	168	20.8
Deferred tax assets	100	83	93	67	7.5
Intangible assets	23	23	25	35	(8.0)
Other financial assets[1]	282	276	314	785	(10.2)
Total assets	30,062	27,997	27,313	26,425	10.1
Liabilities					
Deposits and short term borrowings	22,016	20,871	18,839	18,234	16.9
Payables due to other financial institutions	26	16	36	-	(27.8)
Payables	1,055	286	331	503	218.7
Current tax liabilities	75	36	67	14	11.9
Provisions	87	52	210	178	(58.6)
Deferred tax liabilities	55	58	78	82	(29.5)
Bonds, notes and long term borrowings	2,710	2,773	3,952	3,652	(31.4)
Subordinated notes	815	752	802	806	1.6
Total liabilities	26,839	24,844	24,315	23,469	10.4
Net assets	3,223	3,153	2,998	2,956	7.5

Notes:

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

Banking statistics

	Half-Year Ended				Full Year Ended	
	Jun-03	Dec-02	Jun-02	Dec-01	Jun-03	Jun-02
Costs to income ratio (%)	50.0	51.8	50.9	50.6	50.9	50.7
Costs to average total banking assets ratio (%)	1.34	1.38	1.34	1.36	1.36	1.35
Capital adequacy ratio (%)	10.7	10.0	10.6	10.5	10.7	10.6
Return on average risk weighted assets ratio (%)	1.43	1.36	1.43	1.56	1.37	1.48
Net interest margin (%)	2.28	2.37	2.33	2.38	2.32	2.35
Net interest spread (%)	2.07	2.14	2.13	2.11	2.11	2.12
Non-interest income as a percentage of average assets	0.60	0.51	0.51	0.49	0.56	0.50
Non-interest income as a percentage of total income	22.3	19.2	19.2	18.0	20.7	18.6
Return on equity (%)	17.8	19.8	19.5	21.6	18.8	20.5

Refer page 56 for definitions

Asset growth

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Housing loans	14,547	13,724	13,303	12,665	9.4
Consumer receivables	477	504	514	490	(7.2)
Retail loans	15,024	14,228	13,817	13,155	8.7
Commercial loans	2,068	1,843	1,692	1,411	22.2
Development finance	1,475	1,293	1,156	1,043	27.6
Property investment	2,523	2,263	2,214	2,033	14.0
Lease finance	1,774	1,675	1,591	1,529	11.5
Agri business	2,075	1,991	1,940	1,802	7.0
Business loans	9,915	9,065	8,593	7,818	15.4
Structured finance	18	18	25	25	(28.0)
Other receivables[1]	102	93	131	190	(22.1)
Total lending	25,059	23,404	22,566	21,188	11.0
Provision for impairment	(121)	(114)	(124)	(116)	(2.4)
	24,938	23,290	22,442	21,072	11.1
Intragroup receivables	397	605	500	350	(20.6)
Total loans, advances and other receivables including securitised balances	25,335	23,895	22,942	21,422	10.4
Less: Securitised loan balances (housing)	(1,650)	(1,087)	(525)	(103)	214.3
Loans, advances and other receivables	23,685	22,808	22,417	21,319	5.7
Gross banking loans, advances and other receivables	23,409	22,317	22,041	21,085	6.2
Risk weighted assets ($m)	16,829	15,960	15,850	14,914	6.2
Geographical breakdown - total lending					
Queensland	16,146	15,693	15,530	14,699	4.0
New South Wales	4,702	4,054	3,474	3,312	35.3
Victoria	3,553	3,140	2,977	2,725	19.3
Western Australia and South Australia	658	517	585	452	12.5
	25,059	23,404	22,566	21,188	11.0

Notes:

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

Disbursements

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
By segment					
Housing	2,574	2,308	2,118	2,343	21.5
Consumer	78	97	129	77	(39.5)
Business	3,089	2,875	2,752	2,211	12.2
Total	5,741	5,280	4,999	4,631	14.8
Geographical breakdown					
Queensland	3,198	3,096	3,005	2,807	6.4
New South Wales	1,370	1,213	957	834	43.2
Victoria	981	767	862	787	13.8
Western Australia and South Australia	192	204	175	203	9.7
	5,741	5,280	4,999	4,631	14.8

Bank fee income

Net bank fee income rose by 29.7% to $144 million compared to the previous June, boosted by an increase in securitisation income from $4.6 million to $16.1 million. The underlying growth in fee income was approximately 20%. Improvements in fee collection, with reductions in waivers and rebates, generated a significant increase in fee revenues. (It is important to note that bank fee income as reported here does not include general insurance and wealth management fees, which are reported separately within the group results.)

Operating expenses

Operating expenses totalled $380 million, up 10.8% on the prior year. Almost all of this increase in the cost base occurred in the first half, with new controls in place in the second half to contain expense growth. During the second half, operating expenses totalled $191 million, up just $2 million on the first half.

The increase in costs, year on year, was due to generally higher business volumes and the costs of the restructuring and expansion of the interstate branch network. GIO's 38 branches and Suncorp's 8 branches were integrated during the year to create 40 new outlets, including 35 Allfinanz stores.

The cost to income ratio increased marginally to 50.9% for the year, from 50.7% in the prior 12 months. However, in the second half, the ratio reduced to 50.0% from 51.8% in the first half, demonstrating the improved cost performance. The cost to income ratio continues to be better than regional bank peers and in line with our major bank competitors.

Bad and doubtful debts

The charge for bad and doubtful debts was $49 million for the year, compared with $40 million for the prior year. The increase occurred in the first half, when bad debts rose from $14 million to $26 million due mainly to a single larger manufacturing loan, which was written off. In the second half, the bad debt change reduced from $26 million to $23 million.

	Half-Year Ended				Full-Year Ended		
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Charge for bad and doubtful debts							
General provision for impairment	6	1	5	-	7	5	40.0
Specific provision for impairment	8	15	12	7	23	19	21.1
Bad debts written off	11	14	12	9	25	21	19.0
Bad debts recovered	(2)	(4)	(3)	(2)	(6)	(5)	20.0
	23	26	26	14	49	40	22.5

Bad and doubtful debts (continued)

As a proportion of average loans, advances and other receivables, the bad debt charge amounts to just 20 basis points, which is below peer bank averages and demonstrates the high credit quality of the portfolio.

As stated earlier, approximately 58% of total lending is made up of low risk housing loans, and the portfolio has almost no exposure to large corporate lending or unsecured consumer finance. The bulk of lending, including housing, property development, property investment, agribusiness and commercial lending is secured by land and buildings at conservative valuations.

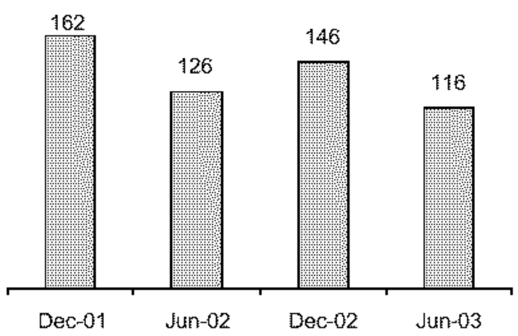
Impaired assets

Overall credit quality remains strong, with gross impaired assets reducing to their lowest level since June 1998. Gross impaired assets at June 2003 were $116 million, down 20.5% on the prior December half, and equal to just 0.5% of gross loans, advances and other receivables. The reduction was mainly due to reinstatement of previously impaired loans as performing assets, as clients worked their way through short-term difficulties and restructured borrowing arrangements.

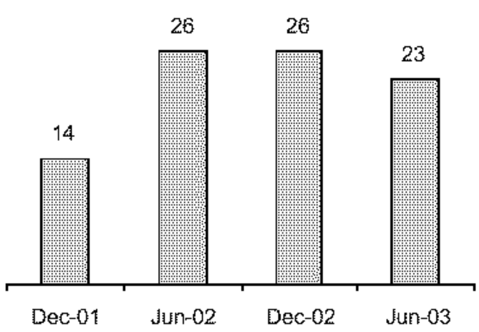
The bulk of impaired assets, $62 million or 53%, are in the agribusiness portfolio, reflecting the impact of drought conditions which are persisting in parts of the country. The figure has fallen from $76 million at December 2002 due to improved circumstances in some regional areas. Importantly, while farmers may encounter short-term cashflow difficulties due to cyclical weather patterns, many of these impaired assets are not resulting in specific provisions. This is because of the high levels of security underpinning the agribusiness portfolio.

Past 90 day due loan balances also fell to $71 million at June, down 26% on the first half, and confirming the strong credit conditions currently prevailing.

Impaired assets (half-year, $m)



Bad and doubtful debts (half-year, $m)



Impaired assets

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Gross balances of non-accrual loans					
with specific provisions set aside	51	45	76	66	(32.9)
without specific provisions set aside	65	101	50	96	30.0
Gross impaired assets	116	146	126	162	(7.9)
Interest reserved	(13)	(13)	(16)	(17)	(18.8)
Net balances	103	133	110	145	(6.4)
Specific provision for impairment	(17)	(16)	(27)	(24)	(37.0)
Net impaired assets	86	117	83	121	3.6
Details of size of gross impaired assets					
Less than one million	38	48	40	50	(5.0)
Greater than one million but less than ten million	78	98	58	74	34.5
Greater than ten million	-	-	28	38	(100.0)
	116	146	126	162	(7.9)
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	71	96	104	91	(31.7)
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	5	7	7	7	(28.6)
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	4	3	4	4	0.0
Analysis of movements in impaired assets					
Balance at the beginning of the half-year	146	126	162	129	(9.9)
Recognition of new impaired assets and increases in previously recognised impaired assets	32	59	18	77	77.8
Impaired assets written off during the half-year	(6)	(28)	(9)	(16)	(33.3)
Impaired assets which have been restated as performing assets	(56)	(11)	(45)	(28)	24.4
Balance at the end of the half-year	116	146	126	162	(7.9)
Gross impaired assets as a percentage of gross loans, advances and other receivables (%)	0.50	0.65	0.57	0.77	(12.5)
Gross non-performing loans as a percentage of gross loans, advances and other receivables (%)	0.80	1.08	1.04	1.20	(23.3)

Impaired assets (continued)

Industry breakdown of impaired assets, specific provisions and write-offs as at 30 June 2003 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	1,921	62	7	2
Construction and development	1,947	7	1	-
Financial services	156	-	-	-
Hospitality	643	14	1	1
Manufacturing	379	3	2	-
Professional services	543	2	1	1
Property investment	2,677	11	3	1
Real estate mortgage	15,028	1	1	-
Personal	477	-	-	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,286	16	1	1
	25,059	116	17	6

Industry breakdown of impaired assets, specific provisions and write-offs as at 31 December 2002 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	1,994	76	7	-
Construction and development	1,773	10	1	-
Financial services	157	-	-	-
Hospitality	605	13	1	1
Manufacturing	357	7	-	25
Professional services	569	6	1	1
Property investment	2,516	18	2	-
Real estate mortgage	13,686	3	1	-
Personal	504	-	1	-
Government and Public Authorities	2	-	-	-
Other commercial and industrial	1,241	13	2	1
	23,404	146	16	28

Impaired assets (continued)

Industry breakdown of impaired assets, specific provisions and write-offs as at 30 June 2002 are as follows:

	Total Lending $m	Impaired Assets $m	Specific Provision $m	Write-offs $m
Agribusiness	1,926	47	2	1
Construction and Development	1,609	7	1	1
Financial services	154	-	-	-
Hospitality	581	6	1	3
Manufacturing	387	35	16	1
Professional Services	565	3	1	1
Property Investment	2,401	17	2	1
Real Estate Mortgage	13,190	4	2	-
Personal	514	-	1	-
Government and Public Authorities	2	-	-	-
Other Commercial and Industrial	1,237	7	1	1
	22,566	126	27	9

Industry breakdown of impaired assets, specific provisions and write-offs as at 31 December 2001 are as follows:

	Total Lending $M	Impaired Assets $M	Specific Provision $M	Write-offs $M
Agribusiness	1,824	43	2	1
Construction and development	1,424	13	2	1
Financial services	178	-	-	-
Hospitality	555	9	3	-
Manufacturing	374	34	2	3
Professional services	752	4	1	4
Property investment	2,225	31	4	1
Real estate mortgage	12,458	5	2	1
Personal	490	-	2	-
Government and public authorities	2	-	-	-
Other commercial and industrial	906	23	6	5
	21,188	162	24	16

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

Provision for impairment

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
General provision					
Balance at the beginning of the period	98	97	92	92	6.5
Charge against statement of operating profit	6	1	5	-	20.0
Balance at the end of the period	104	98	97	92	7.2
Specific provision					
Balance at the beginning of the period	16	27	24	33	(33.3)
Charge against statement of operating profit					
new and increased provisions	9	16	22	12	(59.1)
write back of provisions no longer required	(1)	(1)	(10)	(5)	(90.0)
Bad debts written-off	(7)	(26)	(9)	(16)	(22.2)
Balance at the end of the period	17	16	27	24	(37.0)
Total provision for impairment - banking activities	121	114	124	116	(2.4)

	Jun-03 %	Dec-02 %	Jun-02 %	Dec-01 %
Provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
specific provision	16.5	12.0	24.5	16.6
total provision	117.5	85.7	112.7	80.0
General provision for impairment expressed as a percentage of risk weighted assets, including off balance sheet positions	0.58	0.58	0.58	0.56

Provisioning levels remain prudent considering the makeup of the portfolio, the strong security underpinning lending and low loss history. The general provision was increased by $6 million in the second half, to $104 million, equal to 0.58% of risk weighted assets, in line with prior periods. Unlike major bank competitors, the general provision is only partially tax-effected. If it were fully tax effected, the provision would increase by $15 million to approximately $119 million, which would be equal to 0.66% of risk weighted assets.

The specific provision increased by $1 million to $17 million, which is equal to just 0.07% of gross loans, advances and other receivables, confirming the strong credit quality of the portfolio and high security position.

Total provisions are equivalent to 117.5% of gross impaired assets less interest reserved, giving a prudent level of cover, again reflecting the low loss history and strong quality of impaired assets.

Average banking assets and liabilities

	Half-Year Ended 30 June 2003			Half-Year Ended 31 December 2002		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
ASSETS						
Interest earning assets						
Trading securities	2,752	65	4.76	1,953	48	4.88
Gross loans, advances and other receivables	23,256	783	6.79	22,275	770	6.86
Other interest earning assets	304	7	4.64	492	11	4.44
Total interest earning assets	26,312	855	6.55	24,720	829	6.65
Non-interest earning assets						
Provision for impairment	(115)			(127)		
Property, plant and equipment	223			200		
Other financial assets	2,249			2,326		
Total non-interest earning assets	2,357			2,399		
TOTAL ASSETS	28,669			27,119		
LIABILITIES						
Interest bearing liabilities						
Deposits and short term borrowings	21,690	468	4.35	19,895	437	4.36
Bonds, notes and long term borrowings	2,939	76	5.21	3,108	79	5.04
Subordinated notes (1)	488	14	5.79	493	18	7.24
Total interest bearing liabilities	25,117	558	4.48	23,496	534	4.51
Non-interest bearing liabilities						
Other liabilities	378			610		
Total non-interest bearing liabilities	378			610		
TOTAL LIABILITIES	25,495			24,106		
NET ASSETS	3,174			3,013		
Analysis of interest margin and spread						
Interest earning assets	26,312	855	6.55	24,720	829	6.65
Interest bearing liabilities	25,117	558	4.48	23,496	534	4.51
Net interest spread			2.07			2.14
Net interest margin	26,312	297	2.28	24,720	295	2.37

Notes:

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

Average banking assets and liabilities (continued)

	Half-Year Ended 30 June 2002			Half-Year Ended 31 December 2001		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$m	$m	%	$m	$m	%
ASSETS						
Interest earning assets						
Trading securities	1,662	36	4.37	1,716	41	4.74
Gross loans, advances and other receivables	21,597	705	6.58	20,812	728	6.93
Other interest earning assets	359	7	3.93	570	14	4.87
Total interest earning assets	23,618	748	6.39	23,098	783	6.72
Non-interest earning assets						
Provision for impairment	(117)			(121)		
Property, plant and equipment	173			162		
Other financial assets	2,259			1,796		
Total non-interest earning assets	2,315			1,837		
TOTAL ASSETS	25,933			24,935		
LIABILITIES						
Interest bearing liabilities						
Deposits and short term borrowings	18,348	372	4.09	18,317	412	4.45
Bonds, notes and long term borrowings	3,616	85	4.74	2,860	74	5.13
Subordinated notes (1)	528	18	6.87	533	20	7.44
Total interest bearing liabilities	22,492	475	4.26	21,710	506	4.61
Non-interest bearing liabilities						
Other liabilities	481			630		
Total non-interest bearing liabilities	481			630		
TOTAL LIABILITIES	22,973			22,340		
NET ASSETS	2,960			2,595		
Analysis of interest margin and spread						
Interest earning assets	23,618	748	6.39	23,098	783	6.72
Interest bearing liabilities	22,492	475	4.26	21,710	506	4.61
Net interest spread			2.13			2.11
Net interest margin	23,618	273	2.33	23,098	277	2.38

Notes:

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

Changes in net interest income: Volume and rate analysis

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

	Full-Year Jun 03 v Jun 02 Changes due to:		
	Volume $m	Rate $m	Total $m
Interest earning assets			
Trading securities	31	5	36
Gross loans, advances and other receivables	106	15	121
Other interest earning assets [1]	(3)	(1)	(4)
Change in interest income	134	19	153
Interest bearing liabilities			
Deposits and short term borrowings	106	16	122
Bonds, notes and long term borrowings	(11)	8	(3)
Subordinated notes	(3)	(5)	(8)
Change in interest expense	92	19	111
Change in net interest income	42	-	42

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

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

	Half-Year Jun 02 v Dec 01 Changes due to:			Half-Year Dec 01 v Jun 01 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	(1)	(4)	(5)	10	(5)	5
Gross loans, advances and other receivables	26	(50)	(24)	51	(55)	(4)
Other interest earning assets[1]	(5)	(1)	(6)	1	(1)	-
Change in interest income	20	(55)	(35)	62	(61)	1
Interest bearing liabilities						
Deposits and short term borrowings	1	(42)	(41)	56	(45)	11
Bonds, notes and long term borrowings	19	(8)	11	(21)	(10)	(31)
Subordinated notes	-	(1)	(1)	-	(1)	(1)
Change in interest expense	20	(51)	(31)	35	(56)	(21)
Change in net interest income	-	(4)	(4)	27	(5)	22

Notes:

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

Funding

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Deposits and short term borrowings					
Unsecured					
Call deposits	6,968	6,456	5,960	5,509	16.9
Term deposits	5,332	5,420	5,166	4,938	3.2
Short term securities issued	4,517	4,317	4,286	4,942	5.4
Euro commercial paper	2,832	2,159	1,375	639	106.0
Long term securities issued maturing within 12 months	2,367	2,519	2,052	2,206	15.4
Total deposits and short term borrowings	22,016	20,871	18,839	18,234	16.9
Bonds, notes and long term borrowings					
Secured					
Long term securities issued, matured and unclaimed or maturing within 12 months	1	1	-	2	n/a
Unsecured					
Long term securities issued					
Domestic	1,042	1,015	1,081	1,324	(3.6)
Offshore	1,668	1,757	2,871	2,326	(41.9)
	2,710	2,772	3,952	3,650	(31.4)
Total bonds, notes and long term borrowings	2,711	2,773	3,952	3,652	(31.4)
Total funding	24,727	23,644	22,791	21,886	8.5
Represented by:					
Retail	13,105	12,614	11,719	10,837	11.8
Wholesale	11,622	11,030	11,072	11,049	5.0
Total	24,727	23,644	22,791	21,886	8.5

Total funding increased by 9% to $24.7 billion, with retail funding rising by 11.8% to $13.1 billion and wholesale funding by 5% to $11.6 billion. There was particularly strong growth in short term call deposits, which increased by 16.9% to $6.97 billion due partly to reduced investment returns on equity markets, which caused depositors to seek lower risk alternatives.

Funding via Euro Commercial Paper (ECP) increased from a low base. This was to increase funding diversification offshore tapping into a wider breadth of investors across Europe and Asia. Due to the timing of a securitisation late in the financial year liquid assets were larger than usual.

Long term securities issued offshore (greater than 12 months) decreased due to the specific timing of security maturities, counterbalanced by long term issuance in the domestic market. The average contractual term of liabilities has been relatively stable over this period. Over the current year, the intention is to lengthen the average term of liabilities, particularly the dispersion of wholesale funding. This will largely be done via the long-term offshore market.

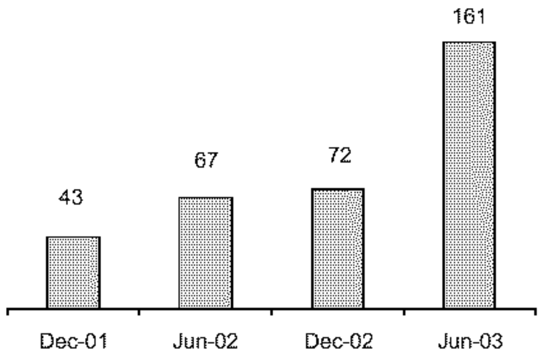
Two major mortgage securitisation issues were undertaken during the year. Apollo Series 2002-2 (A$750 million) in the domestic market in August 2002 and Apollo Series 2003-1E (A$789 million) in the offshore market in June 2003. Apollo 4 was Suncorp's first offshore securitisation, broadening opportunities in the future for further offshore investor diversification. It is intended to undertake two securitisations per annum (one domestic and one offshore) depending on balance sheet growth. The financial year was also the first time that Suncorp issued into the US market. A subordinated debt (144a transaction) was successfully undertaken in June 2003 for A$380 million, further diversifying our investor base and opening considerable longer term opportunities.

SEGMENT INFORMATION – GENERAL INSURANCE

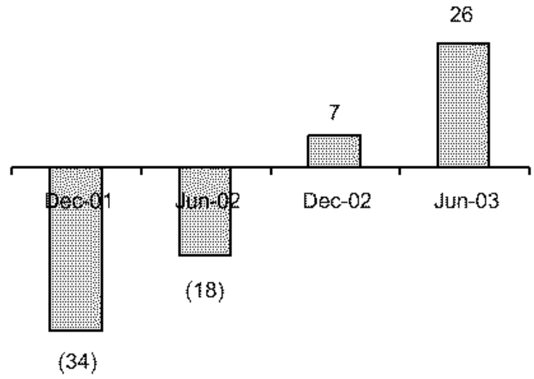
Overview

- **General insurance** pre-tax profit more than doubled to $233 million, driven by GIO integration benefits, solid premium revenue growth and improved investment returns.
- On a half yearly basis, pre-tax profit increased by 140% to $161 million.
- The Insurance Trading Result increased 85% to $209 million, equal to 10.4% of premium, and reached 12.8% for the second half of the year.
- The improvement in profit confirms the success of the GIO acquisition. The acquisition has provided a much broader premium base, significant operational efficiencies, and is now delivering substantially increased profitability.
- Gross written premium rose by 9.8% to $2.26 billion and net earned premium increased by 12% to $2.01 billion, due to stable overall business volumes and increases in insurance rates.
- A feature of the result was the improvement in operating efficiency being delivered through the GIO integration program, which contributed to a reduction in the annual expense rate from 24.9% at June 2002, to 21.5% at June 2003. The reduction has been more pronounced on a half yearly basis, with the ratio falling from 25.4% at June 2002 to 20.9% at June 2003.
- The underwriting result was a loss of $72 million in the year, compared with a loss of $60 million in the prior year. The underwriting result for the second half was a profit of $13 million. The underwriting result was affected by reductions in discount rates applying to outstanding claims liabilities. Eliminating movements in discount rates, the underwriting result was a profit of $33 million for the year, including $26 million in the second half.
- Managed fund net income for the year increased by $1 million to $7 million, although it was affected by a one-off loss of $8 million in workers compensation. Profit from the group's interests in joint venture insurance operations rose from $5 million to $9 million.
- Included in the General Insurance result is a one-off profit of $16 million from the sale of two property assets in central Brisbane.
- The result benefited from an improvement in investment earnings on shareholders funds, which rose to $11 million, from zero in the prior year.

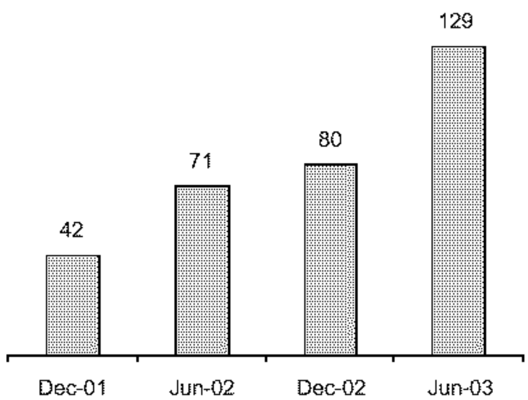
Pre-tax profit (half-year, $m)



Underwriting result excluding Discount rate adjustment (half-year, $m)



Insurance Trading Result (half-year, $m)

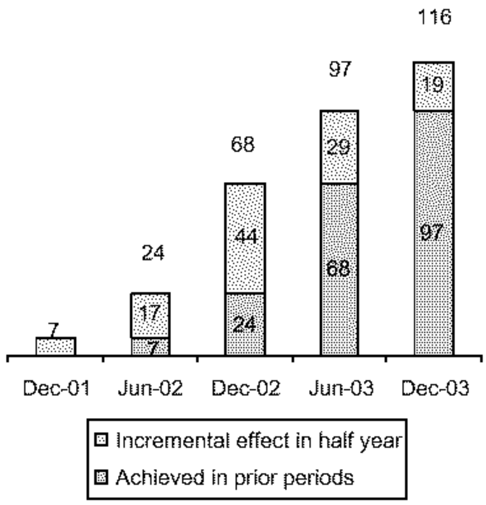


GIO Transformation

- The GIO integration was completed in June, having achieved annualised savings and benefits worth $233 million since June 2001. (The other $7 million of the total $240 million in Transformation savings are in Banking and Wealth Management.)
- This was made up of $30 million in reduced claims costs, $35 million in revenue and $168 million in expense savings.
- The program delivered an improvement in profit of $134 million for the 12 months to June 2003, compared with the year to June 2002. The improvement included $61 million in the first half to December 2002 compared to the December 2001 half, and $73 million in the second half, net of implementation costs.
- While the target of $233 million in annualised savings had been achieved at June 2003, the program is expected to deliver an incremental $19 million in profits in the current half year, net of implementation costs. This is due to the timing of implementing Transformation improvements.

P & L Impact of Transformation

(General Insurance division only)



Profit contribution – General Insurance

	Full Year Ended Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Gross earned premiums [1]			
Gross written premiums	2,262	2,060	9.8
Gross unearned premium movement	(106)	(112)	(5.4)
	2,156	1,948	10.7
Outwards reinsurance expense	(144)	(151)	(4.6)
Net earned premium	2,012	1,797	12.0
Net incurred claims			
Claims expense	(1,937)	(1,697)	14.1
Reinsurance and other recoveries revenue	286	288	(0.7)
	(1,651)	(1,409)	17.2
Gross operating expenses			
Acquisition costs [1]	(247)	(238)	3.8
Other underwriting expenses	(202)	(233)	(13.3)
	(449)	(471)	(4.7)
Reinsurance commission income	16	23	(30.4)
Net operating expenses	(433)	(448)	(3.3)
Underwriting result	(72)	(60)	20.0
Investment revenue - insurance provisions			
Interest, dividends, rent, etc	227	184	23.4
Realised gains/(losses) on investments	30	(19)	(257.9)
Unrealised gains/(losses) on investments	24	8	200.0
	281	173	62.4
Insurance trading result	209	113	85.0
Managed schemes net contribution	7	6	16.7
Joint venture income	9	5	80.0
Profit contribution - Total insurance operational earnings	225	124	81.5
Investment revenue - shareholder funds			
Interest, dividends, rent, etc	52	55	(5.5)
Realised gains/(losses) on investments	(40)	9	(544.4)
Unrealised gains/(losses) on investments	12	(54)	(122.2)
Other revenue [2]	2	6	(66.7)
Other expenses [3]	(15)	(16)	(6.3)
	11	-	n/a
Profit on sale of property	16	-	n/a
Contribution to profit from general insurance activities before tax and GIO funding	252	124	103.2
Subordinated debt expense - GIO acquisition	(19)	(14)	35.7
Contribution to profit before tax from general insurance activities before tax	233	110	111.8

Notes:

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

Profit Contribution - General Insurance (continued)

	Half-Year Ended Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Gross earned premiums [1]					
Gross written premiums	1,153	1,109	1,057	1,003	9.1
Gross unearned premium movement	(73)	(33)	(55)	(57)	32.7
	1,080	1,076	1,002	946	7.8
Outwards reinsurance expense	(71)	(73)	(81)	(70)	(12.3)
Net earned premium	1,009	1,003	921	876	9.6
Net incurred claims					
Claims expense	(961)	(976)	(849)	(848)	13.2
Reinsurance and other recoveries revenue	176	110	160	128	10.0
	(785)	(866)	(689)	(720)	13.9
Gross operating expenses					
Acquisition costs [1]	(125)	(122)	(124)	(114)	.8
Other underwriting expenses	(94)	(108)	(120)	(113)	(21.7)
	(219)	(230)	(244)	(227)	(10.2)
Reinsurance commission income	8	8	10	13	(20.0)
Net Operating expenses	(211)	(222)	(234)	(214)	(9.8)
Underwriting result	13	(85)	(2)	(58)	(750.0)
Investment revenue - insurance provisions					
Interest, dividends, rent, etc	113	114	92	92	22.8
Realised gains/(losses) on investments	6	24	(26)	7	(123.1)
Unrealised gains/(losses) on investments	(3)	27	7	1	(142.9)
	116	165	73	100	58.9
Insurance trading result	129	80	71	42	81.7
Managed schemes net contribution	(7)	14	(2)	8	250.0
Joint venture income	5	4	5	-	-
Profit contribution - Total insurance operational earnings	127	98	74	50	71.6
Investment revenue - shareholder funds					
Interest, dividends, rent, etc	31	21	23	32	34.8
Realised gains/(losses) on investments	(29)	(11)	13	(4)	(323.1)
Unrealised gains/(losses) on investments	42	(30)	(31)	(23)	(235.5)
Other revenue [2]	(5)	7	5	1	(200.0)
Other expenses [3]	(11)	(4)	(7)	(9)	57.1
	28	(17)	3	(3)	833.3
Profit on sale of property	16	-	-	-	n/a
Contribution to profit from general insurance activities before tax and GIO funding	171	81	77	47	122.1
Subordinated debt expense - GIO acquisition	(10)	(9)	(10)	(4)	-
Contribution to profit before tax from general insurance activities	161	72	67	43	140.3

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

Profit contribution (excluding discount rate adjustment)

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

In the accounts, movements in market interest rates, which are outside the company's control, have a significant effect on outstanding claims and investment income on technical provisions. Because outstanding claims are discounted to present value using market interest rates, movements in these interest rates therefore affect claims expense in any period.

However, 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 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. The adjustment assumes perfect matching of assets and liabilities, and reduces claims expense and investment income on technical provisions each by $105 million. It is a reduction because discount rates have fallen during the year.

Excluding interest rate impacts, the net incurred claims reduces and the underwriting result improves to a profit of $33 million for the period, up from a $52 million loss in the year to June 2002. The total pre-tax profit contribution remains unchanged.

	Half-Year Ended				Full Year Ended		
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Net earned premium	1,009	1,003	921	876	2,012	1,797	12.0
Net incurred claims	(772)	(774)	(705)	(696)	(1,546)	(1,401)	10.3
Operating expenses	(211)	(222)	(234)	(214)	(433)	(448)	(3.3)
Underwriting result	26	7	(18)	(34)	33	(52)	(163.5)
Investment revenue - insurance provisions	103	73	89	76	176	165	6.7
Insurance trading result	129	80	71	42	209	113	85.0
Managed schemes net contribution	(7)	14	(2)	8	7	6	16.7
Joint venture income	5	4	5	-	9	5	80.0
Profit contribution - Total insurance operational earnings	127	98	74	50	225	124	81.5
Investment revenue - shareholder funds	28	(17)	3	(3)	11	-	n/a
Profit on sale of property	16	-	-	-	16	-	n/a
Contribution to profit from general insurance activities before tax and GIO funding	171	81	77	47	252	124	103.2
Subordinated debt expense - GIO acquisition	(10)	(9)	(10)	(4)	(19)	(14)	35.7
Contribution to profit before tax from general insurance activities	161	72	67	43	233	110	111.8

Assets and liabilities – General Insurance

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Assets					
Cash and liquid assets	411	424	586	608	(29.9)
Investment securities	4,758	4,744	4,387	4,405	8.5
Investments in associates	83	83	86	80	(3.5)
Receivables	1,158	1,038	1,070	923	8.2
Property, plant and equipment	-	6	27	28	(100.0)
Deferred tax assets	55	66	94	104	(41.5)
Intangible assets	904	930	954	973	(5.2)
Other financial assets[1]	251	232	219	243	14.6
Total assets	7,620	7,523	7,423	7,364	2.7
Liabilities					
Interest bearing liabilities	21	31	36	35	(41.7)
Payables	313	468	528	527	(40.7)
Current income tax liabilities	50	16	14	17	257.1
Provisions	15	49	113	129	(86.7)
Deferred tax liabilities	55	61	87	89	(36.8)
Outstanding claims and unearned premium provisions	5,042	4,799	4,577	4,453	10.2
Total liabilities	5,496	5,424	5,355	5,250	2.6
Net assets	2,124	2,099	2,068	2,114	2.7

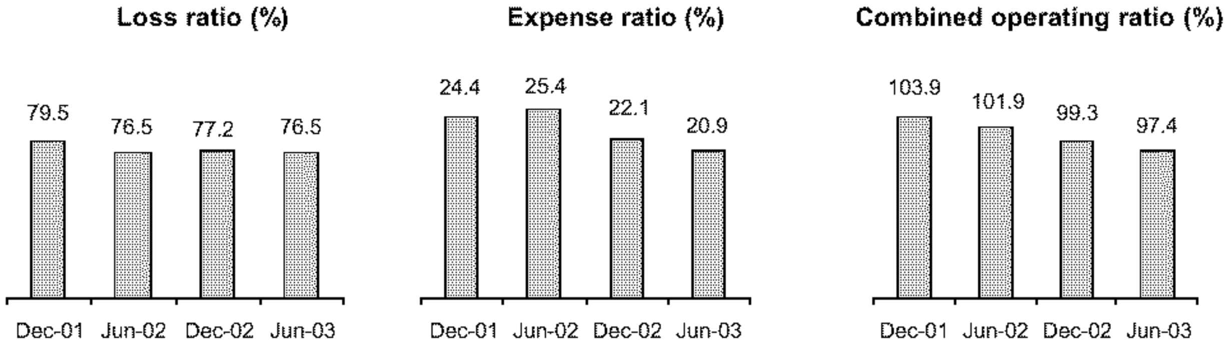
Notes:
1. Other financial assets is primarily made up of accrued interest and deferred acquisition costs.

General insurance statistics

	Half-Year Ended				Full Year Ended	
	Jun-03 %	Dec-02 %	Jun-02 %	Dec-01 %	Jun-03 %	Jun-02 %
Including discount rate adjustment						
Expense ratio (%)	20.9	22.1	25.4	24.4	21.5	24.9
Loss ratio (%)	77.8	86.3	74.8	82.2	82.1	78.4
Combined operating ratio (%)	98.7	108.4	100.2	106.6	103.6	103.3
Insurance trading ratio (%)	12.8	8.0	7.7	4.8	10.4	6.3
Excluding discount rate adjustment						
Expense ratio (%)	20.9	22.1	25.4	24.4	21.5	24.9
Loss ratio (%)	76.5	77.2	76.5	79.5	76.8	78.0
Combined operating ratio (%)	97.4	99.3	101.9	103.9	98.4	102.9
Insurance trading ratio (%)	12.8	8.0	7.7	4.8	10.4	6.3

Refer page 56 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.

General insurance statistics (continued)



Profit overview

Premium Revenue
Gross written premium increased by 9.8% to $2.26 billion during the year, due to a combination of increased insurance rates, changes in business mix and stable risks in force across the General Insurance business. Overall conditions within the general insurance industry remain favourable due to a structural realignment of pricing during the past two years which, together with improved underwriting, has restored profitability to appropriate levels to compensate for risk. During the 12 months to June, prices continued to firm across most classes of insurance. At the same time, the portfolio was reviewed, activity was discontinued in certain segments of insurance and high risks were declined.

	Half-Year Ended				Full Year Ended		
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Gross written premium							
CTP	275	244	236	214	519	450	15.3
Home	216	215	197	201	431	398	8.3
Motor	324	317	299	296	641	595	7.7
Commercial	249	246	219	210	495	429	15.4
Workers compensation	80	67	83	68	147	151	(2.6)
Other	9	20	23	14	29	37	(21.6)
	1,153	1,109	1,057	1,003	2,262	2,060	9.8

Commercial Insurance. The increase in gross written premium was strongest in commercial insurance, which increased by 15.4% to $495 million for the year. The increase was driven mainly by continued favourable pricing conditions. Prices in property and liability classes rose by 10-20% during the year. Premium revenues also were higher than the prior year because the acquisition of the AMP commercial insurance book became effective from October 2001, so there was not a full year contribution from that source in 2002.

Profitability in Commercial Insurance improved significantly in the year, due to increased premium revenue and favourable claims experience. Results benefited from low incidence of serious storms and liability claims were reduced by prudent underwriting.

CTP. Suncorp and GIO underwrite Compulsory Third Party (CTP) Insurance in Queensland and NSW as participants in statutory schemes. Net earned premium in CTP increased by 15.3% to $519 million for the year. Conditions in CTP were mixed, with sound results in the NSW scheme, offset by less favourable conditions in Queensland. The Queensland scheme has traditionally been a stable scheme, and that stability has largely been maintained since the partial deregulation of the scheme in October 2000.

Profit overview (continued)

However, recent claims experience in Queensland has shown that, while legislative reform has led to a reduction in claims frequency, there has been an increase in claims costs in the "new" scheme, relating to claims incurred since deregulation. This is largely due to escalating awards for personal injury.

The government and regulator are reviewing the scheme to maintain acceptable levels of affordability for consumers and profitability for insurers. The Civil Liabilities Act, which takes effect for accidents occurring from December 2002, is expected to provide some relief. The Act introduces a scale of payments (based on injury severity) for general damages up to a cap of $250,000.

Suncorp is cautiously optimistic the Act will check rising claims costs and maintain the stability of the scheme. Claims reserves were increased in the period to account for the increase in claims costs in the Qld scheme, although this was partially offset by adjustments in NSW CTP reserving due to continued favourable claims experience in that State.

Suncorp remains the market leader in Queensland, with approximately 54% of the market. In NSW, GIO holds a market share of approximately 8%.

Home Insurance. Gross written premium in Home insurance increased by 8.3% during the year to $431 million, due to rate increases and some growth in the portfolio. While competition remains strong, profitability increased due to improved premium revenues and reduced claims expenses. Although results were affected by the Canberra bushfires in January, the number of major insurance events during the year was relatively low. Retention rates remain strong, and marketing strategies are being implemented to drive increases in new business.

Motor Insurance. Gross written premium in Motor insurance rose by 7.7% to $641 million. Profitability increased moderately due to favourable weather conditions reducing accident numbers, and because of a reduction in motor vehicle theft during the year.

Workers Compensation. The company underwrites workers compensation insurance in Western Australia, Tasmania and the ACT as part of statutory schemes. Net earned premium eased by 2.6% during the year to $147 million, due to adjustments in revenue related to claims experience outcomes. Market shares increased in Western Australia and the ACT. Profitability remains strong.

Outward reinsurance expense eased by 4.6% to $144 million for the year. While reinsurance prices across the industry have increased significantly during the past 12-18 months, reinsurance costs have been contained through the aggregation of the Suncorp and GIO reinsurance programs from July 2002. Due to the improved diversity of the portfolio, property catastrophe costs were able to be kept stable through increases in event retentions from previously low levels.

Net earned premium. The combination of higher GWP and reduced reinsurance expense led to a 12% increase in net earned premium to $2.01 billion.

Claims expense

Net incurred claims increased by 17% to $1.65 billion, however this was affected by reductions in discount rates that are applied to future claims liabilities to bring them to present value. Discount rates fell by approximately 1.1 percentage points across the portfolio between June 2002 and June 2003. Removing the impact of discount rate movements, claims expense increased by 10.3% to $1.55 billion. (See table on page 34). This was due to the following factors:

1) Net earned premium revenue rose by 12% during the year, leading to an increase in claims expense associated with the higher business volumes.
2) There were a limited number of major claims events during the year. The largest was the Canberra bushfires in December, which cost approximately $26 million. Overall weather conditions were favourable, leading to improvements in loss ratios for home, motor and commercial property insurance.
3) Claims experience in the Queensland CTP portfolio showed an increase in claims costs as discussed above.
4) There were a number of other movements in valuations and actuarial assumptions at year end which led to a net reduction in claims expense of approximately $18 million.
5) The combination of these factors caused the loss ratio, excluding discount rate adjustments, to reduce to 76.8% from 78.0% at June 2002.

Profit overview (continued)

Outstanding claims and unearned premiums

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Expected future claims payments					
Undiscounted	4,481	4,270	4,241	4,020	5.7
Present value discounted	(665)	(626)	(784)	(629)	(15.2)
Outstanding claims	3,816	3,644	3,457	3,391	10.4
Unearned premiums	1,226	1,155	1,120	1,062	9.5
Total outstanding claims and unearned premium provisions	5,042	4,799	4,577	4,453	10.2

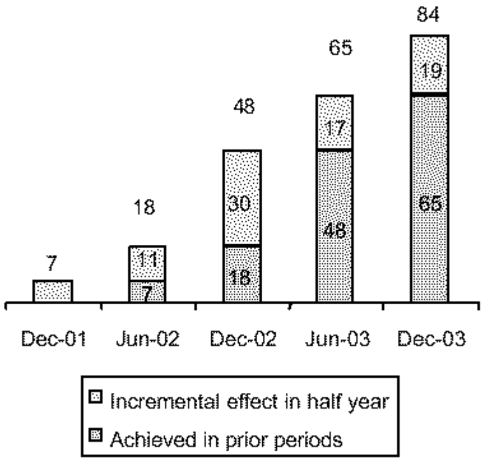
The undiscounted value of outstanding claims has increased 5.7%, mostly reflecting the increase in business written over the year to June 2003. Whilst the valuations of outstanding claims for individual products have fluctuated, the portfolio as a whole has been stable, reflecting the benefits of a diversified business. Outside of the actual claims experience in the period, there have been no material changes in assumptions underpinning the valuations or the prudential margins. The prudential margins are set at rates that, across the portfolio, provide approximately 90% confidence that the claims reserves will be adequate to meet the costs of claims outstanding.

The discount to present value reduced during the year, mainly due to reductions in discount rates, which fell from 5.9% at June 2002 to 4.8% at June 2003. Outstanding claims on long tail business are discounted to their present values by reference to the yield curve derived from Commonwealth Government bonds. Changes to the discount amount are caused by changes in the yield curve and changes in the duration of the outstanding claims. There has been a reduction in the discount applied at June 2003 compared with June 2002, due to the reduction in interest rates, and the yield curve, over that period. Unearned premium balances have increased 9.5%, reflecting the growth in business over the year.

Operating expenses

Expenses were contained very effectively during the year, with efficiencies continuing to flow from the Transformation program for the integration of the GIO business. Underwriting expenses were reduced by 13.3% over the year to $202 million. In the second half, underwriting expenses fell to $94 million, from $108 million in the preceding December half. The Transformation program delivered expense savings of $17 million in the June half, following a $30 million reduction in the expense base in the December half, net of implementation costs. The program is scheduled to deliver an incremental $19 million in expense savings in the half year to December 03. Some of these savings have been reinvested in the growth of the business.

Transformation Expense savings
Net of implementation costs ($m)



Profit overview (continued)

Acquisition costs increased by 3.8% to $247 million during the year in line with higher business volumes. Reinsurance commissions are related to proportional reinsurance arrangements, under which the company generates new business and then recovers a proportion of the acquisition and other costs of that business from its partner insurers in the proportional reinsurance arrangements. These amounts fell during the year from $23 million to $16 million.

Net operating expenses therefore fell 3.3% to $433 million for the year, equal to an expense rate of 21.5% of net earned premium, substantially down on the previous year's expense rate of 24.9%. For the half year to June, the expense rate reduced to 20.9%.

Underwriting result
The underwriting result based on the statutory accounting reporting format was a loss of $72 million for the full year. However, as explained earlier, this figure is distorted by movements in interest rates. Eliminating the impact of these movements, the underlying underwriting result is a profit of $33 million, up from a $52 million loss for the prior year.

Investment income on technical provisions
Investment income on insurance provisions increased by 62% to $281 million due mainly to capital gains arising from movements in interest rates. As noted above, the increased investment return on technical provisions offsets the increase in claims expense arising from decreases in discount rates. If the impact of movements in interest rates is eliminated, the investment income on technical provisions reduces to $176 million, which is up by 6.7% on the prior corresponding period.

In terms of investment performance, the Technical Reserves portfolio achieved a return of 8.15% over the year compared with a benchmark of 8.20%. Positive active returns in the non interest rate sensitive part of the portfolio were marginally offset by negative active returns in the interest rate sensitive assets.

Insurance Trading Result
The Insurance Trading Result increased by 85% to $209 million, equivalent to an insurance trading margin of 10.4% for the year. On a half yearly basis, the ITR increased by 82% to $129 million, equal to a margin of 12.8%.

Managed Schemes
The Managed Scheme business consists of three related operations.

1) The NSW Government self-insurance scheme known as Treasury Managed Fund. GIO administers the fund, which provides the property insurance, motor insurance, personal injury insurance and workers compensation needs for the NSW State Government. During the year, the company was awarded an extension of the contract to manage the fund for two years to 2005.

2) Non-underwritten workers compensation business in NSW. A one-off charge of $8 million was incurred during the year, which was a reversal of profits booked in 2002. The prior year profits were overstated because performance reviews subsequent to balance date caused an adjustment in expected bonus payments from NSW WorkCover.

3) The Self Insurance Solutions business, in which we manage self-insurance schemes for other organisations. Profitability in this business remains sound.

Joint Venture Income

Joint venture income is the equity accounted contribution from the group's 50% shares in RACQ Insurance in Queensland and RAA Insurance in South Australia. The contribution increased to $9 million, from $5 million in the prior year.

Investment Income on Shareholders Funds

Investment income on shareholder funds improved to an $11 million profit in the year, compared with a nil return in 2002. The increase all occurred in the second half of the year, during which there was a profit of $28 million, following a $17 million loss in the first six months.

Despite the recent recovery in the market, equity returns in the second half remained below long term averages, with the S&P/ASX 200 Accumulation Index increasing by just 3% over the period. For the full year, the index fell by 1.7%. However, over the year, Australian equities in the General Insurance shareholders funds achieved a positive return of 0.3%. This represents an active return of 2.0% above the index.

Profit overview (continued)

Suncorp recently moved to reduce its earnings volatility by lessening the proportion of equities held within its general insurance investment portfolio.

The company holds investments of approximately $1.1 billion in its general insurance shareholders funds. The previous policy had been to invest 85% of this in Australian shares, with the remainder held in cash, property and international equities.

In order to reduce volatility, the company has used derivatives to lower the proportion of Australian equities in the portfolio to a benchmark of 40%, with an allowable range of 35% to 45%. As part of that investment reallocation, the amount invested in Australian bonds is being increased to 35% (range of 25% to 45%), the cash benchmark has increased to 10% (0-20%), the listed property benchmark to 5% (0-5%) and international bonds and international equities allocations have been set at 5% (0-10%). The change in weightings has been achieved through the use of derivatives at June 30.

Allocation of investments held against:

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Insurance provisions				
Cash and short term deposits	1,024	684	586	330
Fixed interest	2,878	2,957	2,873	2,960
Australian Equities	-	-	-	95
Property	96	114	78	144
Infrastructure	4	4	3	3
	4,002	3,759	3,540	3,532
Shareholder funds				
Cash and short term deposits	316	205	102	216
Fixed interest	150	-	-	-
Australian Equities	644	806	863	766
Property	-	-	112	125
Infrastructure	-	-	-	-
	1,110	1,011	1,077	1,107

	Jun-03 %	Dec-02 %	Jun-02 %	Dec-01 %
Insurance provisions				
Cash and short term deposits	26%	18%	17%	9%
Fixed interest	72%	79%	81%	84%
Australian Equities	-	-	-	3%
Property	2%	3%	2%	4%
Infrastructure	-	-	-	-
	100%	100%	100%	100%
Shareholder funds				
Cash and short term deposits	28%	20%	10%	20%
Fixed interest	14%	-	-	-
Australian Equities	58%	80%	80%	69%
Property	-	-	10%	11%
Infrastructure	-	-	-	-
	100%	100%	100%	100%

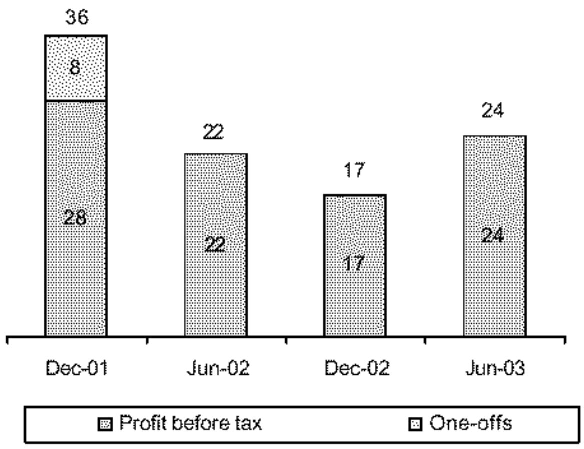
The allocation of investments held against insurance provisions reflects the effective exposures in the respective funds, that is the physical assets adjusted for derivative instruments held to manage our exposure to different asset classes. In addition the notes above reflect the notional adjustment to transfer current year profits to the shareholder funds. The re-balancing of the funds physically occur after 30 June. For these reasons the details set out above will vary from the disclosures in the statutory financial statements.

SEGMENT INFORMATION – WEALTH MANAGEMENT

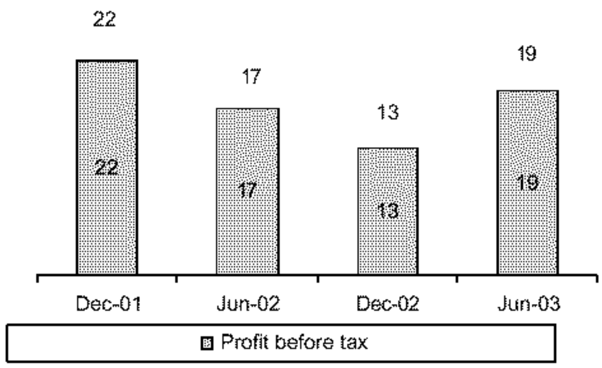
Overview

- The Wealth Management division recorded profit before tax of $41 million in the year to June 2003, compared with $58 million in the prior year.
- Excluding an $8 million one-off gain in the prior year, the $41 million profit for the 12 months to June 2003 was down 18%.
- The reduction in profit for the June 2003 year was largely caused by lower experience profits and a fall in the valuation of Life Company subsidiaries. This was partly offset by higher investment earnings.
- Second half profit before tax rose by 9% to $24 million compared with the June half of 2002, and was up 41% compared to the first half of 2003.
- Total new business sales for the year to June 2003 were $596 million, a decline of 12% on June 2002, due to unfavourable market conditions.
- 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 $32 million in the 12 months to June 2003, compared to $39 million in the prior year. The reduction in earnings was due to lower experience profits and a fall in the valuation of the Life Company subsidiaries.
- **Funds Management** recorded a pre-tax profit of $9 million in the twelve months to June 2003, compared to $19 million in the year to June 2002. However, the prior year included the $8 million one-off gain referred to above. Excluding the gain, the $9 million profit in the twelve months to June 2003 compares with $11 million at June 2002.

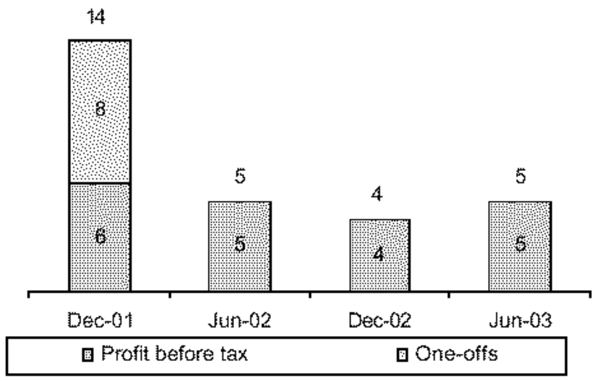
Wealth Management operating profit before tax (half-year, $m)



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



Funds Management operating profit before tax (half-year, $m)



Profit overview

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

	Half-Year Ended				Full Year Ended		
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
LIFE COMPANY							
Shareholder's Share of Statutory Fund							
Planned profit margins	16	14	15	16	30	31	(3.2)
Experience (losses) / profits	(2)	-	1	3	(2)	4	(150.0)
Investment income on capital and retained earnings (statutory fund)	4	1	-	1	5	1	400.0
Economic entity's interest in earnings of life insurance statutory funds	18	15	16	20	33	36	(8.3)
Shareholder Fund							
Other revenue[1]	9	5	8	9	14	17	(17.6)
Operating expenses	(8)	(7)	(7)	(7)	(15)	(14)	7.1
Contribution to profit before tax from activities in the Life Company	19	13	17	22	32	39	(17.9)
FUNDS MANAGEMENT							
Fee income funds management	23	22	23	28	45	51	(11.8)
Other expenses funds management	(18)	(18)	(18)	(14)	(36)	(32)	12.5
Contribution to profit before tax from funds management activities	5	4	5	14	9	19	(52.6)
Contribution to profit before tax from wealth management activities	24	17	22	36	41	58	(29.3)

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

Life Company

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

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

Unit Linked Statutory Fund includes non-participating interests only, with all profits attributable to the shareholder. Profits emerge from management fees, following allocation of investment gains to investors.

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

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

Sources of profit for the Statutory funds are investment earnings on capital and retained profits, planned margins and experience profits. In the year to June 2003, the shareholder's interest in profits from these sources amounted to $33 million, compared to $36 million in the previous year.

Sources of profit for the Shareholder Fund consist of earnings generated from shareholder fund investment returns, revaluations of investments in subsidiaries (embedded value) and management fees. Net, these other revenues amounted to -$1 million for the year to 2003, compared to a profit of $3 million in the prior year.

Life Company (continued)

The profit contribution from the funds is outlined below.

Planned profits
Planned profits of $30 million in the year to June 2003 were down slightly compared with the prior June year planned profits of $31 million. The reduction in planned profits is largely due to lower long-term earnings assumptions.

Experience profits
Experience losses were $2 million in the year, compared with a $4 million profit in the prior year. The $2 million loss was mainly due to investors choosing to surrender investment products due to the poor investment climate and lower investment earnings. This was partly offset by better than expected claims experience in the risk business.
The $4 million profit in the prior year was due to improvements in claims outcomes and lapse experience leading to adjustments in actuarial assumptions in the risk business.

Investment income
Investment income on capital and retained earnings in the statutory funds of $5 million was a substantial increase on the prior year, and was mainly due to a partial recovery in equity markets in the second half. Investment returns exceeded benchmark returns in all asset classes.

Other Revenue
Other revenues declined from $17 million in June 2002 to $14 million in June 2003. The reduction was due to a $3 million fall in embedded value of a subsidiary company.

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. Lower investment earnings and a net outflow of unit trust business, due to reduced returns in equity markets as well as higher expected outflows in future years, resulted in a reduction of the embedded value of $3 million in the year to June 2003. In the prior year, the market value increased by $2 million. Combined, the valuation adjustments resulted in a $5 million lower profit contribution in the full year to June 2003.

New business sales

	Half-Year Ended				Full Year Ended		
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Risk Sales	6	5	5	6	11	11	-
Superannuation, Investment and External Product Sales	263	322	324	341	585	665	(12.0)
Total sales new business	269	327	329	347	596	676	(11.8)

Total new business sales for the year to June 2003 were $596 million, a decline of 11.8% on June 2002. Continuing volatility in capital markets led to customers deferring discretionary investment contributions and to seek more conservative investment portfolios such as cash management accounts and term deposits.

Value of one year's new sales

The table below shows the value, to shareholders, of new business written over the twelve months to 30 June 2003 (together with prior 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 (i.e. discounted value of expected shareholder profits and associated imputation credits) for Unit Trust business, written outside the Statutory Funds.

	Year Ended Jun-03 $m	Jun-02 $m
Statutory Fund new business: Present value of MOS profit margins *	15	20
* discount rates used were between 4% and 10.25% (2002: between 5% and 11%)		
Unit Trust new business EV *	-	1
* discount rate used was 11.45% pa (2002: 12.95%)		

Embedded Value

A valuation of the shareholders' interests in the statutory funds, shareholder fund, and subsidiaries was undertaken as at 30 June 2003. The embedded value was lower at June 2003 compared to June 2002 in part due to lower investment earnings and a net outflow of unit trust business.

Embedded Value at 30 June 2003			
Discount rate (%)	11.0%	12.0%	13.0%
Shareholder Fund excluding subsidiaries ($m)			
Value of Profits/Net Assets	25	24	24
Value of Imputation Credits at 70% full value	4	4	4
Statutory Funds ($m)			
Value of Profits/Net Assets	256	244	233
Value of Imputation Credits at 70% full value	44	42	39
Subsidiaries ($m)			
Value of Profits/Net Assets	15	15	14
Value of Imputation Credits at 70% full value	3	3	3
Total June 2003 ($m)	347	332	317
Total June 2002 ($m)	375	358	342

Assets and liabilities – Wealth Management

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Assets					
Cash and liquid assets	27	28	78	65	(65.4)
Investments relating to life insurance business	3,132	3,119	3,162	3,155	(0.9)
Excess of net market value of interests in subsidiaries over their recognised net amounts	12	12	16	15	(25.0)
Loans, advances and other receivables	68	56	63	49	7.9
Deferred tax assets	2	2	3	2	(33.3)
Gross policy liabilities ceded under reinsurance	14	12	9	13	55.6
Other assets [1]	12	12	6	3	100.0
Total assets	3,267	3,241	3,337	3,302	(2.1)
Liabilities					
Deposits and short term borrowings	9	6	9	18	-
Accounts payable and other liabilities	44	66	42	34	4.8
Current income tax liability	5	2	(11)	-	(145.5)
Provisions	-	-	-	-	n/a
Deferred tax liability	8	25	33	48	(75.8)
Life insurance policy liabilities	2,661	2,624	2,780	2,704	(4.3)
Unvested policy holder retained benefits	319	317	271	302	17.7
Total liabilities	3,046	3,040	3,124	3,106	(2.5)
Net assets					
Net assets Life Company	196	178	193	175	1.6
Net assets fund management	25	23	20	21	25.0
Total net assets	221	201	213	196	3.8

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 includes the policy owners' interests. The net assets of the Life Company for the shareholder's fund and subsidiaries total $40 million.

Funds Management Activities

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

About $3.6 billion in funds are managed for the Wealth Management division (including Life, Superannuation and managed investments), $5.1 billion in funds are managed on behalf of General Insurance division and a further $1.2 billion in funds is managed on behalf of external parties.

Funds Management profit was $9 million at June 2003, compared with $11 million in the prior year (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 year to June 2003 increased by $2 million to $45 million (excluding the one-off profit), but expenses relating to funds management activities increased by $4 million to $36 million during the same period. This was partly due to start up expenses associated with the introduction of new funds management products.

Funds managed

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
General insurance	5,107	4,829	4,645	4,715	9.9
Life, superannuation and managed investments	3,606	3,563	3,687	3,622	(2.2)
Other managed funds [(1)]	1,232	1,275	1,172	832	5.1
	9,945	9,667	9,504	9,169	4.6

Notes:

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

Group funds under management

A small net outflow in funds was recorded during the year to 2002, with positive investment income earnings resulting in an increase in group funds under management to $9.9 billion from $9.5 billion in the prior year.

Funds Under Management	Opening balance Jul-02 $m	Inflows $m	Outflows $m	Investment income $m	Closing balance Jun-03 $m
General Insurance	4,645	3,399	3,258	321	5,107
Statutory Life & Superannuation	3,213	1,223	1,390	121	3,167
External Wholesale	1,172	1,363	1,297	(6)	1,232
Retail Unit Trusts	474	69	116	12	439
Total	9,504	6,054	6,061	448	9,945

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

Group Investment performance

A positive investment return was recorded by the benchmark asset classes of cash, fixed interest, domestic equities and property trusts, while international equities recorded a negative return, in the twelve months to June 2003.

Suncorp outperformed its benchmark in all asset classes.

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

Portfolio allocation of investments – Wealth Management

Funds under management for Life, Superannuation and Managed investments total about $3.6 billion. The investment allocation of these funds is noted below. The investment allocation of funds under management on behalf of the General Insurance division is noted in the General Insurance report page 40.

Statutory funds

	Jun-03 %	Dec-02 %	Jun-02 %	Dec-01 %
Equities	38	37	36	35
Interest bearing securities	45	44	44	43
Property	17	18	19	20
Other directly held assets	-	1	1	2
	100	100	100	100

Shareholder fund

	Jun-03 %	Dec-02 %	Jun-02 %	Dec-01 %
Equities	80	68	69	76
Interest bearing securities	17	28	28	21
Property	3	4	3	3
	100	100	100	100

GROUP CAPITAL

Group Capital Position

The Suncorp group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the company has the bank as the holding company for subsidiaries operating the general insurance and wealth management businesses. To assist in understanding the capital position within the company we have produced the following table (including consolidation entries) to demonstrate the distribution of capital within the group.

Group capital position at 30 June 2003

	Banking $m	General Insurance $m	WM $m	Other $m	Consol $m	Total $m
Tier 1						
Share capital	2,831	-	-	-	-	2,831
Funding provided by holding company	-	1,395	46	26	(1,467)	-
Preconversion reserve	13	-	-	-	-	13
Retained profits[1]	278	698	174	-	(478)	672
Technical provisions in excess of liability valuation	-	183	-	-	-	183
Less intangibles	(1,228)	(904)	-	-	1,094	(1,038)
Less net future income tax benefit	(29)	(14)	-	-	-	(43)
Total tier 1 capital	1,865	1,358	220	26	(851)	2,618
Tier 2						
Asset revaluation reserve	8	-	-	-	1	9
Net general provision for impairment	87	-	-	-	-	87
Subordinated notes	815	-	-	-	-	815
	910	-	-	-	1	911
Deductions from capital						
Investments in subsidiaries	(857)	-	-	-	857	-
Guarantees to non-banking subsidiaries	(5)	-	-	-	5	-
	(862)	-	-	-	862	-
Total capital base	1,913	1,358	220	26	12	3,529
Required minimum capital base [2]	1,705	883	138	26	-	2,752
Excess	208	475	82	-	12	777

Notes:

1. For Banking and General Insurance, this represents the APRA calculation of retained profits. APRA requires accrual of expected dividends and provides a different method of calculating general insurance current year earnings.
2. Where applicable the minimum capital base is as specified by APRA. For certain investment entities the minimum capital base represents net tangible asset requirements under dealers' licences. For other entities (LJ Hooker) minimum capital is assumed to be the actual capital base.

The table shows that the group has total capital over and above regulatory minimum levels of $777 million. Internally, the company maintains a policy of holding capital levels prudently above regulatory minimums to ensure the ongoing strength and security of the group and to safeguard the group credit ratings. The current capital levels are seen as conservative and appropriate.

Group Capital Position (Continued)

	Banking $m	General Insurance $m	WM $m	Other $m	Consol [1] $m	Total $m
Reconciliation of net assets to total capital base						
Net assets	3,223	2,124	221	26	(1,947)	3,647
Additional items allowable for capital for APRA purposes						
Technical provisions in excess of liability valuation	-	183	-	-	-	183
Net general provision for doubtful debts	87	-	-	-	-	87
Subordinated notes	815	-	-	-	-	815
Deductions from capital for APRA purposes						
Differences in retained profits for APRA purposes	(93)	(22)	-	-	-	(115)
Intangibles [2]	(1,228)	(904)	-	-	1,094	(1,038)
Net future income tax benefits	(29)	(14)	-	-	-	(43)
Minority interests in subsidiaries	-	(9)	(1)	-	3	(7)
Funding of capital and guarantees by holding company	(862)	-	-	-	862	-
Total capital base	1,913	1,358	220	26	12	3,529

Notes:

1. Consolidation represents the bank's investments in non-banking subisidiaries and amortisation of goodwill.
2. APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the banking level. Amortisation occurs within general insurance and when the entire group is consolidated. The total intangible deduction from group capital in the table on page 48 of $1 billion represents the total amortised balance of goodwill for the group.

Banking Capital Adequacy

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Consolidated banking capital				
Tier 1				
Share capital	2,831	2,805	2,777	2,760
Converting capital notes	-	-	-	-
Preconversion reserve	13	13	13	13
Retained profits	278	193	200	170
Less amortised goodwill for banking subsidiaries	(24)	(23)	(25)	(35)
Less unamortised intangible component of investment in non-subsidiaries	(1,204)	(1,204)	(1,203)	(1,191)
Less net future income tax benefit	(29)	(8)	-	-
Total tier 1 capital	1,865	1,776	1,762	1,717
Tier 2				
Asset revaluation reserve	8	8	8	8
General provision for doubtful debts	87	82	84	81
Subordinated notes	645	509	622	625
Perpetual subordinated notes	170	170	170	170
Total tier 2 capital	910	769	884	884
Tier 1 plus tier 2 capital	2,775	2,545	2,646	2,601
Less investments in non-banking subsidiaries (net of intangible component deducted from Tier 1)	(857)	(859)	(859)	(871)
Less guarantees and facilities to non-banking subsidiaries	(5)	(10)	(10)	(10)
Capital base	1,913	1,676	1,777	1,720

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Reconciliation of deduction for investments in subsidiaries				
Investment securities - Assets and liabilities - Banking (page 15)	2,067	2,068	2,067	2,067
Less intangible component deducted from Tier 1 capital - non-banking subsidiaries	(1,204)	(1,204)	(1,203)	(1,191)
Less non-subsidiary investment securities	(6)	(5)	(5)	(5)
Deduction from total capital for investment in subsidiaries	857	859	859	871

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Retained earnings banking by half-year				
Retained earnings opening for the half-year	193	200	170	137
Opening retained profit adjustments	-	151	(7)	(12)
Add banking profit after tax for the half-year	116	109	109	115
Less dividend expense/accrual	(161)	(296)	(158)	(140)
Less capital notes distribution net of tax	-	-	-	-
Add dividends from non-banking subsidiaries	130	29	86	70
Retained earnings closing for the half-year	278	193	200	170

Banking Capital Adequacy (continued)

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Reconciliation of banking deduction for intangible assets to group intangible assets				
Amortised goodwill for banking subsidiaries	24	23	25	35
Non-amortised goodwill for non-banking subsidiaries	1,204	1,204	1,203	1,191
Goodwill reflected in investments in associates	(33)	(33)	(33)	(33)
Amortisation of non-banking goodwill	(156)	(123)	(96)	(71)
Intangible assets	1,039	1,071	1,099	1,122

Risk weighted assets and off balance sheet positions

	Carrying Value Jun-03 $m	Carrying Value Jun-02 $m	Risk Weights %	Risk Weighted Balance Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Assets							
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	513	113	0%	-	-	-	-
Claims on banks and local governments	102	591	20%	20	8	118	9
Loans secured against residential housing	13,008	13,041	50%	6,504	6,360	6,521	6,350
All other assets	10,305	9,211	100%	10,305	9,592	9,211	8,555
Total banking assets [1]	23,928	22,956		16,829	15,960	15,850	14,914

	Notional Amount Jun-03 $m	Credit Equivalent Jun-03 $m	Risk Weights	Risk Weighted Balance Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m
Off balance sheet positions							
Guarantees entered into in the normal course of business	124	65	20-100%	65	65	64	61
Commitments to provide loans and advances	4,196	1,032	0-100%	704	563	638	1,123
Capital commitments	3	3	100%	3	-	-	1
Foreign exchange contracts	12,821	293	20-50%	60	78	98	156
Interest rate contracts	14,763	151	20-50%	44	37	22	18
Total off balance sheet positions	31,907	1,544		876	743	822	1,359
Market risk capital charge				244	131	107	91
Total risk weighted assets				16,829	15,960	15,850	14,914
Total assessed risk				17,949	16,834	16,779	16,364
Risk weighted capital ratios				%	%	%	%
Tier 1				10.4	10.6	10.5	10.5
Tier 2				5.1	4.6	5.3	5.4
Deductions				(4.8)	(5.2)	(5.2)	(5.4)
				10.7	10.0	10.6	10.5

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 banking capital adequacy ratio increased in from 10.0% at December, to 10.7% at June, through an increase in the capital base from $1.68 billion to $1.91 billion.

Adjusted Common Equity – Consolidated bank only

	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-01 $m
Ordinary share capital	2,587	2,559	2,533	2,515	2,143
Retained earnings	278	193	200	170	137
Reserves	21	21	21	21	21
Sub total	2,886	2,773	2,754	2,706	2,301
Less:					
Goodwill and future income tax benefit	1,257	1,235	1,228	1,226	201
Investment in non-banking subsidiaries	857	859	859	871	511
Asset revaluation reserve	8	8	8	8	8
Sub total	2,122	2,102	2,095	2,105	720
Adjusted Common Equity	764	671	659	601	1,581
Risk-weighted assets including off-balance sheet position	17,949	16,834	16,779	16,364	15,661
Adjusted Common Equity ratio	4.26%	3.99%	3.93%	3.67%	10.10%

The Adjusted Common Equity (ACE) for the bank only, which is a calculation of capital preferred by ratings agencies and which excludes subordinated notes, preference shares and retained earnings in non-bank subsidiaries, was $764 million at June, equal to 4.26% of risk weighted assets. ACE is expected to increase during the current year, lifting the ratio back towards a target of approximately 5%. It is important to note that this ratio is for the bank only, and excludes excess capital in the general insurance or life insurance subsidiaries.

The numbers for June 2001 reflect the position of the company at that date, prior to the acquisition of GIO, but after capital had been raised for the acquisition.

General Insurance Minimum Capital Ratio

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

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

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.

General Insurance Minimum Capital Ratio (continued)

At 30 June 2003 the consolidated general insurance business has a strong capital position at 1.54 times the minimum requirement, calculated as follows:

	Jun-03 ($m)	Dec-02 ($m)	Jun-02 ($m)
Paid up ordinary shares	1,395	1,395	1,395
Retained profits at end of reporting period	698	650	664
Technical provision in excess of liability valuation	261	396	221
Less: Tax effect of excess technical provisions	(78)	(119)	(66)
	2,276	2,322	2,214
Less:			
Goodwill	(904)	(929)	(954)
Future income tax benefit (net of deferred tax liabilities)	(14)	(25)	(27)
Other Tier 1 deductions	-	-	(44)
Total deductions from tier 1 capital	(918)	(954)	(1,025)
Adjusted total tier 1 capital	1,358	1,368	1,189
APRA capital base	1,358	1,368	1,189
Outstanding claims risk capital charge	448	425	399
Premium liabilities risk capital charge	184	169	167
Total insurance risk capital charge	632	594	566
Investment risk capital charge	201	233	231
Catastrophe risk capital charge	50	50	50
Total minimum capital requirement	883	877	847
MCR coverage ratio	154%	156%	140%

APPENDIX 1 - STATEMENT OF OPERATING PROFIT

EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Full Year Ended		
	Jun-03 $m	Jun-02 $m	Jun-03 vs Jun-02 %
Banking interest revenue	1,668	1,514	10.2
Banking interest expense	(1,076)	(964)	11.6
	592	550	7.6
General insurance premium revenue [1]	2,156	1,948	10.7
Reinsurance and other recoveries revenue	286	288	(0.7)
Other revenue [2]	108	142	(23.9)
Banking fee and commission revenue	202	155	30.3
Banking fee and commission expense	(58)	(44)	31.8
General insurance investment revenue			
- insurance provisions	281	173	62.4
- managed schemes income	7	6	16.7
- joint venture income	9	5	80.0
- shareholder funds	11	-	n/a
Profit on sale of property	16	-	n/a
Total income from ordinary activities	3,610	3,223	12.0
Claims expense	(1,937)	(1,697)	14.1
Outwards reinsurance expense	(144)	(151)	(4.6)
Operating expenses from ordinary activities [2]	(860)	(853)	0.8
Total expenses from ordinary activities	(2,941)	(2,701)	8.9
Profit from ordinary activities before bad and doubtful debts expense, GIO funding, amortisation of goodwill and income tax expense	669	522	28.2
Bad and doubtful debts expense [3]	(49)	(39)	25.6
Profit from ordinary activities before GIO funding, amortisation of goodwill and related income tax expense	620	483	28.4
Subordinated debt expense - GIO acquisition	(19)	(14)	35.7
Profit from ordinary activities before amortisation of goodwill and related income tax expense	601	469	28.2
Amortisation of goodwill	(62)	(60)	3.3
Profit from ordinary activities before related income tax expense	539	409	31.8
Income tax expense attributable to profit from ordinary activities	(155)	(98)	58.2
Net profit attributable to members of the parent entity	384	311	23.5

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 1 - STATEMENT OF OPERATING PROFIT (continued)

EXCLUDING LIFE INSURANCE POLICY OWNERS' INTERESTS

FINANCIAL PERFORMANCE FOR THE HALF YEAR ENDED 30 JUNE 2003

	Half-Year Ended				
	Jun-03 $m	Dec-02 $m	Jun-02 $m	Dec-01 $m	Jun-03 vs Jun-02 %
Banking interest revenue	847	821	741	773	14.3
Banking interest expense	(550)	(526)	(468)	(496)	17.5
	297	295	273	277	8.8
General insurance premium revenue [1]	1,080	1,076	1,002	946	7.8
Reinsurance and other recoveries revenue	176	110	160	128	10.0
Other revenue [2]	59	49	69	73	(14.5)
Banking fee and commission revenue	105	97	82	73	28.0
Banking fee and commission expense	(26)	(32)	(24)	(20)	8.3
General insurance investment revenue					
- insurance provisions	116	165	73	100	58.9
- managed schemes income	(7)	14	(2)	8	250.0
- joint venture income	5	4	5	-	-
- shareholder funds	28	(17)	3	(3)	833.3
Profit on sale of property	16	-	-	-	n/a
Total income from ordinary activities	1,849	1,761	1,641	1,582	12.7
Claims expense	(961)	(976)	(849)	(848)	13.2
Outwards reinsurance expense	(71)	(73)	(81)	(70)	(12.3)
Operating expenses from ordinary activities [2]	(427)	(433)	(442)	(411)	(3.4)
Total expenses from ordinary activities	(1,459)	(1,482)	(1,372)	(1,329)	6.3
Profit from ordinary activities before bad and doubtful debts expense, GIO funding, amortisation of goodwill and income tax expense	390	279	269	253	45.0
Bad and doubtful debts expense [3]	(22)	(27)	(26)	(13)	(15.4)
Profit from ordinary activities before GIO funding, amortisation of goodwill and related income tax expense	368	252	243	240	51.4
Subordinated debt expense - GIO acquisition	(10)	(9)	(10)	(4)	-
Profit from ordinary activities before amortisation of goodwill and related income tax expense	358	243	233	236	53.6
Amortisation of goodwill	(32)	(30)	(30)	(30)	6.7
Profit from ordinary activities before related income tax expense	326	213	203	206	60.6
Income tax expense attributable to profit from ordinary activities	(97)	(58)	(46)	(52)	111.3
Net profit attributable to members of the parent entity	229	155	157	154	45.8

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

Adjusted Common Equity ratio	Adjusted Common Equity divi ded by risk weighted assets, including off-balance sheet positions.
Banking return on equity	Banking operating profit after tax divided by average equity. The equity is calculated based on the target capital adequacy ratio of 10% of total banking risk weighted assets. The average is calculated on end of month balances.
Basic shares	Ordinary shares on issue.
Cash earnings per share	Cash earnings per share adjusts the numerator in earnings per share by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.
Cash return on average shareholders' equity	Cash return on equity adjusts the numerator in return on equity by adding back amortisation of goodwill and deducting revenue on revaluation of life insurance and superannuation subsidiaries to embedded value.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the insurance business.
Cost to average total banking assets ratio	Operating expenses of the banking business divided by average total banking assets as shown in the average banking assets and liabilities statement. The ratio is annualised for half years.
Cost to income ratio	Operating expenses of the banking business divided by total income from ordinary banking activities.
Diluted shares	Comprises ordinary shares, partly paid shares, non-participating shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares in the first five years of issue. 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.

APPENDIX 2 – RATIO DEFINITIONS (Continued)

Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing insurance business. Premium revenue and operating expenses are net of statutory fees and charges included in income and expenses in the Consolidated Financial Report.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding 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 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.

APPENDIX 2 – RATIO DEFINITIONS (Continued)

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.
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 for half year.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of the life insurance standard AASB 1038. Averages are based on beginning and end of period balances.
Return on average shareholders equity - basic	Operating profit after tax less preference dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares. Averages are based on beginning and end of period balances.
Return on average shareholders equity	Operating profit after tax divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes preference shares and outstanding options. Averages are based on beginning and end of period balances.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Underlying profit	Operating profit before tax, amortisation of goodwill, investment income on shareholder funds and one-off items.