Suncorp-Metway Ltd
AND CONTROLLED ENTITIES

ABN 66 010 831 722

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Contents

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2003 and the independent review report thereon.

Directors

The names of directors holding office during or since the end of the half-year are:

John D Story (Chairman), director since 1995, appointed Chairman 7 March 2003
Dr John F Mulcahy (Managing Director), appointed 6 January 2003
William J Bartlett, appointed 1 July 2003
Dr Ian D Blackburne, director since 2000
Rodney F Cormie, director since 1996
Dr Cherrell Hirst AO, director since 2002
James J Kennedy AO CBE, director since 1997
Martin D E Kriewaldt, director since 1996
Chris Skilton (Chief Financial Officer and Executive Director), director since 2002

Review of Operations

Suncorp-Metway Ltd ("the Company") recorded a consolidated net profit after tax of $281 million for the half-year ended 31 December 2003, compared to $155 million for the corresponding prior period. Profits increased substantially across all operating divisions.

The contribution before tax from the business banking division increased from $65 million to $83 million. The contribution before tax from the retail banking division increased from $85 million to $96 million. The continued steady growth in net interest income and fee revenues was driven by growth in receivables in both divisions.

The general insurance division experienced an increase in contribution from $72 million to $215 million, driven by favourable claims experience, good premium growth and substantially increased investment income. An insurance trading ratio of 13.5% was achieved compared with 8.0% in the prior comparative period. Investment income on shareholder funds improved to a profit of $59 million (2002: $17 million loss).

The wealth management division experienced an increase in contribution from $16 million to $74 million. This was largely caused by a sharp increase in investment earnings, experience profits and a rise in the valuation of Life Company subsidiaries. The contribution of $74 million includes interests of $19 million (2002: $1 million loss) belonging to policyholders within the statutory funds and outside equity interests of $19 million (2002: nil) arising from the consolidation of managed investment schemes (Note 2). Excluding policyholder interests and outside equity interests, the contribution of the wealth management division was $36 million (2002: $17 million).

Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest million dollars, unless otherwise stated.

Dated at Brisbane this 27th day of February 2004.

Signed in accordance with a resolution of the directors:

John D Story
Chairman

John F Mulcahy
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Half-Year Ended	
	Dec-03 $m	Dec-02 $m
Income from ordinary activities		
Banking interest revenue	917	821
Banking interest expense	(600)	(526)
	317	295
General insurance premium revenue	1,188	1,114
Life insurance premium revenue	50	41
Reinsurance and other recoveries revenue	179	120
General insurance investment revenue		
- insurance provisions	23	165
- shareholder funds	59	(17)
Life insurance investment revenue	200	11
Other revenue	105	110
Banking fee and commission revenue	112	97
Banking fee and commission expense	(28)	(32)
Total income from ordinary activities	2,205	1,904
Expenses from ordinary activities		
Operating expenses from ordinary activities	(594)	(565)
General insurance claims expense	(889)	(976)
Life insurance claims expense	(35)	(33)
Outwards reinsurance premium expense	(83)	(80)
(Increase) / Decrease in net life insurance policy liabilities	(55)	70
Increase in policy owner retained profits	(54)	(46)
Non-banking interest expense	(9)	(9)
Total expenses from ordinary activities	(1,719)	(1,639)
Share of net profits of associates accounted for using the equity method	10	4
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense	496	269
Bad and doubtful debts expense	(24)	(27)
Profit from ordinary activities before amortisation of goodwill and related income tax expense	472	242
Amortisation of goodwill	(30)	(30)
Profit from ordinary activities before related income tax expense	442	212
Income tax expense relating to ordinary activities	(142)	(57)
Net profit	300	155
Net profit attributable to outside equity interests	(19)	-
Net profit attributable to members of the parent entity	281	155
Non-owner transaction changes in equity		
Decrease in retained profits on the initial adoption of revised AASB 1028 Employee benefits	-	(1)
Total changes in equity from non-owner related transactions attributable to members of the parent entity	**281**	**154**
Earnings per share		
Basic (cents per share)	51.3	27.9
Diluted (cents per share	51.2	27.9

The consolidated statement of financial performance includes the revenue and expenses of the statutory funds of the consolidated entity's life insurance business which are subject to restrictions under the Life Insurance Act 1995.

The above consolidated statement of financial performance is to be read in conjunction with the accompanying notes to the half-year financial statements set out on pages 6 to 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at		
	Dec-03	Jun-03	Dec-02
	$m	$m	$m
Assets			
Cash and liquid assets	767	846	976
Receivables due from other financial institutions	56	68	17
Trading securities	2,997	3,174	2,057
Investment securities	8,933	7,902	7,660
Investments in associates	96	83	83
Loans, advances and other receivables	26,670	24,459	23,226
Property, plant and equipment	204	217	231
Deferred tax assets	136	158	153
Intangible assets	1,008	1,038	1,071
Excess of net market value of interests in life insurance controlled entities	14	12	12
Other financial assets	452	477	502
Total assets	41,333	38,434	35,988
Liabilities			
Deposits and short term borrowings	22,581	21,579	20,143
Payables due to other financial institutions	22	26	16
Payables	1,538	1,273	726
Current tax liabilities	73	130	50
Provisions	91	104	95
Deferred tax liabilities	133	118	144
Outstanding claims and unearned premiums provisions	5,115	5,052	4,813
Life insurance gross policy liabilities	2,636	2,661	2,624
Policy owner retained profits	374	319	317
Bonds, notes and long term borrowings	3,864	2,710	2,773
Subordinated notes	775	815	751
Total liabilities	37,202	34,787	32,452
Net assets	**4,131**	**3,647**	**3,536**
Equity			
Contributed equity	2,866	2,831	2,805
Reserves	22	22	22
Retained profits	902	787	703
Total parent entity interest	3,790	3,640	3,530
Outside equity interests	341	7	6
Total equity	**4,131**	**3,647**	**3,536**

The consolidated statement of financial position includes the assets and liabilities of the statutory funds of the consolidated entity's life insurance business which are subject to restrictions under the Life Insurance Act 1995.

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes to the half-year financial statements set out on pages 6 to 9.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half-Year Ended	
	Dec-03 $m	Dec-02 $m
Cash flows from operating activities		
Interest received	1,024	911
Dividends received	10	31
Premiums received	1,664	1,311
Reinsurance and other recoveries received	130	151
Other operating revenue received	335	381
Interest paid	(623)	(557)
Outwards reinsurance premiums paid	(83)	(88)
Claims paid	(912)	(922)
Operating expenses paid	(707)	(770)
Income taxes paid - operating activities	(145)	(76)
Net cash inflows from operating activities	693	372
Cash flows from investing activities		
Proceeds from disposal of / (payments for purchase of) controlled entities (net of cash acquired)	1	(1)
Payments for purchase of investments in associates	(9)	-
Payments for property, plant and equipment	(32)	(63)
Net disposal of / (purchase of) banking securities	181	(557)
Net increase in loans, advances and other receivables	(2,201)	(350)
Purchase of investments integral to insurance activities	(8,871)	(15,583)
Proceeds from disposal of insurance investments	8,236	15,385
Income taxes paid - investing activities	(34)	(11)
Net cash (outflows) from investing activities	(2,729)	(1,180)
Cash flows from financing activities		
Proceeds from issue of shares	7	5
(Repayment of) subordinated notes	-	(51)
Net increase in borrowings	2,080	788
Dividends paid	(138)	(138)
Net cash inflows from financing activities	1,949	604
Net (decrease) in cash and cash equivalents	(87)	(204)
Cash at the beginning of the half-year	888	1,181
Cash at the end of the half-year	**801**	**977**

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the half-year financial statements set out on pages 6 to 9.

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 'Interim Financial Reporting', the Banking Act 1959 (as amended), the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group consensus views. This half-year financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Suncorp-Metway Ltd and its Controlled Entities ("the Group") during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

This report is prepared in accordance with the historical cost convention, except for certain assets, which, in accordance with accounting policies, are at valuation.

The accounting policies adopted have been consistently applied by each entity in the economic entity and, except as detailed in Note 2 below, are consistent with those applied in the 30 June 2003 Annual Financial Report. For the purposes of preparing the half-year consolidated financial report, the half-year has been treated as a discrete reporting period.

The half-year consolidated financial report does not include full note disclosures of the type normally included in an annual financial report.

2 CHANGE IN ACCOUNTING POLICY APPLICATION

Tax Consolidations Regime

The consolidated entity implemented the tax consolidations legislation effective from 1 July 2002. Suncorp-Metway Ltd ("the Company") is the head entity in the tax-consolidated group comprising all the Australian subsidiaries.

A tax sharing agreement has been executed between the Company, all group companies and Perpetual Trustee, in its capacity as Trustee for three of the Group's trusts. This ensures that the Company as head entity has a right of contribution from the other group entities for their share of the consolidated entity's tax expense, now primarily carried by the Company.

There is no impact on the Consolidated Statement of Financial Performance or Statement of Financial Position.

Principles of consolidation

Consistent with developments in generally accepted accounting practice, the consolidated entity has consolidated all of the assets, liabilities, revenues and expenses of managed investment schemes where the consolidated entity's life insurance statutory funds have the capacity to control schemes in which they are the majority investor. The consolidated entity did not consolidate managed investment schemes in the prior year. The financial effect of consolidating registered schemes has been to: increase investment securities by $343 million; decrease other receivables by $13 million; increase other assets by $9 million; increase payables by $1 million; increase in provisions by $3 million; with a corresponding increase in outside equity interest by $335 million in the statement of financial position. In the statement of financial performance, the current year impact is to increase life insurance investment revenue by $19 million and net profit attributable to outside equity interest by $19 million. This change has no impact on net profit attributable to members of the Company.

2 CHANGE IN ACCOUNTING POLICY (continued)

Principles of consolidation (continued)

If the consolidated entity had consolidated managed investment schemes at December 2002, the financial effect would have been to: increase investment securities by $194 million; decrease other receivables by $47 million; increase other assets by $11 million; increase payables by $1 million; increase in provisions by $3 million; with a corresponding increase in outside equity interest by $154 million in the statement of financial position. In the statement of financial performance, life insurance investment revenue would have increased by $12 million and net profit attributable to outside equity interest would have increased by $12 million.

3 DIVIDENDS

	Half-Year Ended	
	Dec-03 $m	Dec-02 $m
Ordinary shares		
Fully franked at 30% dividend paid	158	152
Preference shares		
Fully franked at 30% semi-annual dividend provided	8	8
	166	**160**

Since the end of the half-year, the directors have recommended an interim dividend of 30 cents per ordinary share amounting to $160 million expected to be paid on 2 April 2004. The financial effect of this dividend has not been brought to account in the consolidated entity's financial statements for the half-year ended 31 December 2003 and will be recognised in subsequent financial reports.

4 SEGMENT INFORMATION

Half-year ended 31 December 2003	Business Banking $m	Retail Banking $m	General Insurance $m	Wealth Management $m	Other $m	Eliminations $m	Consolidated $m
Revenue outside the consolidated entity	405	535	1,508	282	103	-	2,833
Inter-segment revenue	-	-	-	-	7	(7)	-
Shares of net profits of associates	-	-	10	-	-	-	10
Total segment revenue	405	535	1,518	282	110	(7)	2,843
Segment result	**83**	**96**	**215**	**74**	**4**	**(30)**	**442**
Income tax expense							(142)
Net profit							**300**

Half-year ended 31 December 2002	Business Banking $m	Retail Banking $m	General Insurance $m	Wealth Management $m	Other $m	Eliminations $m	Consolidated $m
Revenue outside the consolidated entity	345	517	1,443	83	74	-	2,462
Inter-segment revenue	-		-	-	8	(8)	-
Shares of net profits of associates	-	-	4	-	-	-	4
Total segment revenue	345	517	1,447	83	82	(8)	2,466
Segment result	**65**	**85**	**72**	**16**	**4**	**(30)**	**212**
Income tax expense							(57)
Net profit							**155**

4. SEGMENT INFORMATION (continued)

The above industry segments derive revenue from the following activities:

Business Banking	commercial banking, agribusiness, property and equipment finance.
Retail Banking	home, personal and small business loans, savings and transaction accounts.
General Insurance	home and motor insurance, personal effects cover, commercial insurance, Compulsory Third Party (CTP) insurance and worker's compensation services.
Wealth Management	life insurance and superannuation administration services, funds management, financial planning, and funds administration.
Other	treasury and property management services.

On 31 March 2003, the consolidated entity announced an organisational restructure along four business lines: Retail Banking; Business Banking; General Insurance; and Wealth Management. The consequential management restructuring and changes to internal reporting systems to the Managing Director and Board were implemented for the 2004 financial year. Comparative segment information has been restated to reflect the new structure.

5 ACQUISITION / DISPOSAL OF CONTROLLED ENTITIES

Acquisition

Control was recognised for the following managed investment schemes on 1 July 2003:

- Suncorp Investment Management Australian Equities Trust – 81.46% interest;
- Suncorp Investment Management Australian Fixed Interest Trust – 85.76% interest;
- Suncorp Investment Management World Fixed Interest Trust – 82.30% interest.

Disposal

The consolidated entity disposed of its investment in Hedge Funds Limited ("HFL") on 22 September 2003. The aggregate cash consideration received was $896,120 and the aggregate net assets disposed of was $67,359. The aggregate gain on disposal of HFL was $828,761.

During the prior half-year, the consolidated entity deregistered the following controlled entities: Abbott & Williams Pty Ltd on 1 July 2002; and Carindale Management Limited on 1 October 2002. No gain or loss on sale arose on deregistration of these controlled entities.

6 CONTINGENT ASSETS AND LIABILITIES

There have been no material changes in contingent assets or contingent liabilities since 30 June 2003.

7 MATTERS SUBSEQUENT TO THE HALF-YEAR ENDED 31 DECEMBER 2003

No matters or circumstances have arisen since the half-year ended 31 December 2003 which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent periods, other than the following:

International Financial Reporting Standards

The Financial Reporting Council has announced that Australian reporting entities will be required to comply with accounting standards equivalent to International Financial Reporting Standards (IFRS) for reporting periods beginning on or after 1 January 2005.

The consolidated entity must comply with the Australian equivalents to IFRS for the reporting period beginning on 1 July 2005. This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP).

The consolidated entity has established a project team to identify and evaluate the differences between Australian GAAP and IFRS. Differences identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are hedge accounting, insurance contracts, intangible assets including goodwill, loan impairment provisions and tax effect accounting.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the identified differences between Australian GAAP and IFRS and the impact of these differences relative to the consolidated entity's financial reports in the future. The consolidated entity has not quantified the potential impacts on its financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, as the actual impacts will depend on the requirements of the finalised standards and the particular circumstances prevailing on adoption in the half-year beginning on 1 July 2005.

DIRECTORS' DECLARATION

In the opinion of the directors of Suncorp-Metway Ltd:

1. the financial statements and notes set out on pages 3 to 9, are in accordance with the Corporations Act 2001, including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   b) complying with Australian Accounting Standard AASB 1029 'Interim Financial Reporting' and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 27th day of February 2004

Signed in accordance with a resolution of the directors:

John D Story	**John F Mulcahy**
Chairman	Managing Director

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SUNCORP-METWAY LTD

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 3 to 10 for Suncorp-Metway Group ("the Consolidated Entity"), for the half-year ended 31 December 2003. The Consolidated Entity comprises Suncorp-Metway Ltd ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 'Interim Financial Reporting' and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Suncorp-Metway Ltd is not in accordance with:

a) the Corporations Act 2001, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

   ii) complying with Australian Accounting Standard AASB 1029 'Interim Financial Reporting' and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

Brian Greig
Partner

Brisbane
27 February 2004