Suncorp-Metway Ltd
and controlled entities

ABN 66 010 831 722

ANNOUNCEMENT OF
CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2006

Release date 1 September 2006

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BANKING INSURANCE INVESTMENT

Preface: AIFRS and additional disclosures

The 30 June 2006 and 31 December 2005 results have been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS").

As noted in our 31 December 2005 Announcement of Results, 30 June 2005 and 31 December 2004 comparatives have been updated to reflect AIFRS in accordance with the Suncorp-Metway Ltd ("the Company") and its controlled entities' ("the Group's") statutory position. They exclude the impact of certain AIFRS adjustments which are subject to transitional arrangements. The largest impact to net profit after tax is that goodwill is no longer being amortised under AIFRS, as illustrated below.

	Full Year Ended	Half-Year Ended	
	Jun-05	Jun-05	Dec-04
	$m	$m	$m
Net profit reported at 30 June 2005 (AGAAP)	**821**	**408**	**413**
AIFRS adjustments:			
Goodwill	61	30	31
Other	0	2	(2)
AIFRS net profit (statutory)	**882**	**440**	**442**

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

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

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

In particular, these comprise:

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- Banking impairment losses on loans and advances – the general provision has been replaced by a collective provision, which is calculated using a different methodology.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

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

Refer further to *Impact of adopting Australian equivalents to International Financial Reporting Standards* for more detailed information on the impact of AIFRS.

Suncorp-Metway Ltd

Year End Results 2006

- Underlying profit up 10.1% to a record $1,042 million
- Net Profit After Tax (NPAT) up 3.9% to $916 million
- Earnings Per Share up 3.9% to $1.67
- Return on Equity of 21%
- Final ordinary dividend of 50 cents, fully franked, bringing the full year ordinary dividend to 97 cents, an increase of 11.5% on the prior year

	Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Profit Overview			
Banking	506	454	11.5
General Insurance	691	660	4.7
Wealth Management	81	93	(12.9)
L J Hooker and other	13	8	62.5
Consolidation	(13)	(10)	30.0
Profit before tax	1,278	1,205	6.1
Tax	(362)	(323)	12.1
Net profit	**916**	**882**	**3.9**
Underlying profit	**1,042**	**946**	**10.1**

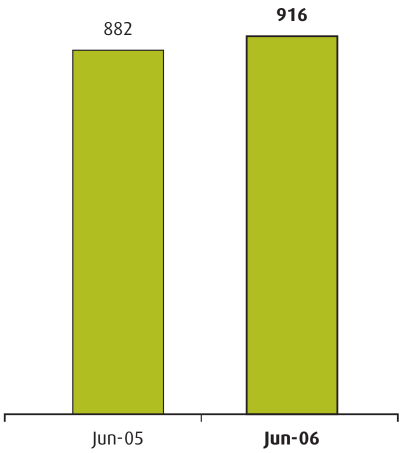
Review of operations

Except where otherwise stated, all figures relate to the year ended 30 June 2006. Comparatives are for the year ended 30 June 2005, and life insurance policy owners' interests are excluded.

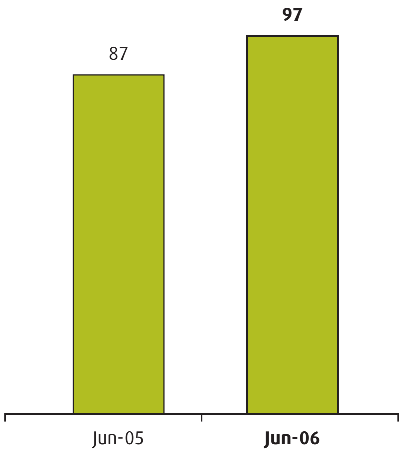
Group overview

- Suncorp has reported a 10.1% increase in underlying profit to a record $1.042 billion for the year to June 2006. Net profit after tax (NPAT) increased by 3.9% to $916 million for the full year.
- The strength of this result has allowed the Board to declare a final ordinary dividend of 50 cents per share, fully franked, taking the full year dividend to 97 cents per share, an increase of 11.5% over the previous year. This is equivalent to a diluted payout ratio of 58.7% for the full year.
- The Company has also announced that a share buy-back is currently under consideration for the December 2006 quarter. It is proposed that this would be supported by a subordinated debt transaction in the General Insurance business and an issue of a hybrid instrument by the Bank.
- Earnings per share on a cash basis, fully diluted, increased 3.9% for the full year.
- The **Banking** division delivered a strong result in the face of intense competition, with contribution before tax increasing by 11.5% for the full year. This was underpinned by solid revenue growth, continued control over costs and disciplined credit practices. A number of initiatives implemented during the year have built volumes across the bank, providing good lending momentum into the 2007 financial year.
- In **General Insurance**, pre-tax profits of $691 million were driven by solid premium growth, increased investment income and favourable claims experience in short and long tail classes. This was offset to some extent by the costs associated with Cyclone Larry and premium reductions in the compulsory third party portfolio as the benefits of tort law reforms are passed on to customers.
- **Wealth Management** contributed profit before tax of $81 million for the year to June 2006. Underlying profit, which excludes one-off payments and the impact of investment earnings, increased by 17.4% on an AIFRS comparable basis to $54 million and benefited from higher planned profits, improved experience profits and increased fees from growth in funds. Funds under management increased by 9.3% for the year to $13.0 billion.

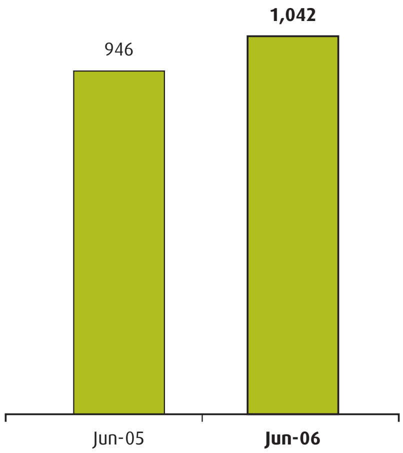
Net profit after tax
Full-year, $m



Dividend
Full-year, cents per share



Underlying profit
Full-year, $m



Review of operations (continued)

Financial position

- At the end of June, the Group had total assets of $52.5 billion an increase of 8.8% on June 2005. Liabilities totalled $48.0 billion up 9.9%, leaving equity at $4.4 billion, down 2.3%.
- The Group's capital position remains strong, with a capital adequacy ratio of 12.31% in the Bank, an MCR multiple of 1.79 times in the General Insurer and strong capital reserves in the Life Company.
- The Adjusted Common Equity (ACE) ratio in the Bank decreased to 6.07% from 6.85% in June 2005 primarily due to the payment of a 75 cent per share special dividend in October 2005. Retained profits flowing from profit growth during the course of the year have resulted in the ACE ratio sitting comfortably above the Company target of 4.5% – 5%.
- The Group's credit ratings remained stable during the period. Standard and Poor's has an 'A' long term counterparty credit rating on the Company, while Moody's is at 'A2' and Fitch at 'A'. This reflects the overall strength of the Group.

Capital Management Initiative

- The Company has a strong capital position and is overweight common equity/Tier 1 capital. In this circumstance it is the intention of the Board to raise further hybrid and Tier 2 capital and return some of this surplus equity to shareholders. The Company also has a significant accumulation of franking credits.
- The Company is considering returning this surplus equity to shareholders through a share buy-back in the December 2006 quarter. This would be accompanied by subordinated debt transactions in the General Insurer and Bank, and an issue of a hybrid instrument by the Bank.

Operational highlights

The strong financial results for the year reflect management's strategy of driving profitable growth by responding in a disciplined way to the dynamics of a rapidly changing external environment. The year to June 2006, saw a significant step-up in competitive intensity across Banking, General Insurance and Wealth Management with all industry participants being challenged to maintain return on equity in the face of declining margins.

The Company's approach in this environment has been to maintain its strict discipline around pricing, return on capital, risk and credit standards while being conscious of the need to continue to grow market share across the franchise.

While the primary focus in this competitive environment has been on ensuring each of the individual businesses perform strongly in its own right, the Company continues to explore and realise the advantages of its unique position in the Australian financial services industry.

The major operational highlights for 2006 were:

- In **Banking**, net profit before tax grew by 11.5% to $506 million, underpinned by a 6.7% improvement in total income. This strong bottom line result reflects the Bank's focus on driving total revenue growth by pro-actively managing the price and volume mix of the book.
- Return on equity for the Banking division was 18.0% for the full year and the cost to income ratio improved to 46.1%.
- Total lending grew by 11.2% to $38.8 billion. While this is below industry growth rates for the year, lending volumes have progressively built in the second half with total lending tracking back to system rates in May and June.
- In Home lending, receivables grew to $20.8 billion up 10.3% for the year. Lending volumes in the home portfolio have been progressively building, growing by 6% in the second half, which is close to industry growth rates for that period.
- This improving momentum reflects the success of a number of initiatives implemented during the year. These include: packaging of home loans across product holdings, improvements in approval times for priority brokers through the *Champions Club* initiative and a focus on improving loan flows through the 100% ownership of the national real estate franchise, LJ Hooker.
- Business lending growth has been impacted by the anticipated slowdown in loans originating through the development finance portfolio. This primarily reflects the downturn in the property market, particularly in New South Wales and Victoria.
- A step up in competition in the small to medium enterprise (SME) market has also impacted on lending volumes in the Business Bank. Initiatives designed to improve volumes in the Commercial portfolio were put in place during the year and have had a positive impact on lending volumes in May and June. The full benefit of these initiatives is unlikely to be realised until sometime in the 2007 financial year.
- Growth in retail deposits continues to be strong, growing by $1.7 billion to $16.9 billion. On an underlying basis core retail deposits (excluding Treasury) grew by 11.5%, exceeding the annual industry growth rate of 10.6%.
- The net interest margin contracted by 8 basis points for the year to June 2006 as the Bank responded to an increasingly competitive environment by developing a range of new products and offers, particularly in the retail deposit market.

Review of operations (continued)

Operational highlights (continued)

- Credit quality remains sound, with gross impaired assets of $99 million at June, down 13.2% on December and equal to just 0.26% of total gross loans, advances and other receivables. An increase in past 90 day due loans is the result of a small number of business loans migrating into this category and does not indicate any material deterioration in credit quality. The specific provision for impairment at $21 million remains unchanged from December 2005, reflecting the high level of security the Bank holds over its loan book.
- The **General Insurance** result featured good underlying business growth despite a highly competitive operating environment and continued pressure on premium rates. Total gross written premium (GWP) for the business increased by a respectable 2.7% to $2.6 billion for the full year, accommodating the impact of reducing premium rates across the sizeable compulsory third party (CTP) and commercial portfolios.
- Excluding CTP, total GWP growth of 3.9% was achieved for the full year.
- As in banking, the focus in this environment is on driving profitable growth by maintaining discipline around pricing and risk, while seeking improved efficiencies in the management of claims processes.
- The success of this strategy can be seen in the full year profit result which was exceptionally strong, notwithstanding increased competition and softer market conditions. The insurance trading result (ITR) totalled $474 million, equating to a substantial margin of 19.3% on net earned premium.
- Return on equity improved 4.7% to 24.3% for the full year.
- Second half claims costs in both short and long tail classes benefited from the claims cost reduction project. It is anticipated a significant portion of the expected benefits of this project will be achieved in the next financial year, with full benefits expected in the 2008 financial year.
- The strong profit result was achieved despite the impact of Cyclone Larry which devastated areas of North Queensland and caused widespread damage to homes, businesses and crops. In total, Cyclone Larry claims costs are estimated to be $80 million net of reinsurance recoveries.
- A focus on driving profitable growth in short tail lines, combined with the benefits of improved claims management, has seen the short tail insurance trading ratio (ITR) improve to 12.6%, excluding the cost of Cyclone Larry, in the second half (up from 5.9% in the first half) and above the Company's medium-term short tail ratio target of 8%-10%.
- In the long tail business, favourable claims experience contributed significantly to the result. In addition to benefits derived from improved claims management, this result highlights the continuing impact of legislative and other reforms on liability claims experience and the greater reliance given by valuation actuaries to the sustainable benefits from the legislative reforms.
- Further underlining Suncorp's conservative approach to claims provisioning, risk margins increased slightly to a total of 28% of the central estimate, with a probability of adequacy of approximately 94%.
- In **Wealth Management** new business sales were a highlight, increasing by 18.8% to $782 million for the full year. The value of new business improved by a substantial 77.7% and was boosted by improved retention on most products.
- The Suncorp Superannuation Balanced Fund achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by Intech in their Growth Fund Survey.
- Funds under Management grew by 9.3% to $13.0 billion while Funds under Administration increased by 19.8% to $6.2 billion at June 2006.

Review of operations (continued)

Strategy update

To achieve its vision to become Australia's most desirable financial services company, means Suncorp delivering on six key strategic levers. These levers are now well embedded across Suncorp and help focus the Group's annual strategic planning activities. The Company continues to make good progress against each of them.

Customer focus refers to both customer service and solutions. The fact that Suncorp has full ownership position throughout the manufacturing and distribution chain means that it has greater exposure to customers' lifecycles, a broader window of information to understand customers' needs and an ability to provide all of the financial products a customer may require via a single provider.

The Company has invested significantly in embedding customer based design principles across the organisation, so that customers are effectively offered the right solutions for their particular needs. Suncorp continues to maintain an advantage over the major Banks in terms of customer satisfaction. It remains a key focus for the organisation, particularly in general insurance.

The Group continues to **optimise distribution channels**, capitalising on the direct distribution channel, growing the intermediary business, particularly outside Queensland and through relationship management programs.

The Company has also extended its ATM network and improved the accessibility, performance and security of its Internet banking facilities. Internet banking transactions have grown by 48% in the year to June 2006. A key focus in the 2007 financial year will be improving customer service in the Company's call centres as the inFOCUS training program is embedded across the organisation. The Group also continues to leverage its wider assets, including the national real estate business, LJ Hooker, with sales via this channel up by 67% on the previous year.

Suncorp continues to invest in developing **high performing teams** through its training and development programs and creative strategies to ensure the Company is seen as a desirable employer. In an increasingly tight labour market, the Company has introduced a number of policies designed to attract, retain and develop its employees. A primary focus has been on attracting older workers back to the workplace, new graduate recruitment and extending flexible working arrangements for part-time, job share and shift workers. Reflecting the success of these initiatives, there has been a 20% increase in the Group's Gallup employee engagement score since the survey was introduced to the organisation in 2002.

In May 2006, the Company restructured its Senior Executive team. This was designed to better align the Company's structure with potential growth areas and broaden the skills base and career opportunities available to the Company's most senior managers.

An example of **Execution Excellence** is the embedding of the strategic planning process across the organisation with shared tracking tools and methodologies. Further centralising and strengthening key service areas such as sourcing, procurement, recruitment and technology has helped ensure greater efficiencies and better quality outcomes. In the year to June 2007 the primary focus for improving the Company's execution capability will be ensuring best practices are effectively leveraged across the Group.

Group synergies focuses on both cost and revenue synergies. Suncorp continues to operate at a very competitive Group efficiency ratio of 26.2%. The Company remains the market leader in terms of products per customer (Source: Roy Morgan) and continues to achieve strong cross sales in logically bundled product offerings such as motor insurance with car loans and home insurance with mortgages.

The Company achieved good results from a number of pilots conducted during the year that have now either moved into market or are being further prototyped. The X-Fire pilot, focused on improving sales to intermediary customers, has seen an increase in products per customer of over 9% during the year. Business Banking sales into the GIO commercial customer base achieved a significant pipeline of referrals and exceeded expectations. The initial General Insurance/Retail Banking call centre pilot achieved strong conversion rates prior to being temporarily halted while Suncorp responded to the critical needs of its insurance customers affected by Cyclone Larry.

All of the above helped Suncorp achieve another strong result in a competitive environment. The Company continues to focus on **profitable market growth**, via three performing lines of business, as well as deriving ongoing benefits from its unique business model.

Review of operations (continued)

Outlook

At the macro level, the economy continues to be sound despite increasing inflationary pressures which have been a trigger for a tightening of monetary policy. While interest rate increases to date have had only a limited effect on credit formation, it is likely that future increases, if there are to be any, will impact lending growth, particularly in the retail mortgage segment.

We expect that competition will remain strong across all our businesses and geographies, as the economy and growth slow.

In **Banking** we will continue to balance the price and volume mix in order to maximise total income, while at the same time keeping costs under tight control. Given no major changes in underlying market conditions we would expect to grow banking profit before tax and bad debts by approximately 10% for the year. While the level of non-performing loans may trend back towards the norm, from their historic lows of the 2005 financial year, we see nothing on the near term horizon that will trigger a material increase in loan loss expense.

In **General Insurance**, we expect premiums in CTP and other personal injury classes to continue to reduce, with further benefits of tort law reforms to become evident and be passed on to customers. This will have the effect of offsetting modest growth in other areas of the portfolio and result in relatively flat GWP growth for the year.

With respect to claims expense, we continue to target significant claims cost efficiencies in both short and long tail classes through our claims cost reduction project. We anticipate the potential size of long tail releases will moderate over time as premium prices realign with underlying valuation parameters. However, assuming current claims trends continue, we expect that they will continue to make a material contribution to profit in the 2007 and 2008 financial years, though not necessarily at the same level as those reported in the year to June 2006.

Taking all these factors into account we expect that for the 2007 and 2008 financial years our full-year ITR will be in the 16% – 19% range, excluding any major weather event, which is above our medium to long term range of 11% – 14%, again excluding any major weather event.

In respect of other income we anticipate fee income will reduce marginally as the impact of the recently renegotiated Treasury Managed Funds and New South Wales WorkCover contracts come into effect, and clearly joint venture income would be negatively impacted by a moderation in equity market returns.

In **Wealth Management** we anticipate continued growth in Funds under Administration through increased sales and strong customer retention. Sales growth will be supported by our continued success in penetrating our banking and insurance customer bases for wealth management solutions. Increased competition and factors such as Super Choice continue to create margin compression and we expect this will continue into the future.

On an underlying basis, which excludes investment returns on shareholder funds, we anticipate achieving profit growth of approximately 10% in the Wealth Management business.

While we do not expect equity markets will continue to deliver the high returns achieved over the past 3 years, we expect another strong operating performance at the **Group** level that will allow us to achieve ordinary dividend growth of at least 10% for the year.

Contribution to profit by division for the year ended 30 June 2006

Excluding Life Insurance Policy Owners' Interests

	Full Year Ended Jun-06 $m	Full Year Ended Jun-05 $m	Jun-06 vs Jun-05 %
Banking			
Net interest income [1, 2]	848	786	7.9
Non-interest income [1]	149	148	0.7
Total income	997	934	6.7
Operating expenses	(460)	(452)	1.8
Impairment losses on loans and advances	(31)	(28)	10.7
Contribution before tax	506	454	11.5
General Insurance			
Gross written premium [3]	2,611	2,542	2.7
Net earned premium [3]	2,456	2,420	1.5
Net incurred claims	(1,633)	(1,768)	(7.6)
Operating expenses [3]	(583)	(521)	11.9
Investment income – insurance funds	234	302	(22.5)
Insurance trading result	474	433	9.5
Managed schemes net income	26	25	4.0
Joint venture income	25	28	(10.7)
Investment income – Shareholder Funds	203	200	1.5
Contribution before tax and capital funding	728	686	6.1
Capital funding [2]	(37)	(26)	42.3
Contribution before tax	691	660	4.7
Wealth Management			
Contribution from Life Company	66	62	6.5
Contribution from Funds Management	15	31	(51.6)
Contribution before tax	81	93	(12.9)
Other			
Contribution from LJ Hooker and other	13	8	62.5
Wealth Management consolidation adjustments [4]	(13)	(10)	30.0
Contribution before tax	-	(2)	(100.0)
Profit before tax	1,278	1,205	6.1
Income tax	(362)	(323)	12.1
Net profit	**916**	**882**	**3.9**
Underlying profit [5]	**1,042**	**946**	**10.1**

Notes:

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

(2) Includes interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5. Preference share dividends are treated as interest expense from 1 July 2005, and are allocated between Banking (Jun-06: $10 million) and General Insurance (Jun-06: $6 million) on the basis described in Appendix 5.

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

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

(5) Refer following page for calculation of underlying profit.

	Full Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Reconciliation of underlying profit to profit before tax			
Profit before tax	1,278	1,205	6.1
General Insurance investment income – Shareholder Funds	(203)	(200)	1.5
Share of General Insurance investment income – joint venture Shareholder Funds	(11)	(10)	10.0
Wealth Management investment income in Life Company	(23)	(26)	(11.5)
Wealth Management investment income in Funds Management	(6)	(6)	-
One-off items	7	(17)	(141.2)
Underlying profit	**1,042**	**946**	**10.1**
One-off items			
One-off items included in profit before income tax are:			
Sale of management rights over Australian Prime Property Fund (APPF)	-	17	(100.0)
Corporate real estate	(5)	-	n/a
Change in valuation methodology of Policy liabilities of unit linked statutory fund business	(2)	-	n/a
	(7)	**17**	**(141.2)**
The above items affect the following captions in the contribution to profit:			
Contribution from Life Company	(2)	-	n/a
Contribution from Funds Management	-	17	(100.0)
Operating expenses	(5)	-	n/a
	(7)	**17**	**(141.2)**

Corporate real estate strategy

The Group's corporate real estate strategy is focused on providing stimulating and collaborative work spaces for our people.

The major components of the strategy are:

- site selection, design and level of occupancy to maximise efficiency, effectiveness and flexibility;
- exit of properties that do not meet our objectives;
- consolidation of disparate tenancies, including optimisation of CBD corporate presence, move to lower cost geographies where practicable and the adoption of uniform standards of fit-out; and
- accommodation of call centres independently of offices.

While the one-off costs for the year to June 2006 were only $5 million, these costs are expected to reach $7 million for the 2007 financial year. The one-off costs consist of lease surrender costs, make good costs, relocation expenses and site search fees. The recurring expenses, which will not be treated as one-off, will consist of incremental rental, occupancy and depreciation costs relating to the new or refurbished properties in the order of $20 million to $25 million.

Contribution to profit by division for the half-year ended 30 June 2006

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Banking						
Net interest income [1], [2]	426	422	403	383	0.9	5.7
Non-interest income [1]	76	73	72	76	4.1	5.6
Total income	502	495	475	459	1.4	5.7
Operating expenses	(235)	(225)	(230)	(222)	4.4	2.2
Impairment losses on loans and advances	(16)	(15)	(10)	(18)	6.7	60.0
Contribution before tax	251	255	235	219	(1.6)	6.8
General Insurance						
Gross written premium [3]	1,321	1,290	1,287	1,255	2.4	2.6
Net earned premium [3]	1,225	1,231	1,219	1,201	(0.5)	0.5
Net incurred claims	(760)	(873)	(876)	(892)	(12.9)	(13.2)
Operating expenses [3]	(303)	(280)	(267)	(254)	8.2	13.5
Investment income – insurance funds	103	131	143	159	(21.4)	(28.0)
Insurance trading result	265	209	219	214	26.8	21.0
Managed schemes net income	12	14	14	11	(14.3)	(14.3)
Joint venture income	15	10	16	12	50.0	(6.3)
Investment income – Shareholder Funds	87	116	81	119	(25.0)	7.4
Contribution before tax and capital funding	379	349	330	356	8.6	14.8
Capital funding [2]	(18)	(19)	(14)	(12)	(5.3)	28.6
Contribution before tax	361	330	316	344	9.4	14.2
Wealth Management						
Contribution from Life Company	31	35	29	33	(11.4)	6.9
Contribution from Funds Management	8	7	23	8	14.3	(65.2)
Contribution before tax	39	42	52	41	(7.1)	(25.0)
Other						
Contribution from LJ Hooker and other	6	7	3	5	(14.3)	100.0
Wealth Management consolidation adjustments [4]	(7)	(6)	(5)	(5)	16.7	40.0
Contribution before tax	(1)	1	(2)	-	(200.0)	(50.0)
Profit before tax	650	628	601	604	3.5	8.2
Income tax	(188)	(174)	(161)	(162)	8.0	16.8
Net profit	**462**	**454**	**440**	**442**	**1.8**	**5.0**
Underlying profit [5]	**550**	**492**	**485**	**461**	**11.8**	**13.4**

Notes:

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

[2] Includes interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5. Preference share dividends are treated as interest expense from 1 July 2005, and are allocated between Banking (Jun-06: $5 million; Dec-05: $5 million) and General Insurance (Jun-06: $3 million; Dec-05 $3 million) on the basis described in Appendix 5.

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

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

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

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Reconciliation of underlying profit to profit before tax						
Profit before tax	650	628	601	604	3.5	8.2
General Insurance investment income – Shareholder Funds	(87)	(116)	(81)	(119)	(25.0)	7.4
Share of General Insurance investment income – joint venture Shareholder Funds	(5)	(6)	(4)	(6)	(16.7)	25.0
Wealth Management investment income in Life Company	(8)	(15)	(11)	(15)	(46.7)	(27.3)
Wealth Management investment income in Funds Management	(4)	(2)	(3)	(3)	100.0	33.3
One-off items	4	3	(17)	-	33.3	(123.5)
Underlying profit	550	492	485	461	11.8	13.4
One-off items						
One-off items included in profit before income tax are						
Sale of management rights over Australian Prime Property Fund (APPF)	-	-	17	-	n/a	(100.0)
Corporate real estate	(4)	(1)	-	-	Large	n/a
Change in valuation methodology of Policy liabilities of unit linked statutory fund business	-	(2)	-	-	(100.0)	n/a
	(4)	**(3)**	**17**	**-**	**33.3**	**(123.5)**
The above items affect the following captions in the contribution to profit:						
Contribution from Life Company	-	(2)	-	-	(100.0)	n/a
Contribution from Funds Management	-	-	17	-	n/a	(100.0)
Operating expenses	(4)	(1)	-	-	Large	n/a
	(4)	**(3)**	**17**	**-**	**33.3**	**(123.5)**

Balance sheet

Excluding Life Insurance Policy Owners' Interests

	Jun-06 $m	Half-Year Ended Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Assets						
Cash and liquid assets	487	904	1,008	830	(46.1)	(51.7)
Receivables due from other banks	26	32	67	18	(18.8)	(61.2)
Other financial assets						
Trading securities	3,773	3,659	3,396	3,429	3.1	11.1
Investment securities	5,720	5,485	5,513	5,383	4.3	3.8
Investments in associates and joint ventures	138	133	129	116	3.8	7.0
Loans, advances and other receivables	39,878	37,476	35,802	33,513	6.4	11.4
Property, plant and equipment	130	109	105	100	19.3	23.8
Investment property	196	157	156	145	24.8	25.6
Unlisted investment in life insurance statutory funds	174	193	200	214	(9.8)	(13.0)
Deferred tax assets	213	201	167	152	6.0	27.5
Intangible assets	1,124	1,126	1,101	1,084	(0.2)	2.1
Other assets[1]	597	492	586	551	21.3	1.9
Total assets	52,456	49,967	48,230	45,535	5.0	8.8
Liabilities						
Deposits and short term borrowings	27,836	28,139	27,172	27,743	(1.1)	2.4
Payables due to other banks	120	55	66	39	118.2	81.8
Bank acceptances	316	121	74	-	161.2	327.0
Payables and other liabilities	637	897	968	824	(29.0)	(34.2)
Current tax liabilities	135	74	179	104	82.4	(24.6)
Provisions	154	111	202	147	38.7	(23.8)
Deferred tax liabilities	188	192	172	167	(2.1)	9.3
Outstanding claims and unearned premium liabilities	5,651	5,626	5,518	5,366	0.4	2.4
Securitisation liabilities	5,710	3,793	3,906	2,551	50.5	46.2
Bonds, notes and long term borrowings	5,560	5,394	4,468	3,382	3.1	24.4
Subordinated notes	1,466	1,182	968	961	24.0	51.4
Preference shares	250	250	-	-	-	n/a
Total liabilities	48,023	45,834	43,693	41,284	4.8	9.9
Net assets	**4,433**	**4,133**	**4,537**	**4,251**	**7.3**	**(2.3)**
Equity						
Share capital	2,973	2,913	2,773	2,701	2.1	7.2
Share capital – preference shares	-	-	244	244	n/a	(100.0)
Reserves	28	(6)	12	13	(566.7)	133.3
Retained profits	1,432	1,226	1,485	1,279	16.8	(3.6)
Total parent entity interest	4,433	4,133	4,514	4,237	7.3	(1.8)
Outside equity interests	-	-	23	14	n/a	(100.0)
Total equity	**4,433**	**4,133**	**4,537**	**4,251**	**7.3**	**(2.3)**

Notes:

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

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

Ratios and statistics for the year ended 30 June 2006

Excluding Life Insurance Policy Owners' Interests

		Full Year Ended Jun-06	Jun-05	Jun-06 vs Jun-05 %
Performance ratios				
Earnings per share				
Basic	(cents)	166.6	160.5	3.8
Diluted	(cents)	166.6	160.4	3.9
Return on average shareholders' equity				
Basic	(%)	21.1	21.6	(2.3)
Diluted	(%)	21.0	21.4	(1.9)
Return on average total assets	(%)	1.82	2.01	(9.5)
Insurance trading ratio	(%)	19.3	17.9	7.8
Shareholder summary				
Dividend per ordinary share	(cents)	97.0	87.0	11.5
Payout ratio				
Basic	(%)	59.1	55.4	6.7
Diluted	(%)	58.7	54.7	7.3
Weighted average number of shares				
Basic	(million)	549.8	539.5	1.9
Diluted	(million)	550.0	539.9	1.9
Number of shares at end of period				
Basic	(million)	553.5	543.4	1.9
Diluted	(million)	553.9	544.7	1.7
Net tangible asset backing per share				
Basic	($)	5.98	5.83	2.6
Diluted	($)	5.98	5.84	2.4
Share price at end of period	($)	19.35	20.11	(3.8)
Productivity				
Group efficiency ratio	(%)	26.2	24.2	8.3
Banking cost to income ratio	(%)	46.1	48.4	(4.8)
General Insurance expense ratio	(%)	23.7	21.5	10.2
Financial position				
Total assets	($ million)	52,456	48,230	8.8
Capital				
Bank capital adequacy ratio	(%)	12.31	11.51	7.0
Bank adjusted common equity	(%)	6.07	6.85	(11.4)
General Insurance minimum capital ratio	(times)	1.79	1.88	(4.8)

Refer Appendix 4 for definitions.

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

Ratios and statistics for the half-year ended 30 June 2006

Excluding Life Insurance Policy Owners' Interests

			Half-Year Ended				
		Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Performance ratios							
Earnings per share							
Basic	(cents)	83.7	82.9	79.8	80.7	1.0	4.9
Diluted	(cents)	83.7	82.9	79.7	80.7	1.0	5.0
Return on average shareholders' equity							
Basic	(%)	21.8	21.4	21.1	22.2	1.9	3.3
Diluted	(%)	21.7	21.4	21.0	22.1	1.4	3.3
Return on average total assets	(%)	1.82	1.83	1.89	2.06	(0.5)	(3.7)
Insurance trading ratio	(%)	21.6	17.0	18.0	17.8	27.1	20.0
Shareholder summary							
Dividend per ordinary share	(cents)	50.0	47.0	45.0	42.0	6.4	11.1
Payout ratio							
Basic	(%)	60.4	57.5	57.4	53.1	5.0	5.2
Diluted	(%)	59.9	57.0	56.7	52.4	5.1	5.6
Weighted average number of shares							
Basic	(million)	551.9	547.7	541.5	537.6	0.8	1.9
Diluted	(million)	552.1	547.9	542.0	538.0	0.8	1.9
Number of shares at end of period							
Basic	(million)	553.5	550.5	543.4	539.7	0.5	1.8
Diluted	(million)	553.9	550.9	544.7	541.1	0.5	1.7
Net tangible asset backing per share							
Basic	($)	5.98	5.46	5.83	5.39	9.5	2.6
Diluted	($)	5.98	5.47	5.84	5.41	9.3	2.4
Share price at end of period	($)	19.35	20.05	20.11	17.38	(3.5)	(3.8)
Productivity							
Group efficiency ratio	(%)	27.0	25.5	24.7	23.8	5.9	9.3
Banking cost to income ratio	(%)	46.8	45.5	48.4	48.4	2.9	(3.3)
General Insurance expense ratio	(%)	24.7	22.8	21.9	21.2	8.3	12.8
Financial position							
Total assets	($ million)	52,456	49,967	48,230	45,535	5.0	8.8
Capital							
Bank capital adequacy ratio	(%)	12.31	10.79	11.51	10.44	14.1	7.0
Bank Adjusted Common Equity ratio	(%)	6.07	5.44	6.85	5.59	11.6	(11.4)
General Insurance minimum capital ratio coverage	(times)	1.79	1.69	1.88	1.95	5.9	(4.8)

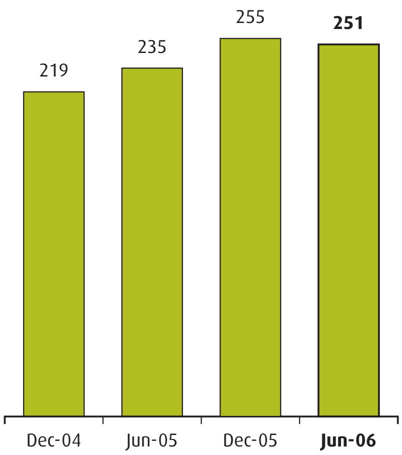
Refer Appendix 4 for definitions.
Refer Appendix 5 for details of Earnings per share and Return on average shareholders' equity calculations.

Segment information – Banking

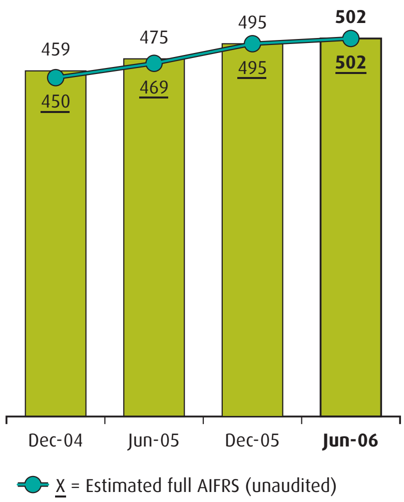
Profit overview

- The Banking division reported a net profit before tax of $506 million, an increase of 11.5% on the prior year as the Bank proactively managed the product and pricing mix across all lending products in order to minimise margin compression and optimise total income while preserving credit quality.
- While lending volumes have been below industry rates for the year as a whole, revenue growth of 6.7% has been achieved, costs have remained under control and there has been no significant increase in impairment losses across the portfolio.
- Total receivables (including securitised assets) reached $38.8 billion at June 2006, up 11.2% on the prior year but below the industry growth rate of 14.2%. Reflecting improved lending momentum, receivables growth in the second half was much stronger at 6.4%, compared to the industry growth rate of 7.3% during this period.
- Home loan receivables, including securitised assets, increased 10.3% on the prior year to $20.8 billion, compared to industry growth of 13.3%. Home lending growth in the second half at 6% was stronger than the first and more in line with the broader market. As foreshadowed, the home lending portfolio has exited the year with growth rates at system and with good momentum moving into the 2007 financial year.
- Business lending receivables grew by 12% to $17.2 billion, compared to industry growth of 18.4%, for the year. Industry growth rates have been supported by strong growth in the mining and infrastructure sectors where Suncorp has only limited exposure.
- Growth in business lending receivables has been achieved against the backdrop of a competitive market and subdued development and construction in the residential sector. A highlight has been the Corporate Lending and Property Investment portfolios which grew strongly, by 48.7% and 14.3% respectively.
- Continued excellent growth in retail deposits was achieved with total retail funding increasing 11% to $16.9 billion, which was in line with industry growth rates.

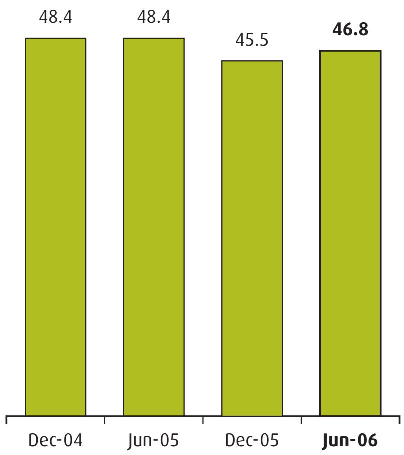
Contribution to profit
Half-year, $m



Total banking income
Half-year, $m



Cost to income ratio
Half-year, %



	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Profit contribution – Banking									
Net interest income									
Interest revenue	1,462	1,416	1,314	1,218	3.2	11.3	2,878	2,532	13.7
Interest expense	(1,036)	(994)	(911)	(835)	4.2	13.7	(2,030)	(1,746)	16.3
	426	422	403	383	0.9	5.7	848	786	7.9
Net banking fee income									
Banking fee and commission revenue	102	100	106	105	2.0	(3.8)	202	211	(4.3)
Banking fee and commission expense	(38)	(35)	(44)	(38)	8.6	(13.6)	(73)	(82)	(11.0)
	64	65	62	67	(1.5)	3.2	129	129	-
Other operating revenue									
Net profits on trading and investment securities	2	2	2	2	-	-	4	4	-
Net profits on derivative and other financial instruments	4	4	4	6	-	-	8	10	(20.0)
Other income	6	2	4	1	200.0	50.0	8	5	60.0
	12	8	10	9	50.0	20.0	20	19	5.3
Non-interest income	76	73	72	76	4.1	5.6	149	148	0.7
Total income from Banking activities	502	495	475	459	1.4	5.7	997	934	6.7
Operating expenses									
Staff expenses	(146)	(138)	(138)	(130)	5.8	5.8	(284)	(268)	6.0
Occupancy expenses	(13)	(13)	(12)	(12)	-	8.3	(26)	(24)	8.3
Computer and depreciation expenses	(24)	(21)	(18)	(20)	14.3	33.3	(45)	(38)	18.4
Communication expenses	(14)	(15)	(15)	(16)	(6.7)	(6.7)	(29)	(31)	(6.5)
Advertising and promotion expenses	(13)	(12)	(14)	(10)	8.3	(7.1)	(25)	(24)	4.2
Other operating expenses [1]	(25)	(26)	(33)	(34)	(3.8)	(24.2)	(51)	(67)	(23.9)
	(235)	(225)	(230)	(222)	4.4	2.2	(460)	(452)	1.8
Contribution to profit from Banking activities before impairment losses on loans and advances	267	270	245	237	(1.1)	9.0	537	482	11.4
Impairment losses on loans and advances	(16)	(15)	(10)	(18)	6.7	60.0	(31)	(28)	10.7
Contribution to profit before tax from Banking activities	**251**	**255**	**235**	**219**	**(1.6)**	**6.8**	**506**	**454**	**11.5**
Return on equity (%)	**17.3**	**18.8**	**18.5**	**18.9**	**(8.0)**	**(6.5)**	**18.0**	**18.8**	**(4.3)**

Notes:

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

Balance sheet – Banking

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Assets						
Cash and liquid assets	221	636	653	496	(65.3)	(66.2)
Receivables due from other banks	26	32	67	19	(18.8)	(61.2)
Other financial assets						
Trading securities	3,773	3,659	3,396	3,429	3.1	11.1
Investment securities	2,142	2,153	2,079	2,079	(0.5)	3.0
Loans, advances and other receivables [1]	38,683	36,354	34,732	32,439	6.4	11.4
Property, plant and equipment	129	108	103	98	19.4	25.2
Deferred tax assets	141	126	95	87	11.9	48.4
Intangible assets	82	85	77	84	(3.5)	6.5
Other assets [2]	563	411	355	447	37.0	58.6
Total assets	45,760	43,564	41,557	39,178	5.0	10.1
Liabilities						
Deposits and short term borrowings	27,972	28,324	27,220	27,812	(1.2)	2.8
Payables due to other banks	120	54	66	39	122.2	81.8
Bank acceptances	316	121	74	-	161.2	327.0
Payables and other liabilities	366	702	718	622	(47.9)	(49.0)
Current tax liabilities	136	74	182	104	83.8	(25.3)
Provisions	149	108	199	145	38.0	(25.1)
Deferred tax liabilities	80	60	49	84	33.3	63.3
Securitisation liabilities	5,710	3,793	3,906	2,551	50.5	46.2
Bonds, notes and long term borrowings	5,504	5,335	4,408	3,323	3.2	24.9
Subordinated notes	1,271	983	770	763	29.3	65.1
Preference shares	250	250	-	-	-	n/a
Total liabilities	41,874	39,804	37,592	35,443	5.2	11.4
Net assets	**3,886**	**3,760**	**3,965**	**3,735**	**3.4**	**(2.0)**

Notes:

[1] Includes securitised home loan balances of $5.4 billion (Dec-05: $3.7 billion; Jun-05: $3.7 billion; Dec-04: $2.5 billion).

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

Banking ratios and statistics

	Half-Year Ended Jun-06 %	Dec-05 %	Jun-05 %	Dec-04 %	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 %	Jun-05 %	Jun-06 vs Jun-05 %
Cost to income ratio	46.8	45.5	48.4	48.4	3.0	(3.3)	46.1	48.4	(4.5)
Cost to average total banking assets ratio	1.08	1.06	1.16	1.18	1.9	(6.9)	1.07	1.17	(8.5)
Capital adequacy ratio	12.31	10.79	11.51	10.44	14.1	7.0	12.31	11.61	7.0
Return on average risk weighted assets ratio	2.04	2.13	2.10	2.06	(4.2)	(2.9)	2.09	2.10	(0.5)
Net interest margin [1]	2.07	2.12	2.17	2.18	(2.4)	(4.6)	2.09	2.17	(3.7)
Net interest spread	1.81	1.87	1.91	1.94	(3.2)	(5.2)	1.83	1.93	(5.2)

Notes:

[1] Refer table on page 25 for analysis. June 2006 and December 2005 are not comparable to June 2005 or December 2004 due to the impact of AIFRS.

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Asset growth						
Housing loans	15,366	15,899	15,140	15,183	(3.4)	1.5
Securitised housing loans	5,444	3,727	3,725	2,461	46.1	46.1
Total housing loans	20,810	19,626	18,865	17,644	6.0	10.3
Consumer loans	822	694	645	589	18.4	27.4
Retail loans [(1)]	21,632	20,320	19,510	18,233	6.5	10.9
Commercial (SME's)	3,511	3,376	3,246	2,994	4.0	8.2
Corporate	1,819	1,450	1,223	936	25.4	48.7
Development finance	2,914	3,020	2,846	2,683	(3.5)	2.4
Property investment	3,744	3,314	3,277	3,233	13.0	14.3
Lease finance	2,228	2,171	2,099	2,055	2.6	6.1
Agribusiness	2,937	2,746	2,626	2,455	7.0	11.8
Business loans [(1)]	17,153	16,077	15,317	14,356	6.7	12.0
Structured finance	6	6	6	6	-	-
Other receivables [(2)]	16	74	54	(3)	(78.4)	(70.4)
Gross banking loans, advances and other receivables	38,807	36,477	34,887	32,592	6.4	11.2
Provision for impairment	(124)	(124)	(156)	(153)	-	(20.5)
Loans, advances and other receivables	**38,683**	**36,353**	**34,731**	**32,439**	**6.4**	**11.4**
Risk weighted assets	**25,257**	**24,336**	**23,132**	**22,054**	**3.8**	**9.2**
Geographical breakdown – gross banking loans, advances and other receivables						
Queensland	24,742	23,053	21,879	20,248	7.3	13.1
New South Wales	7,815	7,467	7,251	6,868	4.7	7.8
Victoria	4,561	4,438	4,355	4,255	2.8	4.7
Western Australia	1,461	1,306	1,197	1,027	11.9	22.1
South Australia and other	228	213	205	194	7.0	11.2
Outside of Queensland loans	14,065	13,424	13,008	12,344	4.8	8.1
Gross banking loans, advances and other receivables	**38,807**	**36,477**	**34,887**	**32,592**	**6.4**	**11.2**

Notes:

(1) Includes deferred loan establishment fee income and incremental acquisition expenses from 1 July 2005 (Jun-06: $36 million; Dec-05: $35 million).

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

Total lending

Gross receivables, including securitised assets, increased by 11.2% to $38.8 billion for the year to June 2006.

The overall lending environment remains highly competitive and has been supported by strong economic growth and low unemployment. Recent inflationary pressures, which have been a catalyst for a tightening of monetary policy, have had little impact in the period to June 2006, with effects more likely to become apparent in the 2007 financial year.

While the housing market has been subdued over the past twelve months, there have been tentative signs of improvement with auction clearances increasing from previous lows. As the housing market has cooled, lenders have increasingly switched their attention to the commercial sector, with a particular focus on lending to Small to Medium Enterprises (SME).

Overall growth in business lending has benefited from strong growth in the resources and non-residential construction sectors. Suncorp has historically not had a significant presence in these sectors, choosing instead to build a sustainable, competitive advantage in its specialty areas of residential construction, property investment and agribusiness.

Geographically, economic conditions in Queensland and Western Australian continue to be strong and, as such, have attracted the attention of lenders seeking to rebalance their portfolios away from the lower growth states. In this environment, growth in lending of 13.1% in Queensland has been underpinned by the Bank's retail branch network.

Lending growth in the second half has been strong in Queensland at 14.6% (annualised) while slower growth in New South Wales and Victoria reflects the tougher economic conditions in those states.

Asset growth (continued)

Housing lending

Home lending receivables, including securitised assets, grew to $20.8 billion at June 2006, an increase of 10.3% on the previous year.

While this is below industry growth of 13.3% for the period it reflects the Bank's strategy of pro-actively managing the price and volume mix in order to deliver profitable growth. A number of initiatives implemented over the course of the year have had a positive impact on home lending volumes, with growth in the second half being stronger than the first.

Throughout the year the Bank's product set has continued to be rationalised and this has assisted in minimising margin compression as the proportion of lower yielding introductory rate products has been reduced.

Housing growth in Queensland was solid at 10.5% as competitors increasingly target Suncorp's home base through their intermediary channels. The Bank's direct distribution capability in Queensland serves to underpin lending volumes while volumes through the indirect channel become more volatile. The Bank will continue to manage both channels dynamically in order to achieve profitable volume growth across the home lending portfolio.

During the year, the Group sought to better leverage its 100% ownership of the national real estate franchise, LJ Hooker. Loans originating from this source totalled $239 million, an increase of 67% over the previous year.

	Half-Year Ended					
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%
Housing Loans by State						
Queensland	13,212	12,513	11,952	11,222	5.7	10.5
New South Wales	3,832	3,590	3,488	3,242	6.7	9.9
Victoria	2,421	2,353	2,324	2,217	2.9	4.2
Western Australia	1,084	929	868	745	16.7	24.9
South Australia	207	195	194	187	6.2	6.7
ACT	41	34	30	25	20.6	36.7
Tasmania	13	12	9	6	8.3	44.4
Outside of Queensland	7,598	7,113	6,913	6,422	6.8	9.9
	20,810	**19,626**	**18,865**	**17,644**	**6.0**	**10.3**

Consumer lending

Consumer lending, made up principally of personal loans, margin lending and credit card receivables, grew by 27.4% to $822 million at June 2006. Growth in consumer lending continued to outperform the market during the past twelve months, at 2.75 times system.

The consumer lending segment remains a relatively small, but important, part of the overall retail lending portfolio. The strong growth reflects the on-going success of the Suncorp Clear Options credit card as well as increased margin lending. Suncorp Clear Options credit card balances increased 17.5% to $168 million during the year.

The continued positive climate in the equities markets and improvements in the business model contributed to strong growth in margin lending balances, which grew by 48% to $361 million.

	Half-Year Ended					
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%
Consumer Loans by Purpose						
Personal loans	287	267	252	234	7.5	13.9
Overdrafts	6	5	6	6	20.0	-
Credit cards	168	157	143	125	7.0	17.5
Margin lending	361	265	244	224	36.2	48.0
	822	**694**	**645**	**589**	**18.4**	**27.4**

Asset growth (continued)

Business lending

Business lending assets grew to $17.2 billion, an increase of 12% on the prior year. Growth continues to be strongest in Queensland (15.9%) and Western Australia (14.0%) where overall economic conditions and business confidence remain high. Other interstate lending has been subdued due to declining property markets and reduced construction activity, particularly in the development finance portfolio.

Commercial (SME) banking continues to be a significant market battleground with intense pressure occurring in the sub $2 million market. This competition has seen the commercial (SME) business grow by 8.2% for the year to $3.5 billion.

Lending in the Queensland market has benefited from the strength of the local economy and leverage from the Group's extensive network and brand. But this has been offset by a fall in lending in New South Wales where business confidence continues to be subdued. While portfolio growth in the Commercial portfolio has been below system, particularly in the sub $2 million category, the Bank continues to preserve its risk profile and margins.

Corporate lending, which is customers with turnover of between $10 million and $100 million, has experienced the strongest increase in lending across the Bank, growing by 48.7% to $1.8 billion. The growth in major business in the Queensland region has largely underpinned these increases.

The Bank continues to develop its niche proposition through targeting high quality corporate clients while the participation in quality loan syndications has assisted in entering new and diverse segments. A specialist infrastructure team has recently been appointed in order to leverage growing expertise in this area, particularly in Queensland.

Development finance lending growth at 2.4% has been impacted by the slow down in residential construction. The development finance portfolio continues to improve its geographical diversity with growth strongest in Western Australia and weakest in New South Wales and Victoria.

Property investment which includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects grew strongly at 14.3% to $3.7 billion. Growth in property investment rebounded strongly in the second half of the year, with growth of 13%, as the Bank deployed additional resources and reviewed pricing.

Growth opportunities, particularly in the target markets of Queensland and Western Australia, continue to be identified.

Agribusiness receivables continue to grow strongly, up by 11.8% to $2.9 billion. Improved trading conditions have seen commodity prices rise in the sugar, grain, beef and dairy industries. Seasonal conditions remain subdued across eastern Australia with numerous areas still drought declared. Recent rainfalls have improved prospects for a winter grain harvest, but follow up rains will be required to ensure good yields.

A key focus has been customer retention and service levels in the agribusiness segment. These strategies have enabled the Group to continue to grow and to expand outside of Queensland.

Leasing assets rose by 6.1% to $2.2 billion at June 30. This segment continues to capitalise on its close interaction with the SME and agribusiness segments. With a focus on growth through low risk, high volume equipment and vehicle leasing on the eastern seaboard, a strong reputation has been established, via third party brokers, in 'yellow goods' such as construction equipment and forklifts. This market is expected to grow with the continued increase in business confidence and investment.

A breakdown of business lending is shown on page 20.

	Half-Year Ended					
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Business Loans by State						
Queensland	10,747	9,821	9,270	8,474	9.4	15.9
New South Wales	3,903	3,808	3,702	3,574	2.5	5.4
Victoria	2,123	2,069	2,016	2,026	2.6	5.3
Western Australia	374	374	328	281	-	14.0
South Australia	6	5	1	1	20.0	500.0
Outside of Queensland	6,406	6,256	6,047	5,882	2.4	5.9
	17,153	**16,077**	**15,317**	**14,356**	**6.7**	**12.0**

Funding and deposits

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Retail funding						
Australian retail deposits						
Transaction	4,506	4,699	4,305	4,134	(4.1)	4.7
Investment	4,673	4,553	3,958	3,741	2.6	18.1
Term	4,957	4,342	4,413	4,202	14.2	12.3
Core retail deposits	14,136	13,594	12,676	12,077	4.0	11.5
Retail treasury	2,796	2,505	2,576	2,360	11.6	8.5
Total retail funding	16,932	16,099	15,252	14,437	5.2	11.0
Wholesale funding						
Domestic funding sources						
Senior wholesale funding	10,357	11,287	9,245	8,981	(8.2)	12.0
Subordinated debt	964	665	445	446	45.0	116.6
Preference shares	250	250	-	-	-	n/a
	11,571	12,202	9,690	9,427	(5.2)	19.4
Overseas funding sources [(1)]						
Euro commercial paper	2,274	2,700	3,646	3,313	(15.8)	(37.6)
Euro medium term note	3,913	3,573	3,485	4,404	9.5	12.3
Subordinated debt (USD)	307	318	325	317	(3.5)	(5.5)
	6,494	6,591	7,456	8,034	(1.5)	(12.9)
Total wholesale funding	18,065	18,793	17,146	17,461	(3.9)	5.4
Total funding (excluding securitisation)	**34,997**	**34,892**	**32,398**	**31,898**	**0.3**	**8.0**
Securitised funding						
Australian dollar wholesale [(2)]	3,646	2,513	2,202	1,497	45.1	65.6
Foreign currency wholesale [(1)]	2,064	1,280	1,704	1,054	61.3	21.1
Total securitised funding	5,710	3,793	3,906	2,551	50.5	46.2
Total funding (including securitisation)	**40,707**	**38,685**	**36,304**	**34,449**	**5.2**	**12.1**
Total funding is represented on the balance sheet by:						
Deposits and short term borrowings [(3)]	27,972	28,324	27,220	27,812	(1.2)	2.8
Securitisation liabilities	5,710	3,793	3,906	2,551	50.5	46.2
Bonds, notes and long term borrowings	5,504	5,335	4,408	3,323	3.2	24.9
Subordinated debt	1,271	983	770	763	29.3	65.1
Preference shares	250	250	-	-	-	n/a
Total	**40,707**	**38,685**	**36,304**	**34,449**	**5.2**	**12.1**
	%	%	%	%		
Retail funding as a percentage of total funding (excluding securitisation) [(4)]	**48**	**46**	**47**	**45**	**4.3**	**2.1**

Notes:

(1) Hedged back into Australian dollars.

(2) Some held offshore.

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

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

Funding and deposits (continued)

Retail funding

Suncorp continues to perform strongly in retail deposits, with total retail funding increasing by $1.7 billion to $16.9 billion. On an underlying basis, core retail deposits (excluding treasury) grew by 11.5%, exceeding the annual industry growth rate of 10.6%.

Growth has been achieved in a highly competitive market, with all major competitors offering aggressive rates supported by increased advertising spend.

The recent initiative to assign Business Banking responsibility to raise and retain deposits has proven highly successful. Business deposits have continued to increase with growth of 29.1% compared to the industry average of 13.1%.

Wholesale funding

The Company has continued its wholesale funding strategy in increasing diversification of its funding sources and deepening its global investor base. In October 2005, Suncorp undertook a EUR500 million five-year floating rate note issue. Sixty-four investors in 12 countries participated in the transaction, which was split between Asia (9%), UK (25%) and continental Europe (66%).

The Company also completed two securitisation transactions during the year. An A$800 million securitisation was completed in July 2005 via the APOLLO Series 2005-2 Trust. In addition EUR570 million and A$1.5 billion was raised via the APOLLO Series 2006-1E Trust in May 2006. 57 investors from 14 countries participated in the transaction.

Securitised assets totalled $5.7 billion at the end of June 2006, up 46.2% on the previous year. Overseas wholesale funding now represents 36.1% of all securitised funding.

Profit commentary

Net interest income

Net interest income, including securitised loans and funding rose by 7.9% to $848 million for the full year ended June 2006, driven by solid growth in loan assets and deposits. Growth in bank loans and funding was impacted by the increase in the volume of securitised loans, following issues of $800 million in July 2005 and $2.5 billion in May 2006. Net interest income from securitised loans and funding rose to $31 million for the full year.

Reported net interest margin was 2.09% for the year ended June 2006, down 0.08% from June 2005 (2.17%). The reduction in the margin for the year is consistent with industry trends and is primarily a result of increased competition and product offerings, particularly within the deposit business. Effective management of the mix of loan assets contributed 0.01% increase to the margin, however product offerings in the market continue to drive the mix of retail deposits towards higher yielding savings accounts which generated a 0.06% reduction in the margin. The two new securitisation issues resulted in a reduction in margin of 0.02% as a result of the relative higher cost of securitisation funding. A reduction of 0.04% can be attributed to the combination of movements in market rates and competitive pricing pressures. The impact of free capital also contributed a 0.03% improvement in margin.

The overall margin has been impacted by the adoption of AIFRS, which now includes the consolidation of securitised loans and funding, deferred loan establishment fees and costs, and the Group's preference shares which have been reclassified as a debt instrument. The impact of the changes was to reduce the margin by 17 basis points, from 2.26% (AGAAP equivalent) for the full year to June 2006. Under the AIFRS first time adoption rules, prior periods have only been adjusted for the impact of securitised loans and funding.

Profit commentary
(continued)

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Net interest income									
Bank loans and funding [1]	412	412	394	377	-	4.6	824	771	6.9
Securitised loans and funding	18	13	9	6	38.5	100.0	31	15	106.7
	430	425	403	383	1.2	6.7	855	786	8.8
Net establishment fees and acquisition costs [2]	1	2	-	-	(50.0)	n/a	3	-	n/a
Preference shares [3]	(5)	(5)	-	-	-	n/a	(10)	-	n/a
	426	**422**	**403**	**383**	**0.9**	**5.7**	**848**	**786**	**7.9**
	%	%	%	%			%	%	
Net interest margin									
Bank loans and funding [1]	2.22	2.30	2.34	2.31	(3.5)	(5.1)	2.26	2.33	(3.0)
Securitised loans and funding	(0.14)	(0.17)	(0.17)	(0.13)	(17.6)	(17.6)	(0.16)	(0.16)	-
	2.08	2.13	2.17	2.18	(2.3)	(4.1)	2.10	2.17	(3.2)
Net establishment fees and acquisition costs	0.01	0.01	-	-	-	n/a	0.01	-	n/a
Preference shares	(0.02)	(0.02)	-	-	-	n/a	(0.02)	-	n/a
	2.07	**2.12**	**2.17**	**2.18**	**(2.4)**	**(4.6)**	**2.09**	**2.17**	**(3.7)**

Notes

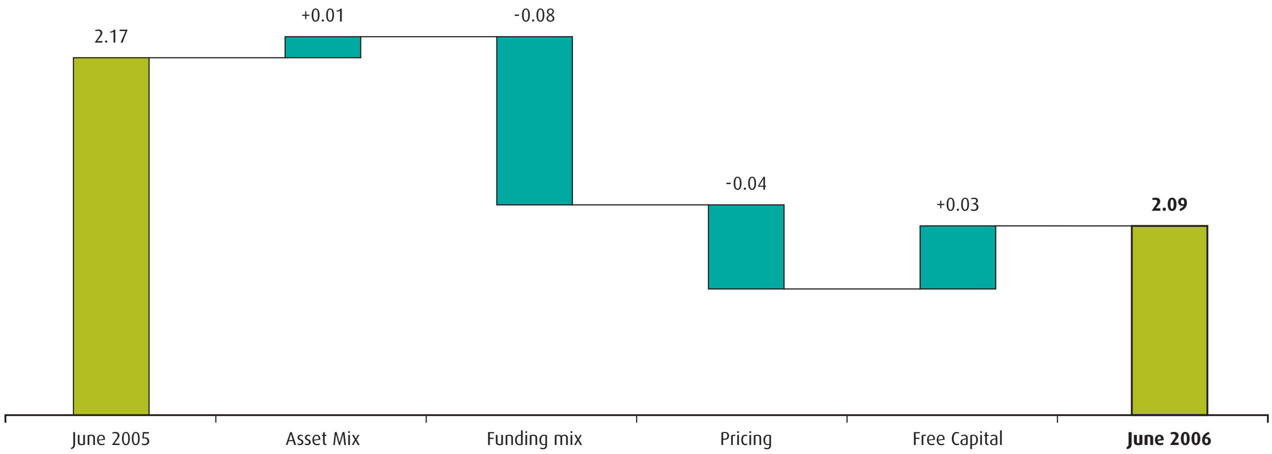
[1] Represents the margin as previously presented under AGAAP and accordingly can be compared with the prior periods.

[2] Under AIFRS transitional arrangements the comparatives prior to 1 July 2005 have not been restated. An estimate of this item for June 2005 is $3 million and December 2004 is $5 million. These estimates are unaudited.

[3] Under AIFRS transitional arrangements the comparatives prior to 1 July 2005 have not been restated. An estimate of this item for June 2005 is $5 million and for December 2004 is $5 million. These estimates are unaudited.

Movements in net interest margin

%



Net banking fee income

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

Banking fee revenue (excluding lending establishment fee revenue and expenses) rose 11.2% to $129 million for the year ended June 2006 on a like-on-like basis. Net Lending fees increased by 25% to $35 million, attributable to a rise in transaction fees and other net lending fees from Business Banking such as line fees, facility fees and equipment finance fees.

Transaction fees increased by 8.1% to $93 million for the full year.

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Net banking fee income									
Lending fee revenue	31	31	25	26	-	24.0	62	51	21.6
Lending fee expense	(14)	(13)	(12)	(11)	7.7	16.7	(27)	(23)	17.4
Net lending fees	17	18	13	15	(5.6)	30.8	35	28	25.0
Transaction fees	47	46	44	42	2.2	6.8	93	86	8.1
Interchange fees (net)	-	1	1	1	(100.0)	(100.0)	1	2	(50.0)
Like-on-like comparative	64	65	58	58	(1.5)	10.3	129	116	11.2
Lending establishment fee revenue [(1)]	-	-	18	21	n/a	(100.0)	-	39	(100.0)
Lending establishment fee expense [(1)]	-	-	(14)	(12)	n/a	(100.0)	-	(26)	(100.0)
	64	**65**	**62**	**67**	**(1.5)**	**3.2**	**129**	**129**	**-**

Notes:

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

Total income

Total income from banking activities increased 6.7% to $997 million. Total income continues to show healthy growth in a competitive environment with pressure on interest margins and fee income.

Income from banking activities has also been affected by the transitional provisions of AIFRS, which requires the deferral of loan establishment fees and costs, and the classification of preference shares as debt. These adjustments are reflected in the June 2006 and December 2005 results but not in comparative periods. An estimate of the amount by which total income would decrease in the comparative periods if these adjustments were reflected are as follows:

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

These estimates are unaudited.

Operating expenses

Operating expenses increased by 1.8% to $460 million for the full year ended 30 June 2006. Staff costs increased by $16 million or 6.0% for the full year due to increased staff numbers (FTE) and higher salaries, a product of the tighter labour market. Occupancy costs increased $2 million and computer and depreciation expenses increased by $7 million. Offsetting this was a decrease in telecommunication expenses of $2 million and a decrease in other operating expenses of $16 million.

In summary, expenses for the full year increased by 1.8%, well below increases in revenue of 6.7%, resulting in a cost to income ratio of 46.1% for the full year to June 2006, down from 48.4% for the prior year.

The planned and consistent nature of the Bank's investment program generally ensures limited fluctuation in the operating expense line. As a result, low levels of expense growth should be seen in this light, not as evidence of underinvestment.

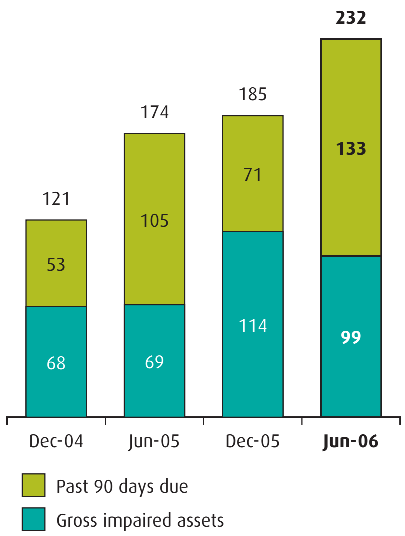
Impairment losses on loans and advances

The impairment losses on loans and advances were $31 million for the year to June 2006, an increase of $3 million on the previous year. As a proportion of average loans, impairment losses for the year to June 2006 have remained constant on June 2005, further underlining the strong credit quality of the loan portfolio.

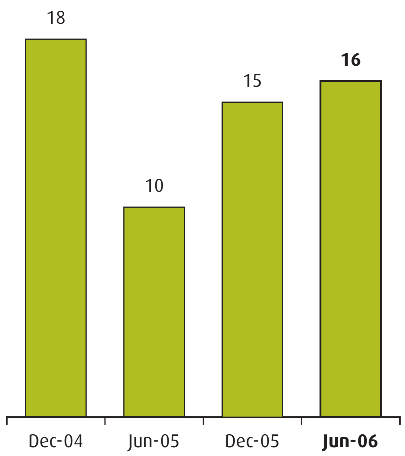
The overall quality of the portfolio has resulted in a reduction in general and collective provisions restricted to the change in methodology upon implementation of AIFRS. There has been no change to the collective provision despite growth in risk weighted assets. There has been a $4 million increase in specific provisions for construction and development finance, primarily the result of the softer New South Wales and Victorian markets.

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Impairment losses on loans and advances									
General provision for impairment	-	-	4	12	n/a	(100.0)	-	16	(100.0)
Collective provision for impairment	-	5	-	-	(100.0)	n/a	5	-	n/a
Specific provision for impairment	10	7	3	4	42.9	233.3	17	7	142.9
Bad debts written off	7	5	4	4	40.0	75.0	12	8	50.0
Bad debts recovered	(1)	(2)	(1)	(2)	(50.0)	-	(3)	(3)	-
	16	**15**	**10**	**18**	**6.7**	**60.0**	**31**	**28**	**10.7**

Gross non performing loans
Half-year, $m



Impairment losses on loans and advances
Half-year, $m



Impaired assets

Total non-performing loans have increased from their historically low levels of December 2004 to $232 million at June 2006. The Bank's strong focus on credit quality has seen gross impaired assets decrease to $99 million, equivalent to 0.26% of total lending, down from $114 million (0.31% of total lending) at December 2005.

Of the $99 million of impaired assets, construction and development represents the largest segment, at $41 million, down from $45 million at December 2005 but above levels recorded in prior years. While this movement is largely explained by continued tough operating conditions in New South Wales and Victoria it is important to recognise that gross impaired loans in construction and development represent just 1.2% of gross loans in that segment.

The period to June 2006 has seen an increase in past 90 day loans across the portfolio. This has largely been caused by a small number of large secured business loans, originating from New South Wales and Victoria entering this category in June.

It is important to note that a high proportion of the Company's loan book is secured by hard assets such as property with conservative LVRs. Therefore, while a loan may become non-performing, losses, if any, are limited by the strength of the security position underpinning the loan. This is reflected in the fact that the specific provision of $21 million at June 2006, remained unchanged from December, 2005.

While it is now obvious that the credit cycle reached its low point in December 2004, as a percentage of the total loan book, non-performing loans are still low when compared to historic norms.

We continue to believe that there are no signs of a systematic deterioration in loan quality that could, in turn lead to a significant increase in loan losses.

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Impaired assets (continued)						
Gross balances of non-accrual loans						
with specific provisions set aside	70	75	35	32	(6.7)	100.0
without specific provisions set aside	29	39	34	36	(25.6)	(14.7)
Gross impaired assets	99	114	69	68	(13.2)	43.5
Interest reserved [1]	-	-	(6)	(7)	n/a	(100.0)
Net balances	99	114	63	61	(13.2)	57.1
Specific provision for impairment	(21)	(21)	(17)	(18)	-	23.5
Net impaired assets	78	93	46	43	(16.1)	69.6
Size of gross impaired assets						
Less than one million	24	28	27	25	(14.3)	(11.1)
Greater than one million but less than ten million	47	34	32	32	38.2	46.9
Greater than ten million	28	52	10	11	(46.2)	180.0
	99	114	69	68	(13.2)	43.5
Past due loans not shown as impaired assets						
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the contribution to profit.						
The value of past due loans is	133	71	105	53	87.3	26.7
Gross non-performing loans	232	185	174	121	25.4	33.3
Interest income foregone on impaired assets [1]						
Net interest charged but not recognised as revenue in the contribution to profit during the half-year was	-	-	4	4	n/a	(100.0)
Interest income on impaired assets recognised in the contribution to profit						
Net interest charged and recognised as revenue in the contribution to profit during the half-year was	3	2	3	1	50.0	-
Analysis of movements in gross impaired assets						
Balance at the beginning of the half-year	114	69	68	62	65.2	67.6
Recognition of new impaired assets and increases in previously recognised impaired assets	39	80	36	31	(51.3)	8.3
Impaired assets written off during the half-year	(10)	(6)	(4)	(5)	66.7	150.0
Impaired assets which have been restated as performing assets or repaid	(44)	(29)	(31)	(20)	51.7	41.9
Balance at the end of the half-year	**99**	**114**	**69**	**68**	**(13.2)**	**43.5**
	%	%	%	%		
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.26	0.31	0.20	0.21	(16.1)	30.0
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.60	0.51	0.50	0.37	17.6	20.0

Notes:

(1) Interest reserved is no longer recognised under AIFRS, from 1 July 2005.

Impaired assets (continued)

Industry breakdown is shown below based on the source of credit risk whereas the asset growth table on page 20 is based on the nature of the loan.

Industry breakdown of impaired assets and specific provisions as at 30 June 2006 are as follows:

	Gross loans $m	Impaired assets $m	Specific provision $m
Agribusiness	2,903	11	3
Construction and development	3,476	41	12
Financial services	687	-	-
Hospitality	1,000	10	2
Manufacturing	548	5	1
Professional services	654	12	1
Property investment	4,145	4	-
Real estate mortgage	22,469	3	-
Personal	826	5	-
Government and public authorities	4	-	-
Other commercial and industrial	2,095	8	2
	38,807	**99**	**21**

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

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

Impaired assets (continued)

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

	Gross loans $m	Impaired assets $m	Specific provision $m
Agribusiness	2,406	24	9
Construction and development	3,319	15	-
Financial services	453	-	-
Hospitality	890	2	1
Manufacturing	501	-	-
Professional services	597	2	-
Property investment	3,822	6	-
Real estate mortgage	20,427	-	-
Personal	637	3	-
Government and public authorities	2	-	-
Other commercial and industrial	1,833	17	7
	34,887	**69**	**17**

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

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

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Provision for impairment						
General provision						
Balance at the beginning of the period	-	139	135	123	(100.0)	(100.0)
Charge against contribution to profit	-	-	4	12	n/a	(100.0)
AIFRS adjustment against 1 July 2005 retained profits	-	(139)	-	-	(100.0)	n/a
Balance at the end of the period	-	-	139	135	n/a	(100.0)
Collective provision						
Balance at the beginning of the period	103	-	-	-	n/a	n/a
AIFRS adjustment against 1 July 2005 retained profits	-	98	-	-	(100.0)	n/a
Charge against contribution to profit	-	5	-	-	(100.0)	n/a
Balance at the end of the period	103	103	-	-	-	n/a
Specific provision						
Balance at the beginning of the period	21	17	18	19	23.5	16.7
AIFRS adjustment against 1 July 2005 retained profits	-	4	-	-	(100.0)	n/a
Charge against contribution to profit	10	7	3	4	42.9	233.3
Bad debts written-off	(10)	(7)	(4)	(5)	42.9	150.0
Balance at the end of the period	21	21	17	18	-	23.5
Total provision for impairment - Banking activities	124	124	156	153	-	(20.5)

	Jun-06 %	Dec-05 %	Jun-05 %	Dec-04 %
Provision for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows: [(1)]				
General provision	-	-	220.6	221.3
Collective provision	104.0	90.4	-	-
Specific provision	21.2	18.4	27.0	29.5
Total provision	125.3	108.8	247.6	250.8

Notes:

(1) Interest reserved is no longer recognised under AIFRS from 1 July 2005.

Average banking assets and liabilities

	Full Year Ended Jun-06			Full Year Ended Jun-05 [1]		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Trading securities	3,636	205	5.64	3,237	179	5.53
Gross loans, advances and other receivables	36,306	2,641	7.27	32,534	2,334	7.17
Other interest earning assets	629	32	5.09	407	19	4.67
Total interest earning assets	40,571	2,878	7.09	36,178	2,532	7.00
Non-interest earning assets						
Other assets	2,401			2,588		
Total non-interest earning assets	2,401			2,588		
Total assets	**42,972**			**38,766**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	27,900	1,407	5.04	26,319	1,285	4.88
Securitisation liabilities	4,261	252	5.91	3,179	182	5.73
Bonds, notes and long term borrowings	5,582	312	5.59	4,356	239	5.49
Subordinated notes [2]	734	49	6.68	594	40	6.73
Preference shares [2]	151	10	6.25	-	-	n/a
Total interest bearing liabilities	38,628	2,030	5.26	34,448	1,746	5.07
Non-interest bearing liabilities						
Other liabilities	711			704		
Total non-interest bearing liabilities	711			704		
Total liabilities	**39,339**			**35,152**		
Net assets	**3,633**			**3,614**		
Analysis of interest margin and spread						
Interest earning assets	40,571	2,878	7.09	36,178	2,532	7.00
Interest bearing liabilities	38,628	2,030	5.26	34,448	1,746	5.07
Net interest spread			1.83			1.93
Net interest margin	40,571	848	2.09	36,178	786	2.17

Notes:

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

(2) Excludes the subordinated debt and preference shares notionally allocated to General Insurance as share of capital funding and the associated interest cost charged to General Insurance.

Average banking assets and liabilities
(continued)

	Half-Year Ended Jun-06 Average balance $m	Interest $m	Average rate %	Half-Year Ended Dec-05 Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Trading securities	3,695	104	5.68	3,578	102	5.66
Gross loans, advances and other receivables	37,128	1,338	7.27	35,498	1,302	7.28
Other interest earning assets	768	20	5.25	492	12	4.84
Total interest earning assets	41,591	1,462	7.09	39,568	1,416	7.10
Non-interest earning assets						
Other assets	2,304			2,491		
Total non-interest earning assets	2,304			2,491		
Total assets	**43,895**			**42,059**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	28,883	727	5.08	26,934	680	5.01
Securitisation liabilities	4,276	126	5.94	4,239	126	5.90
Bonds, notes and long term borrowings	5,488	153	5.62	5,674	159	5.56
Subordinated notes (1)	770	25	6.55	700	24	6.80
Preference shares (1)	151	5	6.25	151	5	6.25
Total interest bearing liabilities	39,568	1,036	5.28	37,698	994	5.23
Non-interest bearing liabilities						
Other liabilities	620			803		
Total non-interest bearing liabilities	620			803		
Total liabilities	**40,188**			**38,501**		
Net assets	**3,707**			**3,558**		
Analysis of interest margin and spread						
Interest earning assets	41,591	1,462	7.09	39,568	1,416	7.10
Interest bearing liabilities	39,568	1,036	5.28	37,698	994	5.23
Net interest spread			1.81			1.87
Net interest margin	41,591	426	2.07	39,568	422	2.12

Notes:

(1) Excludes the subordinated debt and preference shares notionally allocated to General Insurance as share of capital funding and the associated interest cost charged to General Insurance.

Average banking assets and liabilities (continued)

	Half-Year Ended Jun-05[1] Average balance $m	Interest $m	Average rate %	Half-Year Ended Dec-04[1] Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Trading securities	3,450	96	5.61	3,028	83	5.44
Gross loans, advances and other receivables	33,658	1,208	7.24	31,428	1,126	7.11
Other interest earning assets	428	10	4.71	386	9	4.63
Total interest earning assets	37,536	1,314	7.06	34,842	1,218	6.93
Non-interest earning assets						
Other assets	2,611			2,566		
Total non-interest earning assets	2,611			2,566		
Total assets	**40,147**			**37,408**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	26,197	642	4.94	26,439	643	4.82
Securitisation liabilities	3,667	106	5.83	2,698	76	5.59
Bonds, notes and long term borrowings	5,214	142	5.49	3,512	97	5.48
Subordinated notes [2]	621	21	6.82	568	19	6.64
Total interest bearing liabilities	35,699	911	5.15	33,217	835	4.99
Non-interest bearing liabilities						
Other liabilities	752			656		
Total non-interest bearing liabilities	752			656		
Total liabilities	**36,451**			**33,873**		
Net assets	**3,696**			**3,535**		
Analysis of interest margin and spread						
Interest earning assets	37,536	1,314	7.06	34,842	1,218	6.93
Interest bearing liabilities	35,699	911	5.15	33,217	835	4.99
Net interest spread			1.91			1.94
Net interest margin	37,536	403	2.17	34,842	383	2.18

Notes:

(1) The June 2005 and December 2004 comparatives are based on statutory AIFRS balances and due to the transitional adoption of AIFRS do not include all AIFRS adjustments.

(2) Excludes the subordinated debt notionally allocated to General Insurance as capital funding and the associated interest cost charged to General Insurance.

Changes in net interest income: Volume and rate analysis

The tables below allocate changes in net interest income between changes in volume and changes in rate over the two full years and four half-years. Volume variances have been calculated by multiplying the average of both full or 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 any differences arising from different numbers of days in the periods.

	Full Year Jun-06 vs Jun-05 Changes due to:		
	Volume $m	Rate $m	Total $m
Interest earning assets			
Trading securities	22	4	26
Gross loans, advances and other receivables [(1)]	272	35	307
Other interest earning assets	11	2	13
Change in interest income	305	41	346
Interest bearing liabilities			
Deposits and short term borrowings	78	44	122
Securitisation liabilities	63	7	70
Bonds, notes and long term borrowings	68	5	73
Subordinated notes	9	-	9
Preference shares	10	-	10
Change in interest expense	228	56	284
Change in net interest income	**77**	**(15)**	**62**

	Half-Year Jun-06 vs Dec-05 Changes due to:			Half-Year Dec-05 vs Jun-05 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	3	(1)	2	4	2	6
Gross loans, advances and other receivables [(2)]	59	(23)	36	67	27	94
Other interest earning assets	7	1	8	2	-	2
Change in interest income	69	(23)	46	73	29	102
Interest bearing liabilities						
Deposits and short term borrowings	49	(2)	47	18	20	38
Securitisation liabilities	1	(1)	-	17	3	20
Bonds, notes and long term borrowings	(5)	(1)	(6)	13	4	17
Subordinated notes	2	(1)	1	3	-	3
Preference shares [(2)]	-	-	-	5	-	5
Change in interest expense	47	(5)	42	56	27	83
Change in net interest income	**22**	**(18)**	**4**	**17**	**2**	**19**

Notes:

(1) In the June 2006 vs June 2005 comparison, $9 million of the rate variance in gross loans, advances and other receivables and the $10 million volume variance in preference shares is due to the AIFRS first time adoption rules.

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

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

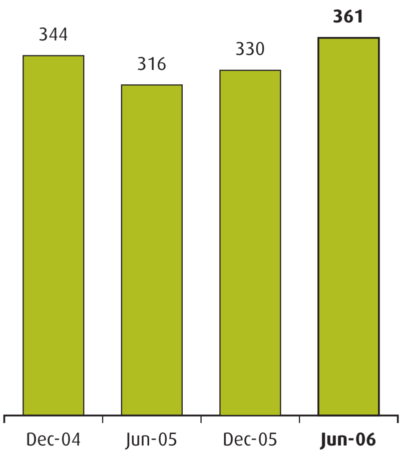
	Half-Year Jun-05 vs Dec-04 Changes due to: Volume $m	Rate $m	Total $m
Interest earning assets			
Trading securities	12	1	13
Gross loans, advances and other receivables	79	3	82
Other interest earning assets	1	-	1
Change in interest income	92	4	96
Interest bearing liabilities			
Deposits and short term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

Segment information – General Insurance

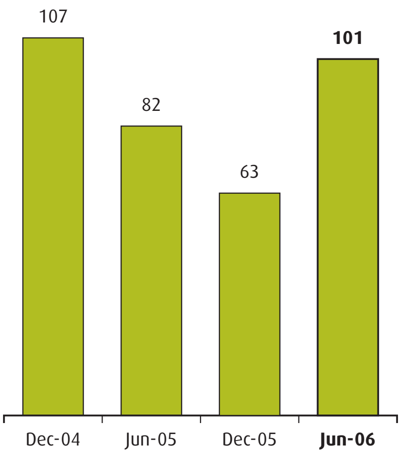
Profit overview

- General Insurance pre-tax profitability of $691 million for the full year was underpinned by solid premium growth, strong investment returns and favourable claims outcomes flowing from the claims cost reduction program in short and long tail classes, as well as the continuing benefit of tort law reform on personal injury claims.
- These benefits were offset by Cyclone Larry, which cost $80 million (net of reinsurance recoveries) and continuing premium reductions in the compulsory third party (CTP) portfolio.
- The insurance trading result increased by 9.5% to $474 million. This equates to a substantial margin of 19.3% on net earned premium, well above the Company's long term 11-14% range.
- Full year cash return on equity (ROE) for the General Insurance division increased to 24.3%, from 23.2% at June 2005.
- Gross written premium (GWP) for the full year increased by 2.7% to $2.6 billion, despite a highly competitive operating environment and continued pressure on premium rates.
- Premium growth was also constrained by the sizeable CTP portfolio where GWP declined by 1.9% as the benefits of tort law reforms were passed onto customers in the form of reduced premiums. Excluding CTP, total GWP growth was 3.9% for the full year.
- The business exited a number of sub-scale businesses during the year (including corporate property and marine) because they were not expected to generate sufficient returns for shareholders. Adjusting for the exited businesses, and excluding CTP, GWP growth increased by 5.1% on prior year.
- Soft market conditions and relatively flat growth persisted in Commercial lines, however, growth was strong in Home and Motor lines, where GWP increased by 5.8% for the full year.
- Net earned premium for the full year increased by 1.5% to $2.5 billion reflecting slightly lower growth than GWP, due to higher unearned premium movement and increased outwards reinsurance expense for the year.
- Net incurred claims, before the impact of discount rate movements, decreased by 0.1% over the prior year to $1.7 billion. Storm activity had a significant impact on the short tail classes over the year, particularly in the second half due to Cyclone Larry. Otherwise, the claims cost reduction work led to improved underlying claims in both long tail and short tail classes, and tort law reform has continued to benefit long tail classes.
- Total operating expenses for the full year increased by 11.9% to $583 million, increasing the total operating expense ratio to 23.7% from 21.5% in the prior year. The majority of the increase was due to higher acquisition costs impacted by lower deferral of acquisition costs (including AIFRS liability adequacy adjustments), higher levies and charges and increased investment in marketing.

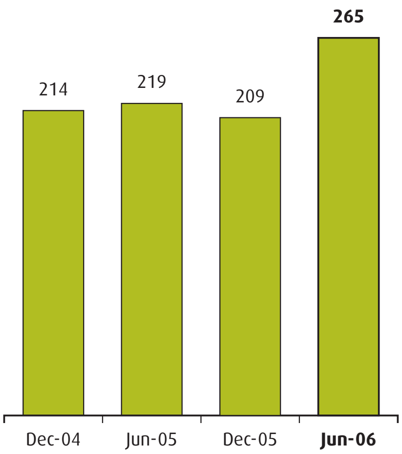
Contribution to profit
Half-year, $m



Underwriting result (before the impact of discount rate movements)
Half-year, $m



Insurance trading result
Half-year, $m



Segment information – General Insurance (continued)

Profit Overview (continued)

- The underwriting result, before the impact of discount rate movements, decreased 13.2% to $164 million over the prior year and the combined operating ratio increased from 92.2% to 93.3%.
- Investment income on insurance provisions increased 27% for the full year, to $310 million before discount rate adjustments. This reflects higher provisioning balances together with higher yields and funds under management.
- General Insurance operational earnings, the combination of earnings from managed schemes, motoring club joint ventures and insurance trading result, increased by 8.0% to $525 million for the full year.
- Investment returns on Shareholder Funds of $203 million increased 1.5% on prior year. This result was underpinned by the continued strength of the domestic equities markets to which Shareholder Funds has a benchmark weighting of 40%. The business achieved an active return of 5.99% above the benchmark ASX 200 Accumulation index on equity investments for the full year.
- Impacting the bottom line profit result was an increase in capital funding costs to $37 million for the full year, compared to $26 million in the prior year. Interest costs include the full expense impact of the General Insurance allocated subordinated debt balance, but also an allocation of interest expense (approximately $3 million per half-year) associated with the Bank's preference shares, which are classified as debt under AIFRS requirements. Under AIFRS transitional arrangements, the comparatives have not been restated.

Profit contribution – General Insurance before impact of discount rate movements

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Gross written premiums [(1)]	1,321	1,290	1,287	1,255	2.4	2.6	2,611	2,542	2.7
Gross unearned premium movement	(37)	(1)	(14)	1	Large	164.3	(38)	(13)	192.3
Gross earned premiums	1,284	1,289	1,273	1,256	(0.4)	0.9	2,573	2,529	1.7
Outwards reinsurance expense	(59)	(58)	(54)	(55)	1.7	9.3	(117)	(109)	7.3
Net earned premium	1,225	1,231	1,219	1,201	(0.5)	0.5	2,456	2,420	1.5
Net incurred claims									
Claims expense	(991)	(1,033)	(1,014)	(1,012)	(4.1)	(2.3)	(2,024)	(2,026)	(0.1)
Reinsurance and other recoveries revenue	170	145	144	172	17.2	18.1	315	316	(0.3)
	(821)	(888)	(870)	(840)	(7.5)	(5.6)	(1,709)	(1,710)	(0.1)
Total operating expenses									
Acquisition costs [(2)]	(180)	(171)	(158)	(150)	5.3	13.9	(351)	(308)	14.0
Other underwriting expenses	(123)	(109)	(109)	(104)	12.8	12.8	(232)	(213)	8.9
	(303)	(280)	(267)	(254)	8.2	13.5	(583)	(521)	11.9
Underwriting result	101	63	82	107	60.3	23.2	164	189	(13.2)
Investment income – insurance funds	164	146	137	107	12.3	19.7	310	244	27.0
Insurance trading result	265	209	219	214	26.8	21.0	474	433	9.5
Managed schemes net contribution	12	14	14	11	(14.3)	(14.3)	26	25	4.0
Joint venture income	15	10	16	12	50.0	(6.3)	25	28	(10.7)
General Insurance operational earnings	292	233	249	237	25.3	17.3	525	486	8.0
Investment revenue – Shareholder Funds									
Interest, dividends, rent and other	36	35	42	63	2.9	(14.3)	71	105	(32.4)
Realised and unrealised gains/(losses)	58	88	44	63	(34.1)	31.8	146	107	36.4
Other revenue [(3)]	5	4	6	4	25.0	(16.7)	9	10	(10.0)
Other expenses [(4)]	(12)	(11)	(11)	(11)	9.1	9.1	(23)	(22)	4.5
	87	116	81	119	(25.0)	7.4	203	200	1.5
Contribution to profit from General Insurance activities before tax and capital funding	379	349	330	356	8.6	14.8	728	686	6.1
Capital funding [(5)]	(18)	(19)	(14)	(12)	(5.3)	28.6	(37)	(26)	42.3
Contribution to profit from General Insurance activities before tax	**361**	**330**	**316**	**344**	**9.4**	**14.2**	**691**	**660**	**4.7**
Return on equity (%)	**27.3**	**23.5**	**22.3**	**24.9**	**16.2**	**22.4**	**24.3**	**23.2**	**4.7**

Notes:

(1) Net of Fire Service Levies of $42 million (Dec-05: $38 million; Jun-05: $32 million; Dec-04: $34 million).

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

(3) Other revenue consists mainly of allocated service fee revenue.

(4) Other expenses is primarily made up of investment management expenses.

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

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

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Reconciliation of underlying profit to contribution to profit before tax									
Contribution to profit from General Insurance activities before tax	**361**	**330**	**316**	**344**	**9.4**	**14.2**	**691**	**660**	**4.7**
Investment income – Shareholder Funds	(87)	(116)	(81)	(119)	(25.0)	7.4	(203)	(200)	1.5
Share of investment income in joint venture Shareholder Funds	(5)	(6)	(4)	(6)	(16.7)	25.0	(11)	(10)	10.0
Underlying profit	**269**	**208**	**231**	**219**	**29.3**	**16.5**	**477**	**450**	**6.0**

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

The following table represents the General Insurance profit contribution, including the impact of movements in interest rates, in accordance with statutory accounting formats.

Movements in market interest rates have a significant effect on two items of the profit contribution – net incurred claims and investment revenue on insurance provisions.

Because the balance sheet outstanding claims provision, which represents claims to be paid in future periods, is discounted to present value using market interest rates, movements in these interest rates affect the incurred claims in any period.

However, the funds held to pay outstanding claims are invested in fixed interest securities matched to the settlement durations of the outstanding claims. Therefore movements in market interest rates affect the value of the fixed interest securities (and therefore investment revenue on insurance provisions) by an amount that approximately offsets the impact of movements in discount rates on claims provisions (and net incurred claims).

This is called "immunisation", and it means that movements in market interest rates do not distort the insurance trading result.

To eliminate these movements, and gain a better understanding of the underlying claims and underwriting performance, the table on page 40, removes the impact of changes in discount rates. The adjustment assumes perfect matching of insurance assets and liabilities.

For the full year, discount rates increased, resulting in a $76 million decrease in net incurred claims and an offsetting decrease in investment income on insurance provisions. The table on page 42 includes the impact of those movements.

Including discount rate movements, net incurred claims therefore decreases to $1,633 million and the underwriting result increases to $240 million for the full year. Investment income on insurance provisions decreases to $234 million and the insurance trading result remains unchanged at $474 million.

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

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Gross written premiums [1]	1,321	1,290	1,287	1,255	2.4	2.6	2,611	2,542	2.7
Gross unearned premium movement	(37)	(1)	(14)	1	Large	164.3	(38)	(13)	192.3
Gross earned premiums	1,284	1,289	1,273	1,256	(0.4)	0.9	2,573	2,529	1.7
Outwards reinsurance expense	(59)	(58)	(54)	(55)	1.7	9.3	(117)	(109)	7.3
Net earned premium	1,225	1,231	1,219	1,201	(0.5)	0.5	2,456	2,420	1.5
Net incurred claims									
Claims expense	(930)	(1,018)	(1,020)	(1,064)	(8.6)	(8.8)	(1,948)	(2,084)	(6.5)
Reinsurance and other recoveries revenue	170	145	144	172	17.2	18.1	315	316	(0.3)
	(760)	(873)	(876)	(892)	(12.9)	(13.2)	(1,633)	(1,768)	(7.6)
Total operating expenses									
Acquisition costs [2]	(180)	(171)	(158)	(150)	5.3	13.9	(351)	(308)	14.0
Other underwriting expenses	(123)	(109)	(109)	(104)	12.8	12.8	(232)	(213)	8.9
	(303)	(280)	(267)	(254)	8.2	13.5	(583)	(521)	11.9
Underwriting result	162	78	76	55	107.7	113.2	240	131	83.2
Investment income – insurance funds									
Interest, dividends, rent and other	148	142	136	126	4.2	8.8	290	262	10.7
Realised gains/(losses) – investments	(20)	(13)	(9)	3	53.8	122.2	(33)	(6)	450.0
Unrealised gains/(losses) – investments	(25)	2	16	30	Large	(256.3)	(23)	46	(150.0)
	103	131	143	159	(21.4)	(28.0)	234	302	(22.5)
Insurance trading result	265	209	219	214	26.8	21.0	474	433	9.5
Managed schemes net contribution	12	14	14	11	(14.3)	(14.3)	26	25	4.0
Joint venture income	15	10	16	12	50.0	(6.3)	25	28	(10.7)
General Insurance operational earnings	292	233	249	237	25.3	17.3	525	486	8.0
Investment income – Shareholder Funds									
Interest, dividends, rent and other	36	35	42	63	2.9	(14.3)	71	105	(32.4)
Realised gains/(losses) on investments	35	(6)	24	(11)	Large	45.8	29	13	123.1
Unrealised gains/(losses) on investments	23	94	20	74	(75.5)	15.0	117	94	24.5
Other revenue [3]	5	4	6	4	25.0	(16.7)	9	10	(10.0)
Other expenses [4]	(12)	(11)	(11)	(11)	9.1	9.1	(23)	(22)	4.5
	87	116	81	119	(25.0)	7.4	203	200	1.5

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

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Contribution to profit from General Insurance activities before tax and capital funding	379	349	330	356	8.6	14.8	728	686	6.1
Capital funding [5]	(18)	(19)	(14)	(12)	(5.3)	28.6	(37)	(26)	42.3
Contribution to profit from General Insurance activities before tax	**361**	**330**	**316**	**344**	**9.4**	**14.2**	**691**	**660**	**4.7**
Return on equity (%)	**27.3**	**23.5**	**22.3**	**24.9**	**16.2**	**22.4**	**24.3**	**23.2**	**4.7**

Notes:

[1] Net of Fire Service Levies of $42 million (Dec-05: $38 million; Jun-05: $32 million; Dec-04: $34 million).

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

[3] Other revenue consists mainly of allocated service fee revenue.

[4] Other expenses is primarily made up of investment management expenses.

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

Balance sheet – General Insurance

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Assets						
Cash and liquid assets	325	324	353	219	0.3	(7.9)
Investment securities	5,727	5,479	5,488	5,410	4.5	4.4
Investment property	196	157	156	89	24.8	25.6
Investments in joint ventures	138	133	129	113	3.8	7.0
Reinsurance and other recoveries – outstanding claims	487	452	430	415	7.7	13.3
Other receivables	726	701	701	683	3.6	3.7
Deferred tax assets	66	70	68	60	(5.7)	(2.9)
Intangible assets	929	928	910	886	0.1	2.1
Other assets[1]	264	259	306	285	1.9	(13.7)
Total assets	8,858	8,503	8,541	8,160	4.2	3.7
Liabilities						
Interest bearing and non-interest bearing liabilities	71	82	31	23	(13.4)	129.0
Payables	523	291	438	360	79.7	19.4
Provisions	2	2	2	3	-	-
Deferred tax liabilities	107	128	116	79	(16.4)	(7.8)
Outstanding claims liability [2]	4,251	4,276	4,172	4,044	(0.6)	1.9
Unearned premiums liability [2]	1,376	1,333	1,346	1,322	3.2	2.2
Unexpired risk liability	24	17	-	-	41.2	n/a
Subordinated notes	195	200	199	199	(2.5)	(1.5)
Total liabilities	6,549	6,329	6,304	6,030	3.5	3.9
Net assets	**2,309**	**2,174**	**2,237**	**2,130**	**6.2**	**3.2**

Notes:

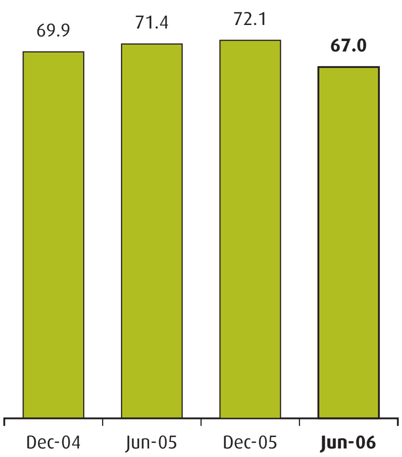
[1] Other assets is primarily made up of accrued interest and deferred acquisition costs.

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

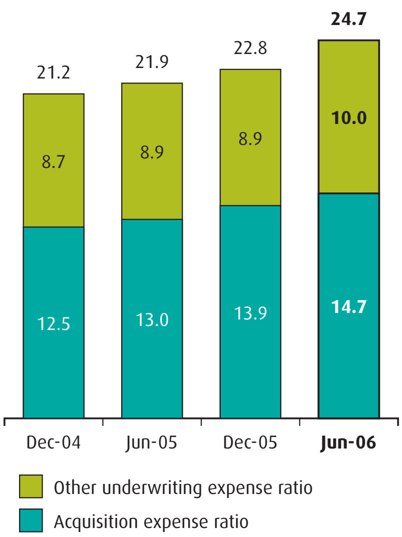
	Half-Year Ended Jun-06 %	Dec-05 %	Jun-05 %	Dec-04 %	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 %	Jun-05 %	Jun-06 vs Jun-05 %
General Insurance ratios									
Before impact of discount rate movement									
Acquisition expense ratio	14.7	13.9	13.0	12.5	5.8	13.1	14.3	12.7	12.6
Other underwriting expenses ratio	10.0	8.9	8.9	8.7	12.4	12.4	9.4	8.8	6.8
Total operating expenses ratio	24.7	22.8	21.9	21.2	8.3	12.8	23.7	21.5	10.2
Loss ratio	67.0	72.1	71.4	69.9	(7.1)	(6.2)	69.6	70.7	(1.6)
Combined operating ratio	91.7	94.9	93.3	91.1	(3.4)	(1.7)	93.3	92.2	1.2
Insurance trading ratio	21.6	17.0	18.0	17.8	27.1	20.0	19.3	17.9	7.8
Cash return on equity ratio	27.3	23.5	22.3	24.9	16.2	22.4	24.3	23.2	4.7
Including the impact of discount rate movements									
Loss ratio	62.0	70.9	71.9	74.3	(12.6)	(13.8)	66.5	73.1	(9.0)
Combined operating ratio	86.7	93.7	93.8	95.5	(7.5)	(7.6)	90.2	94.6	(4.7)

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

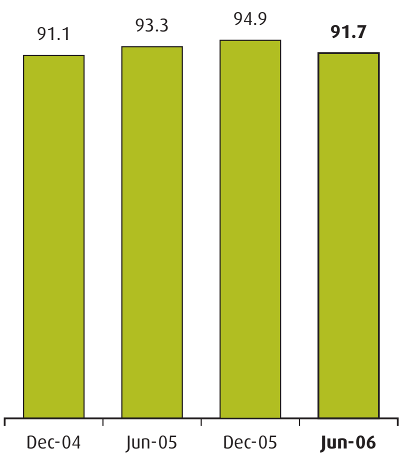
Loss ratio (1)
Half-year, %



Expense ratio (1)
Half-year, %



Combined operating ratio (1)
Half-year, %



Notes:

(1) Before impact of discount rate movements.

Profit commentary

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Gross written premium by product									
Compulsory third party (CTP)	268	262	269	271	2.3	(0.4)	530	540	(1.9)
Home	275	273	258	256	0.7	6.6	548	514	6.6
Motor	373	380	366	350	(1.8)	1.9	753	716	5.2
Commercial	404	367	387	367	10.1	4.4	771	754	2.3
Other	1	8	7	11	(87.5)	(85.7)	9	18	(50.0)
	1,321	**1,290**	**1,287**	**1,255**	**2.4**	**2.6**	**2,611**	**2,542**	**2.7**
Excluding CTP	**1,053**	**1,028**	**1,018**	**984**	**2.4**	**3.4**	**2,081**	**2,002**	**3.9**
Gross written premium by product including FSL									
Compulsory third party (CTP)	268	262	269	271	2.3	(0.4)	530	540	(1.9)
Home	299	292	275	273	2.4	8.7	591	548	7.8
Motor	374	381	367	351	(1.8)	1.9	755	718	5.2
Commercial	421	385	401	383	9.4	5.0	806	784	2.8
Other	1	8	7	11	(87.5)	(85.7)	9	18	(50.0)
	1,363	**1,328**	**1,319**	**1,289**	**2.6**	**3.3**	**2,691**	**2,608**	**3.2**
Excluding CTP	**1,095**	**1,066**	**1,050**	**1,018**	**2.7**	**4.3**	**2,161**	**2,068**	**4.5**

Gross written premium increased by 2.7% to $2.6 billion during the full year. Soft market conditions persisted in Commercial lines where growth was modest, however, growth was strong in Home and Motor lines, where GWP increased by 5.8% for the year.

GWP including Fire Service Levies (FSL) and statutory charges increased by 3.2% for the full year. The effect of the increases in FSL and other statutory charges for New South Wales and Victoria was an average increase of around 11% for home premium rates.

Premium growth was constrained further by the compulsory third party (CTP) portfolio, which continued to experience premium rate reductions as claims benefits were passed on to customers. Excluding CTP, total GWP growth was 3.9% for the full year.

Net earned premium increased by 1.5% to $2.5 billion, reflecting slightly lower growth than GWP due to higher unearned premium movement and increased outwards reinsurance expense for the year. Outward reinsurance expense for the full year was $117 million; an increase of 7.3% over the prior year due to an increase in the limit of cover purchased under the Property Catastrophe program and increased cover on selective commercial classes of business.

Gross written premium by product (continued)

Compulsory third party

The Company underwrites CTP insurance in Queensland and New South Wales as a participant in statutory schemes. GWP declined by 1.9% for the full year to $530 million, reflecting the falling premium rates in both States. Premium rate reductions continued to follow the favourable claims experience emerging across the industry due to reforms to tort law, and as actuarial valuations attribute more assurance to the longer term sustainability of the benefits of legislative reforms.

Competition has been evidenced by unprecedented levels of CTP advertising in both Queensland and New South Wales, as competitors seek to grow their market share. Despite this aggressive price based marketing from competitors, the business achieved significant risk in force growth of 3.0% during the year.

In Queensland, average premium rates reduced by over 4% during the year reducing premium by approximately $17 million. Risks in force grew by 2.2%, and although slightly lower than market growth, the business still maintained its market share of 52% in Queensland. The business successfully retained all of its motor dealer channel business which accounts for a significant portion of total new business.

In New South Wales, market share grew from 7.4% to 8.0% with strong risk in force growth of 6.4%. The business' successful strategy of targeting preferred risks is evidenced by better than NSW CTP industry average claim experience. Average premium rates reduced by over 3% over the year, reducing premium by approximately $4 million.

Home

GWP increased by 6.6% to $548 million for the full year.

The business delivered good underlying risk in force growth in the Suncorp brand, supported by an uplift in new business sales and strong retention rates. In particular, branch sales increased significantly on the prior year, reflecting the branch optimisation initiative and positive impact of bundled package offers for mortgages.

Outside Queensland, new business growth was strong on the back of GIO brand activity and targeted marketing initiatives. New business growth was, however, offset by lower than expected customer retention rates. To this end, the business implemented a range of retention initiatives including customer propensity modelling and increasing the capacity of its outbound telemarketing teams.

The new product launches for the property investor and over 55's customer segments during the year have already delivered very positive results. In addition, the peril based risk engine (extension from Motor risk engine) was implemented for the Suncorp brand and is expected to be rolled out to the GIO and AMP brands early in the 2007 financial year. The peril risk engine has enabled the business to enhance its pricing and risk selection and provides a very competitive platform going forward.

Motor

Gross written premium in Motor increased by 5.2% to $753 million for the full year, driven by underlying risk in force growth and increases in average premiums.

Aggressive marketing and price-led campaigns by competitors have impacted on growth, particularly in the six months to June 2006. The business responded to this increased competition by enforcing disciplined pricing in order to maintain profitable business growth across the motor portfolio.

To better meet customers' needs and support sales growth, unique segmented customer offerings were developed and launched. These included the Family Discount and Named Driver products which have achieved good penetration rates.

Commercial insurance

Total GWP in commercial increased by 2.3% to $771 million for the year to June 2006. Growth was impacted by continued soft commercial markets, particularly in commercial property and Industrial Special Risks classes. Premium rates have continued to fall across major classes, with some published market data suggesting current pricing near the bottom of the last soft cycle.

In the current market, the business focused intensively on retention strategies for existing profitable customers. Retention rates in key property and liability portfolios were successfully improved, whilst still maintaining average premium levels.

During the year, the business exited the corporate property and marine portfolios, which were sub-scale businesses. In the second half, commercial property and liability portfolios achieved positive momentum growth (on the prior comparative period), assisted by strong June renewals.

In Workers' Compensation, premium growth grew by 18.1% for the full year, with underlying wages in force growth of 7.7%. Strong growth is largely attributable to the continued buoyant economic conditions in Western Australia and accompanying expansion of business payrolls, as well as improved retention rates across all relevant States.

During the year, a new direct insurance model for commercial insurance was successfully implemented. The model increased capacity in the Commercial call centre and further developed sales processes and remuneration models to drive better growth and retention. Initial results are very positive with premium acquired through the Commercial insurance call centre increasing by 50% on the prior year.

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Gross written premium by state									
Queensland	549	553	551	568	(0.7)	(0.4)	1,102	1,119	(1.5)
New South Wales	411	424	406	394	(3.1)	1.2	835	800	4.4
Victoria	133	136	131	130	(2.2)	1.5	269	261	3.1
Western Australia	137	104	114	94	31.7	20.2	241	208	15.9
Other	91	73	85	69	24.7	7.1	164	154	6.5
	1,321	**1,290**	**1,287**	**1,255**	**2.4**	**2.6**	**2,611**	**2,542**	**2.7**
Gross written premium by state including FSL									
Queensland	549	553	551	568	(0.7)	(0.4)	1,102	1,119	(1.5)
New South Wales	439	449	428	417	(2.2)	2.6	888	845	5.1
Victoria	147	149	141	141	(1.3)	4.3	296	282	5.0
Western Australia	137	104	114	94	31.7	20.2	241	208	15.9
Other	91	73	85	69	24.7	7.1	164	154	6.5
	1,363	**1,328**	**1,319**	**1,289**	**2.6**	**3.3**	**2,691**	**2,608**	**3.2**

The table above sets out GWP by state, and shows the Company's portfolio is broadly diversified geographically.

Premiums in Queensland fell by 1.5% over the prior year, where strong growth in short tail personal lines was more than offset by the decline in CTP premium rates and soft commercial market conditions.

In New South Wales and Victoria, premium growth for the full year was constrained by the second half slowdown in motor growth and the relatively flat growth in commercial business.

In Western Australia, premium growth was underpinned by Workers' Compensation which benefited from buoyant economic conditions and improved customer retention levels.

The table of gross written premium including Fire Service Levy (FSL) shows the impact of the levy increases imposed in both New South Wales and Victoria, with premium increasing by 5.1% and 5.0% respectively when compared to premium excluding FSL of 4.4% and 3.1% respectively.

Outward reinsurance expense

Outward reinsurance expense for the full year was $117 million, an increase of 7.3% over the prior year expense of $109 million. This was largely due to an increase in the limit of cover purchased under the Property Catastrophe program and increased cover for commercial liability classes, which offset the benefit of increasing the single event retention limit from $50 million to $100 million.

The largest element of the Group's reinsurance program relates to a property catastrophe treaty, which covers the home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire and earthquake. The Group's joint venture partners participate in the treaty, allowing economies of scale and a degree of leverage in buying power.

The outcome of the program renewal for the 2007 financial year was to increase the upper limit for each catastrophe event by $250 million to $2.45 billion, reflecting growth in underlying exposures, maintaining a return period of 1 in 250 years across all parts of the whole portfolio. Retention limits under the new program remain unchanged at $100 million. The renewal outcome continues to reflect an optimisation of reinsurance expense, while maintaining the Company's conservative risk position.

Reinsurance security was maintained for the 2007 financial year program, with over 85% of long tail business and 65% of short tail business protected by reinsurers rated 'A+' or better.

Claims expense

Short tail claims expense

The following key factors affected short tail claims expense:

- Storm related claims cost for the full year were estimated at $182 million, of which second half total costs of $114 million included Cyclone Larry costs of $80 million (net of reinsurance recoveries). This compares with the prior financial year storm cost of $192 million. Total full year storm costs for the past two financial years have been abnormally high relative to the longer-run average incurred storms costs. Excluding Cyclone Larry, storm losses in the 2006 financial year were at the long term average.
- Underlying claims experience in home was generally favourable across new and renewal business while we expect both motor and home to improve as the benefits of the claims cost reduction program begin to flow through more substantially in the year to June 2007.
- Short tail commercial insurance working losses moved to a more normal long term position from last year's unusually favourable experience. Commercial large losses were higher than expected and included a number of commercial fire losses.

Long tail claims expense

The following factors affected long tail claims expense:

Central estimate releases

- The valuation of outstanding claims at June 2006 resulted in a second half central estimate release of $223 million, bringing the full year central estimate release relating to prior accident years to $337 million. Key explanations for the release are:
  - The underlying claims incidence and settlement experience continued to show favourable claims trends in the year.
  - As claims experience has developed post tort reforms, valuation actuaries have given more weighting to the observed experience, which has contributed substantially to the releases.
  - A range of initiatives were implemented to further drive efficiencies in liability claims processes which is improving actual claims experience versus expected. Claims process initiatives included structural realignments of claims teams to improve the identification and management of claims according to risk profile and new technologies to streamline processes and provide better information flow.
  - The releases brought to profit were after strengthening the assumptions on wage inflation, a key variable in long tail classes, from 4% at December 2005 to 4.5%.

Superimposed inflation

- Valuations make allowance for claims costs inflating at a rate greater than the average weekly earnings index. This is known as superimposed inflation and to the extent that it does not occur, it can be considered a sustainable element of the release that would be evident in subsequent reporting periods.
- Superimposed inflation has not been evident in the current reporting period thereby contibuting in the order of $82 million to the releases.

Strains on current year profits

In addition to the prior accident period releases, other important factors need to be considered in assessing the underlying long tail claims result:

- **Current accident period strain** occurs because the business adopts a more conservative claim reserving basis for purposes of preparing its financial statements than its premium pricing basis. The valuation actuaries require evidence of a sustainable trend before adjusting valuation parameters and therefore do not just rely on the most recent data, whereas pricing is more forward looking and is based more upon anticipated future claims experience.
- Therefore, in an environment of improving claims experience as clearly exists today, the valuation basis is more conservative than the pricing basis and the difference can be quite material. In the year to June 2006 current accident period strain was $80 million, on a net central estimate basis ($41 million for the second half).
- **Net risk margin strain**, is the additional risk margins provided on the current accident period referred to above less the risk margins released from claims settled during the year as well as prior period releases.
- The business holds risk margins at 28% of the total reserve central estimate, maintaining an estimated probability of adequacy of approximately 94% on total claims reserves. This creates a margin strain on new business.
- For the year to June net risk margin strain was $53 million ($36 million in the second half).

Claims expense (continued)

ITR adjustment table

- The table below is designed to improve the understanding of the complex relationship between prior year releases and strains on current year profits.
- The effect of Cyclone Larry has also been included because of the material impact on the General Insurance profit contribution.
- The table in no way purports to represent what others may wish to take into account in their analysis of the ITR, nor should it be seen as an attempt to normalise the performance of the General Insurance business.

	Full Year Ended Jun-06 $m	Jun-06 $m
Insurance Trading Result		474
Releases at central estimate	(337)	
Add back superimposed inflation (assumed to be sustainable)	82	(255)
		219
Add strains on current year profits		
Net risk margin strain	53	
Current accident period strain	80	133
ITR excluding strains		352
Add back Cyclone Larry		80
ITR excluding strains, Cyclone Larry and superimposed inflation		432

Level of Sufficiency

- Included in the review of the provisions brought forward was a review of the risk margins. For some classes risk margins were increased. The effect of these decisions was to increase the risk margin as a percentage of the central estimate from 26% to 28% thus resulting in a level of sufficiency of approximately 94%.

Sustainability of Releases

- The valuations adopted at June 2006 have only moved partially towards the most recent observed experience. This means that if this experience holds true we can expect further releases.
- As a result of the conservative valuation basis, the Group has essentially deferrred current year profits to the future and this is reflected in the current accident period strain (on a net central estimate basis).
- The ultimate size of future releases is also dependent on whether there is any further improvement in claims size and frequency, and the extent of such improvements.
- Once a long term trend is established and the volatility in claims data diminishes, the Company will in all likelihood move its current level of sufficiency closer to its target of 90% from the current level of approximately 94%. This would allow risk margins in excess of this target to be released. The financial impact of this would be approximately $170 million.
- Despite the inherent uncertainty associated with the above, we are confident that the aggregate level of releases will allow the Group to report an ITR for the General Insurance business in the 16%-19% range for the 2007 and 2008 financial years, assuming no major weather events.

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Outstanding claims and unearned premiums liabilities						
Expected future claims payments – undiscounted	5,237	5,148	5,013	4,783	1.7	4.5
Discounting to present value	(986)	(872)	(841)	(739)	13.1	17.2
Outstanding claims liability	4,251	4,276	4,172	4,044	(0.6)	1.9
Unearned premiums liability	1,376	1,333	1,346	1,322	3.2	2.2
	5,627	**5,609**	**5,518**	**5,366**	**0.3**	**2.0**

The undiscounted value of outstanding claims increased 4.5% over the year to $5.2 billion, mostly reflecting the increase in business written and slowing down of claims settlement patterns in Queensland CTP and workers' compensation.

The discount rate increased to 5.8% in June 2006 from 5.2% in December 2005 and from 5.1% in June 2005. The impact of this was to increase the market rate movement or decrease claims expense by $15 million and $61 million in the first and second half respectively. Outstanding claims on long tail business are discounted to their present values by reference to the yield curve derived from Commonwealth Government bonds.

Changes to the discount amount are caused by movements in the yield curve, the size of the outstanding claims base, and the duration of outstanding claims. As noted earlier, movements in discount rates have a minimal impact on the insurance trading result due to offsetting movements in investment income on insurance provisions.

Claims development

The claims progression table shows the estimated long tail claims costs development for the most recent accident years. A reconciliation to total gross and net outstanding claims has been provided.

	2002 and prior $m	2003 $m	2004 $m	2005 $m	2006 $m	Total $m
Accident year						
Estimate of ultimate claims cost:						
At end of accident year	3,288.8	710.6	695.7	799.7	812.0	
One year later	3,254.5	688.8	714.3	704.3		
Two years later	3,126.3	641.5	608.5			
Three years later	2,928.7	562.9				
Four years later	2,891.5					
Current estimate of cumulative claims cost	2,891.5	562.9	608.5	704.3	812.0	5,579.2
Cumulative payments	(2,056.5)	(235.4)	(141.4)	(91.6)	(42.4)	(2,567.3)
Outstanding claims – undiscounted	835.0	327.5	467.1	612.7	769.6	3,011.9
Discount	(211.0)	(51.9)	(77.8)	(115.5)	(164.5)	(620.7)
Outstanding claims – long tail	624.0	275.6	389.3	497.2	605.1	2,391.2
Outstanding claims – short tail						398.8
Claims handling expense						144.5
Risk margin						826.7
Total net outstanding claims liabilities						3,761.2
Reinsurance and other recoveries on outstanding claims liabilities						487.6
Total gross outstanding claims – discounted						**4,248.8**

To understand the table, the first row shows the estimated undiscounted ultimate claims cost of claims by accident year. Reading down the columns, each successive number shows the ultimate cost by accident year estimated one year later.

The claims development trends highlight that the claims experience has generally been favourable in all the above accidents years compared with the initial reserving estimates. For example, the current estimate of ultimate claims cost for the 2005 accident year is 12% lower than estimated at the end the 2005 accident year. This favourable development trend is due largely to following factors.

- The general absence of superimposed inflation and the ongoing benefits of reforms to tort law.
- The conservative nature of the Company's reserving basis relative to its pricing basis.
- The realisation of various claims cost reduction initiatives over time.

Operating expenses

Total operating expenses ratio for the full year increased to 23.7% from 21.5% in the prior year.

The majority of the increase was due to higher acquisition costs with an increase of 14.0% on the prior year. The acquisition expense ratio of 14.3% compared with 12.7% for the prior year. For the full year, the increase above volume and inflation growth relates to lower deferral of acquisition costs ($22.0 million) including an AIFRS liability adequacy adjustment ($9.2 million), higher levies and charges ($4.7 million) and increased investment in marketing.

Other underwriting expenses increased by $19 million for the full year and by $14 million for the second half. This increase is attributable largely to the Group's significant investment in information technology, whilst maintaining effective cost control over ongoing administration costs.

Investment income on insurance provisions

Investment income on insurance provisions increased 27% over the prior year to $310 million before the impact of discount rate movements. The improvement in investment income for the full year reflects a combination of growth in the volume of technical reserves plus underlying yields. The technical reserves also include a small property portfolio which is subject to periodic valuation. Valuations undertaken towards the end of the period to June 2006 have had a favourable impact of approximately $24 million.

Insurance trading result

The underwritten business delivered another very strong insurance trading result of $474 million, which is equivalent to an insurance trading ratio of 19.3%. This result has exceeded the long term guidance range of 11-14%, reflecting continued favourable claims experience in long tail lines, profitable organic growth and significant investment to drive claims efficiencies.

Managed schemes

Net profit from the managed scheme business was $26 million, an increase of 4% on prior year driven by the Group's underlying performance for NSW Treasury Managed Fund (TMF) and NSW WorkCover which saw improved claims management and resulting higher fee income. The main components of this result include:

- NSW WorkCover, the non-underwritten workers' compensation business in NSW, had the renegotiated contract commence 1 January 2006 for a term of three years. The business successfully retained 86% of the pre-existing business, which was a positive outcome given an objective of the scheme restructure was to introduce more competition. Transition of business to the two new market entrants has been successfully completed.
- Following the TMF contract renewal, the business retained 72% of the portfolio, which was the maximum available after the regulator mandated to introduce competition. The contract commenced on 1 July 2005 for a term of five years. Transition of business to new agents was successfully completed in December 2005.
- The business successfully re-entered the Victorian market with the provision of a licence to operate in the Victorian WorkCover scheme on 1 January 2006. It gained market share of between 3% to 4% and is well positioned for further growth as a national player.

Joint venture income

Suncorp participates in insurance joint ventures with motoring clubs in Queensland and South Australia. The joint venture contribution for the year to June 2006 was $25 million, down from $28 million in the prior year, largely due to competitive industry conditions, the cost of Cyclone Larry incurred by RACQ Insurance and lower investment returns from the joint venture entities.

Investment income on Shareholder Funds

Investment income on Shareholder Funds at $203 million for the full year was up 1.5% compared with the prior year. Returns achieved on equities and the domestic fixed interest portfolio for the full year are outlined below. The increase in investment income reflects higher average funds under management as well as higher yields. For the year to 30 June 2006, the Shareholder Funds' Australian equity portfolio outperformed the benchmark S&P/ASX 200 Accumulation by 5.99% through effective stock selection.

	Jun-06 Bech-mark return %	Jun-06 Actual return %	Dec-05 Bech-mark return %	Dec-05 Actual return %	Jun-05 Bech-mark return %	Jun-05 Actual return %	Dec-04 Bech-mark return %	Dec-04 Actual return %
Performance returns								
Shareholder Funds:								
Fixed Interest – Domestic	3.41	3.97	2.53	2.79	3.19	3.20	4.45	4.43
Equities – Domestic	23.93	29.92	13.90	15.03	7.84	9.70	17.16	18.24
Equities – International	19.87	22.33	14.57	16.60	2.12	2.38	(1.52)	(3.27)

Investment income on Shareholder Funds (continued)

Allocation of investments

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Allocation of investments held against:						
Insurance funds						
Cash and short term deposits	1,383	1,166	1,215	1,114	18.2	7.3
Fixed interest	3,212	3,186	3,141	3,099	2.0	5.6
Property	130	102	84	77	(5.9)	26.3
	4,725	**4,454**	**4,440**	**4,290**	**6.1**	**6.4**
Shareholder Funds						
Cash and short term deposits	171	211	238	221	(19.0)	(28.2)
Fixed interest	454	489	506	522	(7.2)	(10.3)
Australian equities	556	596	565	614	(6.7)	(1.6)
Overseas equities	142	125	100	103	13.6	42.0
Property	68	46	19	13	47.8	257.9
	1,391	**1,467**	**1,428**	**1,473**	**(5.2)**	**(2.6)**

The investment funds are managed by the Company's investment manager. The total is different to the cash and investment balances in the General Insurance balance sheet on page 43, because of the different classification of items such as operating cash and accrued interest. Reconciling items such as timing differences and premium debtors arise between insurance provisions and associated investment assets. The balance of Shareholder Funds shown above excludes non-investment market assets such as goodwill relating to the acquisition of GIO and the investments in joint ventures.

	Jun-06 %	Dec-05 %	Jun-05 %	Dec-04 %	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Allocation of investments held against:						
Insurance funds						
Cash and short term deposits	29	26	29	26	11.5	-
Fixed interest	69	72	69	72	(4.2)	-
Property	2	2	2	2	-	-
	100	**100**	**100**	**100**	**-**	**-**
Shareholder Funds						
Cash and short term deposits	12	14	17	15	(14.3)	(29.4)
Fixed interest	33	33	35	35	-	(5.7)
Australian equities	40	41	40	42	(2.4)	-
Overseas equities	10	9	7	7	11.1	42.9
Property	5	3	1	1	66.7	400.0
	100	**100**	**100**	**100**	**-**	**-**

Credit risk exposure – Fixed interest investments

The General Insurance fixed interest portfolios are restricted to investment grade securities to ensure there is adequate capital protection of the assets under all market conditions.

Profit contribution by class of business – short tail and long tail

The tables show the profit before discount rate movement impacts.

Short tail

The short tail business, including home, motor and the non-liability part of the commercial book, reported an insurance trading profit of $63 million for the full year, equal to a trading margin of 4.1%. Excluding the impact of Cyclone Larry, the trading margin was 9.3%. Key attributes of the result were:

- Strong growth in full year gross written premium in personal lines was achieved with home growing by 6.6% and motor growing by 5.2%, offset by a decline in commercial short tail premium of 4.6% (or 1.1% adjusting for the exit of the sub-scale corporate property and marine businesses) due to soft market conditions.
- Storm activity had a significant impact on profit, particularly in the second half due to Cyclone Larry. Storm related claims cost for the full year were estimated at $182 million, of which the second half of $114 million included Cyclone Larry net costs of $80 million. In the first half-year, storm related claims cost was $68 million.
- Underlying claims experience was favourable in general across new and renewal business, which is attributable largely to the claims cost reduction program benefits now flowing through.
- Commercial lines working losses moved to a more normal long term position from last year's unusually favourable experience. Commercial large losses were higher than expected and included a number of commercial fire losses.
- Lower deferral of acquisition costs, increased marketing and the AIFRS liability adequacy adjustment contributed to an increase in operating expense ratio to 25.8%. Short tail also received a greater proportion of general overhead expenses given relatively stronger growth of this business.
- Investment income increased significantly, reflecting higher yields and relative outperformance against benchmark returns.

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
Gross written premium	822	834	811	801	(1.4)	1.4	1,656	1,612	2.7
Net earned premium	770	775	762	744	(0.6)	1.0	1,545	1,506	2.6
Net claims incurred	(591)	(570)	(593)	(499)	3.7	(0.3)	(1,161)	(1,092)	6.3
Acquisition costs	(130)	(124)	(116)	(112)	4.8	12.1	(254)	(228)	11.4
Other underwriting expenses	(77)	(68)	(69)	(63)	13.2	11.6	(145)	(132)	9.8
Total operating expenses	(207)	(192)	(185)	(175)	7.8	11.9	(399)	(360)	10.8
Underwriting result	(28)	13	(16)	70	(315.4)	75.0	(15)	54	(127.8)
Investment income – insurance funds	45	33	30	11	36.4	50.0	78	41	90.2
Insurance trading result	**17**	**46**	**14**	**81**	**(63.0)**	**21.4**	**63**	**95**	**(33.7)**
	%	%	%	%			%	%	
Ratios									
Acquisition expense ratio	16.9	16.0	15.2	15.1	5.6	11.2	16.4	15.1	8.6
Other underwriting expenses ratio	10.0	8.8	9.1	8.5	13.6	9.9	9.4	8.8	6.8
Total operating expenses ratio	26.9	24.8	24.3	23.6	8.5	10.7	25.8	23.9	7.9
Loss ratio	76.8	73.5	77.8	67.1	4.5	(1.3)	75.1	72.5	3.6
Combined operating ratio	103.7	98.3	102.1	90.7	5.5	1.6	100.9	96.4	4.7
Insurance trading ratio	2.2	5.9	1.8	10.9	(62.7)	22.2	4.1	6.3	(34.9)

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

Long tail

The long tail business, including compulsory third party (CTP), workers' compensation and commercial liability classes, reported an insurance trading result of $411 million for the year, equal to a trading margin of 45.1%. The major components of the result were:

- Strong gross written premium growth particularly in workers' compensation, largely offset by a decline in CTP gross written premium following premium rate reductions and relatively flat growth in the commercial liability portfolio.
- Underlying claims incidence and settlement experience in long tail insurance continued to show favourable claims trends in the year with little evidence of superimposed inflation. The benefits realised from the claims cost reduction program coupled with tort reform benefits have flowed through to the valuation of outstanding claims at June 2006, resulting in a significant central estimate release of $337 million for the full year ($223 million for the second half).
- Prior period releases are partially offset by a net risk margin strain on current period business. Net risk margin strain is the additional risk margins provided on the current accident period less the risk margins released from prior period claims and central estimate releases. The net risk margin strain for the full year totalled $53 million ($36 million for the second half).
- In addition, the busines adopts a more conservative claim reserving basis for purposes of preparing its financial statements than its premium pricing basis. This effect referred to as the current accident period strain resulted in a strain of $80 million for the full year ($41 million for the second half).
- An increase in operating expenses resulting from lower deferral of acquisition costs and the AIFRS liability adequacy adjustment. Growth in business volumes faster than premiums (subject to rate reductions) has also contributed to an increase in the overall expense ratio from 17.6% to 20.2%.
- Investment income increased significantly, reflecting higher yields and relative outperformance against benchmark returns.

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
Gross written premium	499	456	476	454	9.4	4.8	955	930	2.7
Net earned premium	455	456	457	457	(0.2)	(0.4)	911	914	(0.3)
Net claims incurred	(230)	(318)	(277)	(341)	(27.7)	(17.0)	(548)	(618)	(11.3)
Acquisition costs	(50)	(47)	(42)	(38)	6.4	19.0	(97)	(80)	21.3
Other underwriting expenses	(46)	(41)	(40)	(41)	12.2	15.0	(87)	(81)	7.4
Total operating expenses	(96)	(88)	(82)	(79)	9.1	17.1	(184)	(161)	14.3
Underwriting result	129	50	98	37	158.0	31.6	179	135	32.6
Investment income – insurance funds	119	113	107	96	5.3	11.2	232	203	14.3
Insurance trading result	**248**	**163**	**205**	**133**	**52.1**	**21.0**	**411**	**338**	**21.6**
	%	%	%	%			%	%	
Ratios									
Acquisition expense ratio	11.0	10.3	9.2	8.3	6.8	19.6	10.6	8.8	20.5
Other underwriting expenses ratio	10.1	9.0	8.8	9.0	12.2	14.8	9.5	8.9	6.7
Total operating expenses ratio	21.1	19.3	17.9	17.3	9.3	17.9	20.2	17.6	14.8
Loss ratio	50.5	69.7	60.6	74.6	(27.5)	(16.7)	60.2	67.6	(10.9)
Combined operating ratio	71.6	89.0	78.5	91.9	(19.6)	(8.8)	80.4	85.2	(5.6)
Insurance trading ratio	54.5	35.7	44.9	29.1	52.7	21.4	45.1	37.0	21.9

Profit contribution by class of business – commercial and personal lines

Commercial lines

The commercial lines reported an insurance trading result of $94 million for the year, equal to a trading margin of 13.4%. The main components of the result were:

- Strong growth in underwritten workers' compensation gross written premium which increased by 18.1% over the prior year, offsetting negative growth in other commercial lines, down 2.7% on prior year. Normalising for the exit from sub-scale businesses during the year (corporate property and marine), total commercial premium growth was 4.0% for the full year.
- Full year loss ratio increased to 69.1% from 66.9% in the prior year.
- Commercial property working losses moved to a more normal long term position from last year's unusually favourable experience. Also, commercial property large losses were higher than expected and included a number of commercial fire losses.
- Underlying claims incidence and settlement experience in commercial liability classes continued its favourable trend during the year, albeit that this trend appears to be stabilising. The claims cost reduction initiatives coupled with the impact of tort reform contributed to a reserve release relating to prior accident years.
- Investment income has increased significantly, reflecting higher yields and relative outperformance against benchmark returns.

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
Gross written premium	406	367	389	367	10.6	4.4	773	756	2.2
Net earned premium	350	349	359	339	0.3	(2.5)	699	698	0.1
Net claims incurred	(224)	(259)	(236)	(231)	(13.5)	(5.1)	(483)	(467)	3.4
Acquisition costs	(73)	(70)	(70)	(64)	4.3	4.3	(143)	(134)	6.7
Other underwriting expenses	(44)	(33)	(33)	(36)	33.3	33.3	(77)	(69)	11.6
Total operating expenses	(117)	(103)	(103)	(100)	13.6	13.6	(220)	(203)	8.4
Underwriting result	9	(13)	20	8	(169.2)	(55.0)	(4)	28	(114.3)
Investment income – insurance funds	52	46	39	32	13.0	33.3	98	71	38.0
Insurance trading result	**61**	**33**	**59**	**40**	**84.8**	**3.4**	**94**	**99**	**(5.1)**
	%	%	%	%			%	%	
Ratios									
Acquisition expense ratio	20.9	20.1	19.5	18.9	4.0	7.2	20.5	19.2	6.8
Other underwriting expenses ratio	12.6	9.5	9.2	10.6	32.6	37.0	11.0	9.9	11.1
Total operating expenses ratio	33.5	29.6	28.7	29.5	13.2	16.7	31.5	29.1	8.2
Loss ratio	64.0	74.2	65.7	68.1	(13.7)	(2.6)	69.1	66.9	3.3
Combined operating ratio	97.5	103.8	94.4	97.6	(6.1)	3.3	100.6	96.0	4.8
Insurance trading ratio	17.4	9.5	16.4	11.8	83.2	6.1	13.4	14.2	(5.6)

Profit contribution by class of business – commercial and personal lines (continued)

Personal lines

The personal lines including home, motor and compulsory third party reported an insurance trading profit of $380 million for the year, equal to a trading margin of 21.6%. The main components of the result were:

- Strong gross written premium growth in home of 6.6% and motor of 5.2% was partially offset by a decline in CTP gross written premium of 1.9%, led by premium rate reductions.
- Full year loss ratio decreased to 69.8% from 72.2% in the prior year.
- Storm activity had a significant impact on profit, particularly in the second half due to Cyclone Larry. Storm related claims cost for the full year were estimated at $182 million, of which the second half of $114 million included Cyclone Larry net costs of $80 million. In the first half, storm related claims cost was $68 million.
- Underlying claims experience was generally favourable across new and renewal business, which is attributable largely to the claims cost reduction benefits now flowing through.
- Underlying claims incidence and settlement experience in long tail continued to show favourable claims trends in the year with little evidence of superimposed inflation. The claims cost reduction initiatives coupled with the impact of tort reform contributed to a significant reserve release relating to prior accident years.
- Operating expense ratios increased to 20.6% for the full year. The increase was mainly in acquisition costs, impacted by a lower deferral of current year acquisition costs, increased investment in marketing and the effect of lower CTP premiums on a "fixed" cost component of acquisition costs.
- Investment income has increased significantly, reflecting higher yields and relative outperformance against benchmark returns.

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
Gross written premium	915	923	898	888	(0.9)	1.9	1,838	1,786	2.9
Net earned premium	875	882	860	862	(0.8)	1.7	1,757	1,722	2.0
Net claims incurred	(597)	(629)	(634)	(609)	(5.1)	(5.8)	(1,226)	(1,243)	(1.4)
Acquisition costs	(107)	(101)	(88)	(86)	5.9	21.6	(208)	(174)	19.5
Other underwriting expenses	(79)	(76)	(76)	(68)	3.9	3.9	(155)	(144)	7.6
Total operating expenses	(186)	(177)	(164)	(154)	5.1	13.4	(363)	(318)	14.2
Underwriting result	92	76	62	99	21.1	48.4	168	161	4.3
Investment income – insurance funds	112	100	98	75	12.0	14.3	212	173	22.5
Insurance trading result	**204**	**176**	**160**	**174**	**15.9**	**27.5**	**380**	**334**	**13.8**
	%	%	%	%			%	%	
Ratios									
Acquisition expense ratio	12.2	11.5	10.2	10.0	6.1	19.6	11.8	10.1	16.8
Other underwriting expenses ratio	9.0	8.6	8.8	7.9	4.7	2.3	8.8	8.4	4.8
Total operating expenses ratio	21.2	20.1	19.0	17.9	5.5	11.6	20.6	18.5	11.4
Loss ratio	68.2	71.3	73.7	70.6	(4.3)	(7.5)	69.8	72.2	(3.3)
Combined operating ratio	89.4	91.4	92.7	88.5	(2.2)	(3.6)	90.4	90.7	(0.3)
Insurance trading ratio	23.3	20.0	18.6	20.2	16.5	25.3	21.6	19.4	11.3

Segment Information – Wealth Management

AIFRS for Wealth Management

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

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

- Insurance contracts continue to be measured using MoS, although the calculation has been impacted by a change in the required discount rate. Insurance contracts are reported under the Contribution to margins section of the Profit Contribution table (see page 60).
- Unit Linked Investment contracts are measured using fair value and are reported as fees and other income less expenses under the Unit Linked and Other section of the Profit Contribution table (see page 60).

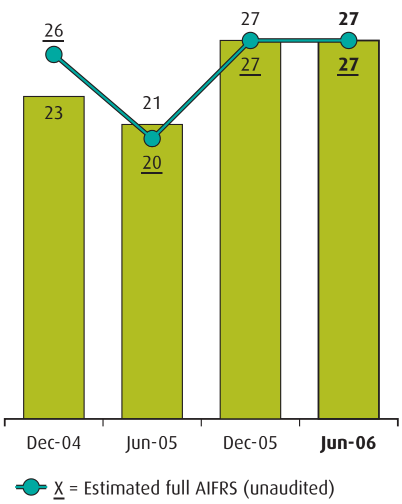
Comparative activities outside of the Statutory Funds have been fully restated and audited. The main adjustments include the removal of the embedded value (revaluation of subsidiaries) through the profit and loss and the forming of a deferred acquisition cost asset and a deferred revenue liability on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

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

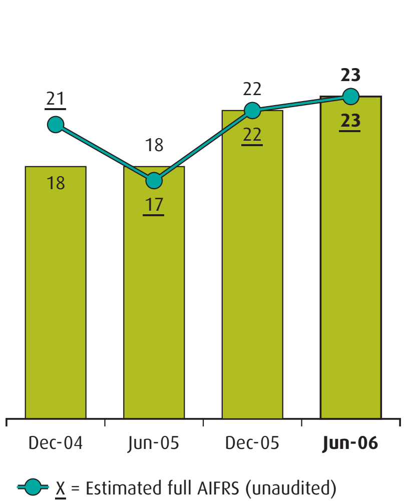
Profit overview

- The Wealth Management division recorded profit before tax of $81 million for the year to June 2006. This includes a one-off loss of $2 million arising from a change in valuation methodology for the Policy liabilities in the unit linked statutory fund business. Adjusting to exclude this one-off, as well as the impact of investment earnings, the underlying profit for the year was $54 million.
- Restating historical comparatives to reflect estimated AIFRS adjustments (unaudited), and to achieve a like-on-like comparison, underlying profit of $54 million rose 17.4% from $46 million in June 2005. This increase is mainly driven by higher planned profit, improved experience profit and increased fees despite the sale of a fee arrangement. Fees increased due to strong growth of funds under administration and funds under management.
- Restating historical comparatives to reflect estimated AIFRS adjustments (unaudited), and to achieve a like-on-like comparison, profit before tax of $81 million for the year represented a decline of 17.3% on the prior June. The prior year includes $17 million of one-off income resulting from the termination of a fee arrangement. Excluding this, profit remained stable year on year despite lower investment earnings.
- New business sales had strong positive momentum, increasing 18.8% to $782 million for the full year to June 2006. Growth was supported by the sustained confidence in equity markets as well as changes to taxation legislation applying to superannuation. The uplift was also achieved despite a softening of sales in low margin external products, and the inclusion of a large increase in Group life sales from a major client in the prior year.

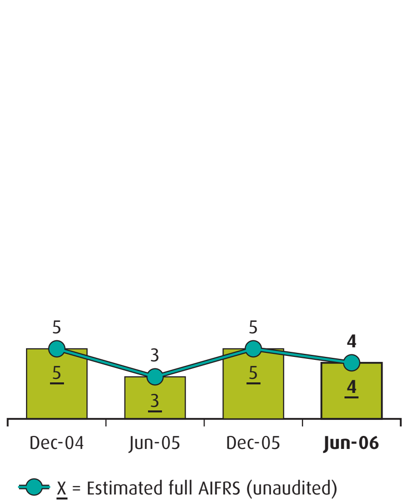
Wealth Management
Underlying profit before tax
Half-year, $m



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



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



Profit overview (continued)

- The value of new business increased very strongly by 77.7%, boosted by increased volumes and increased profitability driven mainly by improved retention on most products and movement to a risk free discount rate for risk and annuity business under AIFRS.
- Funds under administration increased 19.8% to $6.2 billion at June 2006. Growth was underpinned by strong investment earnings and strong net inflows.
- The embedded value of the Life Company increased by 17% to $576 million for the year to June 2006. This is mainly due to an increase in embedded value of the Statutory Funds arising from strong investment performance, good retention and increased future investment earnings assumptions.
- Funds under management increased 9.3% to $13.0 billion at June 2006 and benefited from strong investment income. Despite positive inflows to the Life Company, overall outflows exceeded inflows in the year. Outflows were impacted by General Insurance dividend payments to the parent company as well as the withdrawal of a low margin cash mandate.
- The majority of asset classes recorded active returns in the year to June 2006. The Suncorp Superannuation Balanced Fund achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by Intech's Growth Fund survey.
- The Wealth Management division profits can be viewed in two parts: Life Company profits and earnings from Funds Management operations:
    - The Life Company recorded a profit before tax of $66 million in the year to June 2006, with profits (on a like-on-like basis) benefiting from higher planned profit margins and experience profits, offset by lower investment earnings compared to the prior year, as well as higher expenses incurred due to a change in valuation methodology for policy liabilities (unit linked statutory fund).
    - Funds Management recorded a pre-tax profit of $15 million in the year, down from $31 million in the year to June 2005. Profit in the prior year includes $17 million of one-off income resulting from the termination of a fee arrangement. Adjusted for this, profit increased 7% over the prior year, with underlying fee income and expenses relating to Funds Management activities consistent year on year.

Profit contribution – Wealth Management

Excluding Life Insurance policy owners' interests

The June 2005 and December 2004 comparative periods exclude the impact of certain AIFRS adjustments which are subject to transitional arrangements. Accordingly June 2006 and December 2005 are not directly comparable to these earlier periods. Refer to page 62 for a comparable position (which is estimated and unaudited).

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
Life company									
Contribution to margins									
Planned profit margins	15	15	16	16	-	(6.3)	30	32	(6.3)
Experience profits/(losses)	-	3	(2)	1	(100.0)	(100.0)	3	(1)	(400.0)
Total Margin on Services profit (excluding investment earnings)	15	18	14	17	(16.7)	7.1	33	31	6.5
Unit linked and other									
Fees and other income	32	28	9	8	14.3	255.6	60	17	252.9
Expenses	(24)	(26)	(5)	(7)	(7.7)	380.0	(50)	(12)	316.7
Total unit linked and other profit (excluding investment earnings)	8	2	4	1	300.0	100.0	10	5	100.0
Contribution to profit before investment earnings	23	20	18	18	15.0	27.8	43	36	19.4
Investment earnings	8	15	11	15	(46.7)	(27.3)	23	26	(11.5)
Contribution to profit before tax from Life Company activities	31	35	29	33	(11.4)	6.9	66	62	6.5
Funds management									
Investment income	4	2	3	3	100.0	33.3	6	6	-
Fee income funds management	27	24	42	24	12.5	(35.7)	51	66	(22.7)
Other expenses funds management	(23)	(19)	(22)	(19)	21.1	4.5	(42)	(41)	2.4
Contribution to profit before tax from Funds Management activities	8	7	23	8	14.3	(65.2)	15	31	(51.6)
Contribution to profit before tax from Wealth Management activities	**39**	**42**	**52**	**41**	**(7.1)**	**(25.0)**	**81**	**93**	**(12.9)**
	%	%	%	%			%	%	
Return on equity	**19.9**	**29.4**	**30.8**	**26.7**	**(5.4)**	**(9.7)**	**23.0**	**28.3**	**(4.2)**

Profit contribution – Wealth Management (continued)

Excluding Life Insurance policy owners' interests

Reconciliation of underlying profit to contribution to profit before tax

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Contribution to profit before tax from Wealth Management activities	39	42	52	41	(7.1)	(25.0)	81	93	(12.9)
Less investment earnings:									
Life Company	(8)	(15)	(11)	(15)	(46.7)	(27.3)	(23)	(26)	(11.5)
Funds Management	(4)	(2)	(3)	(3)	100.0	33.3	(6)	(6)	-
	(12)	(17)	(14)	(18)	(29.4)	(14.3)	(29)	(32)	(9.4)
One-off items	-	2	(17)	-	(100.0)	(100.0)	2	(17)	(111.8)
	(12)	(15)	(31)	(18)	(20.0)	(61.3)	(27)	(49)	(44.9)
Underlying profit	**27**	**27**	**21**	**23**	**-**	**28.6**	**54**	**44**	**22.7**

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

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

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Contribution to profit from Wealth Management activities before income tax	73	82	113	144	(11.0)	(35.4)	155	257	(39.7)
Profit attributable to outside equity interests	-	-	(31)	(71)	n/a	(100.0)	-	(102)	(100.0)
Income tax attributable to policy owners	(34)	(40)	(30)	(32)	(15.0)	13.3	(74)	(62)	19.4
Contribution to profit from Wealth Management activities before tax excluding policy owners' interests	**39**	**42**	**52**	**41**	**(7.1)**	**(25.0)**	**81**	**93**	**(12.9)**

Profit contribution – Wealth Management (continued)

Excluding Life Insurance policy owners' interests

Profit contribution with estimated AIFRS adjustments

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

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Life company									
Contribution to margins									
Planned profit margins	15	15	13	14	-	15.4	30	27	11.1
Experience (losses)/profits	-	3	(4)	3	(100.0)	(100.0)	3	(1)	(400.0)
Total Margin on Services profit (excluding investment earnings)	15	18	9	17	(16.7)	66.7	33	26	26.9
Unit linked and other									
Fees and other income	32	28	26	25	14.3	23.1	60	51	17.6
Expenses	(24)	(26)	(18)	(21)	(7.7)	33.3	(50)	(39)	28.2
Total unit linked and other profit (excluding investment earnings)	8	2	8	4	300.0	-	10	12	(16.7)
Contribution to profit before investment earnings	23	20	17	21	15.0	35.3	43	38	13.2
Investment earnings	8	15	12	17	(46.7)	(33.3)	23	29	(20.7)
Contribution to profit before tax from Life Company activities	31	35	29	38	(11.4)	6.9	66	67	(1.5)
Funds management									
Investment income	4	2	3	3	100.0	33.3	6	6	-
Fee income funds management	27	24	42	24	12.5	(35.7)	51	66	(22.7)
Other expenses funds management	(23)	(19)	(22)	(19)	21.1	4.5	(42)	(41)	2.4
Contribution to profit before tax from Funds Management activities	8	7	23	8	14.3	(65.2)	15	31	(51.6)
Contribution to profit before tax from Wealth Management activities	**39**	**42**	**52**	**46**	**(7.1)**	**(25.0)**	**81**	**98**	**(17.3)**

Profit contribution – Wealth Management (continued)

Excluding Life Insurance policy owners' interests

Reconciliation of underlying profit to contribution to profit before tax – estimated unaudited AIFRS comparatives

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Contribution to profit before tax from Wealth Management activities	39	42	52	46	(7.1)	(25.0)	81	98	(17.3)
Less investment earnings:									
Life Company	(8)	(15)	(12)	(17)	(46.7)	(33.3)	(23)	(29)	(20.7)
Funds Management	(4)	(2)	(3)	(3)	100.0	33.3	(6)	(6)	-
	(12)	(17)	(15)	(20)	(29.4)	(20.0)	(29)	(35)	(17.1)
One-off items	-	2	(17)	-	(100.0)	(100.0)	2	(17)	(111.8)
	(12)	(15)	(32)	(20)	(20.0)	(62.5)	(27)	(52)	(48.1)
Underlying profit	**27**	**27**	**20**	**26**	**-**	**35.0**	**54**	**46**	**17.4**

Balance sheet – Wealth Management

Excluding Life Insurance policy owners' interests

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Assets						
Cash and liquid assets	22	20	37	19	10.0	(40.5)
Investment securities	34	42	49	50	(19.0)	(30.6)
Loans, advances and other receivables	69	16	57	15	331.3	21.1
Unlisted investment in life insurance Statutory Funds	174	193	200	214	(9.8)	(13.0)
Deferred acquisition costs	10	9	7	5	11.1	42.9
Deferred tax asset	-	1	1	-	(100.0)	(100.0)
Other assets	1	1	1	2	-	-
Total assets	310	282	352	305	9.9	(11.9)
Liabilities						
Deposits and short term borrowings	12	10	15	11	20.0	(20.0)
Accounts payable and other liabilities	9	5	6	7	80.0	50.0
Provisions	-	-	25	-	n/a	(100.0)
Deferred tax liability	5	6	6	3	(16.7)	(16.7)
Outside beneficial interests	-	12	-	-	(100.0)	n/a
Total liabilities	26	33	52	21	(21.2)	(50.0)
Net assets						
Net assets Life Company – Shareholder Fund	77	32	68	28	140.6	13.2
Net assets Life Company – Statutory Funds	174	193	200	214	(9.8)	(13.0)
Net assets Fund Management	33	24	32	42	37.5	3.1
Total net assets	**284**	**249**	**300**	**284**	**14.1**	**(5.3)**

Profit overview

NOTE: To obtain a like-on-like comparison, commentary herein has been based on the restated, estimated AIFRS comparative table (refer page 62). Estimates of AIFRS adjustments subject to transitional arrangements are unaudited and based on high level assumptions.

Life Company

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

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

Unit Linked Statutory Fund consists of non-participating business only, with all profits attributable to the shareholder. Profits emerge from management fees, following allocation of investment gains (or losses) to investors.

Shareholder Fund maintains shareholder assets that are outside the Statutory Funds with all profit attributable to the shareholder.

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

Sources of profit for the Statutory Funds are investment earnings, planned margins and experience profits for insurance contract business as well as fees less expenses on unit linked investment contract business.

Sources of profit for the Shareholder Fund consist of earnings on Shareholder Fund investments and management fees.

Planned profits

Planned profits of $30 million in the year to June 2006 were up 11.1% on the prior year. The increase in planned profits was largely due to improved profitability of personal risk products and good retention for the older participating products.

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

Experience profits

Experience profits improved $4 million in the year to June 2006. Significant contributors were the release of an over reserving of Income Protection business, good retention and claims experience on personal lump sum risk business and strong profit contribution from Group Life business. These positive contributions were partly offset by experience losses due to an increase in the risk free discount rate driven by 10 year bond yield increases.

Unit linked and other

Fees and other income of $60 million in the year to June 2006 were up 17.6% on the prior year, primarily due to higher funds under management.

Expenses increased 28.2% to $50 million in the year to June 2006, due to a change in valuation methodology of policy liabilities of unit linked statutory fund business, as well as a higher allocation of fixed expenses from the strong growth in the unit linked business. Line items are also impacted by the result of distribution activities supplied by Retail Banking to Wealth Management.

Investment earnings

Investment earnings decreased 20.7% to $23 million in June 2006, due to lower net assets as a result of a payment of a dividend to the parent company.

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
New business sales									
Risk sales									
Personal risk products	5	5	4	5	-	25.0	10	9	11.1
Group life and CCI	12	7	3	13	71.4	300.0	19	16	18.8
Total risk sales	17	12	7	18	41.7	142.9	29	25	16.0
Superannuation and Investment Product Sales	354	380	283	301	(6.8)	25.1	734	584	25.7
External Product Sales	11	8	7	42	37.5	57.1	19	49	(61.2)
Total Superannuation, Investment and External Product Sales	365	388	290	343	(5.9)	25.9	753	633	19.0
Total sales new business	**382**	**400**	**297**	**361**	**(4.5)**	**28.6**	**782**	**658**	**18.8**

Total new business sales gained strong positive momentum, rising 18.8% to $782 million in the year to June 2006. Sales in the Group's superannuation, allocated pension and investment products were strong, reflecting a sustained level of confidence in equity markets during the year. Changes to the tax legislation for superannuation also had a positive effect on the inflows.

A large portion of the increase in Group Life sales in the December 2004 half-year was due to a major Group Life client increasing the level of cover required for its members. In comparison to last year, Consumer Credit Insurance (CCI) sales increased by 80%. This increase is due to the launch of a new CCI Home Loan product and further improvement of strike rates of CCI Personal Loans.

The value of new business increased by 77.7% to $29.5 million. The profitability of most products improved, driven by many factors including increased volumes, improved retention, better quality business and a movement to a risk free discount rate.

Value of new sales

The table below shows the value, to shareholders, of new business written over the year to June 2006. The values are based on:

- Margin on Services (MoS) value of profit margins (taking the shareholder's 20% share for participating products) for Statutory Fund insurance business.
- Value of fees less expenses and tax for Statutory Fund unit linked investment business.
- Embedded value (ie discounted value of expected shareholder profits and associated imputation credits) for Unit Trust and Easy Invest business, written outside the Statutory Funds.

The writing of profitable business will benefit future profits.

	Full Year Ended		
	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	%
Statutory Fund new business (1)	25.9	14.1	83.7
Unit Trust/Easy Invest new business embedded value (2)	3.6	2.5	44.0
	29.5	16.6	77.7

Notes:

(1) Excludes Group Life. Discount rates used were between 4.8% and 10.9% (Jun-05: between 4.1% and 10.5%).

(2) Discount rate used was 12.3% pa (Jun-05: 11.75%).

Embedded value

A valuation of the shareholder's interests in the Statutory Funds, Shareholder Fund, and subsidiaries was undertaken as at 30 June 2006. During the year the embedded value increased from $492 million at June 2005 to $576 million at June 2006 using a discount rate of 11%. This is mainly due to an increase in the embedded value of the Statutory Funds arising from strong investment performance, good retention and increased future investment earnings assumptions.

	Discount rate 11.0% $m	Discount rate 12.0% $m	Discount rate 13.0% $m
Embedded value at 30 June 2006			
Shareholder Fund including subsidiaries			
Value of profits/net assets	87	86	86
Value of imputation credits at 70% full value	9	9	8
Statutory Funds			
Value of profits/net assets	401	382	365
Value of imputation credits at 70% full value	79	74	70
Total June 2006	**576**	**551**	**529**
Total December 2005	**484**	**464**	**447**
Total June 2005	**492**	**474**	**457**
Total December 2004	**466**	**448**	**433**

	Opening balance Jul-05 $m	Net inflows $m	Investment income & other [1] $m	Closing balance Jun-06 $m
Funds under administration				
Statutory life and superannuation	3,868	74	499	4,441
Retail unit trust products/Easy Invest	599	37	77	713
Assets managed internally	4,467	111	576	5,154
Statutory life and superannuation – external	615	150	98	863
Easy Invest – external	68	78	9	155
Assets managed externally	683	228	107	1,018
Total Life Company	**5,150**	**339**	**683**	**6,172**

Notes:

(1) Investment income and other include expenses and tax.

Funds under administration for the Life Company includes funds placed with internal and external fund managers. Funds under administration totalled $6.2 billion at the year ended June 2006, up 19.8%, benefiting from strong investment income as well as net inflows of $339 million for the year.

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Full Year Ended Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Risk annual premium									
Personal risk	69	66	64	62	4.5	7.8	135	126	7.1
Group Life	50	39	34	34	28.2	47.1	89	68	30.9
Total risk annual premium	**119**	**105**	**98**	**96**	**13.3**	**21.4**	**224**	**194**	**15.5**

Annual premiums on risk products have increased 15.5% for the year, primarily driven by improved retention and continuing growth in premiums from a major Group Life client.

		Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Portfolio allocation of investments – Wealth Management							
Allocation of investments held against:							
Statutory Funds							
Equities		1,881	1,870	1,983	1,804	0.6	(5.1)
Interest bearing securities		1,871	1,770	1,566	1,226	5.7	19.5
Property		386	287	297	577	34.5	30.0
Other directly held assets		286	193	-	-	48.2	n/a
	(1), (2)	**4,424**	**4,120**	**3,846**	**3,607**	**7.4**	**15.0**
Shareholder net assets in Statutory Funds							
Equities		71	82	84	105	(13.4)	(15.5)
Interest bearing securities		83	97	100	75	(14.4)	(17.0)
Property		16	14	16	34	14.3	-
Other		4	-	-	-	n/a	n/a
	(1)	**174**	**193**	**200**	**214**	**(9.8)**	**(13.0)**
Shareholder Fund							
Equities		15	14	20	22	7.1	(25.0)
Interest bearing securities		-	1	1	1	(100.0)	(100.0)
Property		1	1	1	1	-	-
Other		1	1	-	-	-	n/a
	(2)	**17**	**17**	**22**	**24**	**-**	**(22.7)**

Notes:

(1) Statutory Funds allocation includes shareholder net assets.

(2) The allocation of Statutory Funds and Shareholder Fund investments agrees to the funds under administration for 'Statutory life and superannuation' as shown on the previous page.

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.

$5.2 billion in funds is managed for the Life Company, $6.1 billion in funds is managed on behalf of the General Insurance division and a further $1.7 billion in funds is managed on behalf of external parties.

Funds Management profit was $15 million in the year to June 2006 compared with $31 million in the prior year. In the year to June 2005, a fee arrangement was terminated which lead to a $17 million one-off gain in the June 2005 half-year. This sale lead to reduced fee revenue in the June 2006 year which was more than offset by increased profitability due to higher funds under management. In all, underlying profitability increased from $8 million to $9 million.

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Funds under management						
General Insurance	6,097	5,903	5,849	5,743	3.3	4.2
Life Company – Shareholder Funds	17	17	22	24	-	(22.7)
Life Company – Statutory Funds	4,424	4,120	3,846	3,607	7.4	15.0
Life Company – Retail unit trusts / Easy Invest	713	663	599	563	7.5	19.0
Other managed funds [1]	1,744	1,602	1,570	2,082	8.9	11.1
	12,995	**12,305**	**11,886**	**12,019**	**5.6**	**9.3**

Notes:

(1) The most significant other managed funds are RACQ Insurance, Queensland Local Government Super.

	Opening balance Jul-05 $m	Inflows $m	Out-flows [1] $m	Invest-ment income $m	Closing balance Jun-06 $m
Funds under management					
General Insurance	5,849	2,142	2,343	449	6,097
Shareholder Funds and Statutory Funds [2]	3,868	716	642	499	4,441
Retail unit trusts/Easy Invest	599	118	81	77	713
Life Company	4,467	834	723	576	5,154
Other Managed Funds	1,570	1,291	1,391	274	1,744
Total	**11,886**	**4,267**	**4,457**	**1,299**	**12,995**

Notes:

(1) Outflows include expenses and tax.

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

Group funds under management totalled $13.0 billion at June 2006, up from $11.9 billion at June 2005. Investment income was strong, contributing to the increase in funds under management. General Insurance funds under management was impacted by dividend payments to the parent company. External wholesale funds under management increased since June 2005, despite the withdrawal of a low margin cash mandate which was managed in a manner similar to a cash accumulation fund.

Group investment performance

The majority of asset classes recorded active returns in the year to June 2006. The Suncorp Superannuation Balanced Fund, the flagship diversified portfolio, achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by the Intech Growth Funds survey. The annual return for the Balanced Fund was 16.64% (net of investment fees).

Investment income on funds under management was up 30% on the previous year largely on the back of a strong domestic equities market that had a gross return of 23.9%. For clients invested in the wholesale Australian Equities Trust, active investment management added an additional 5.61% to the gross market return.

Group capital

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

APRA have moved to AIFRS based capital reporting for banking businesses from July 2006. APRA's proposed treatment of some balance sheet items, most notably the collective provision and software assets, will reduce the collective provision and software assets, and reduce the capital base. Following these regulatory changes Suncorp's capital ratios will remain within the target ranges.

Group capital position

At 30 June 2006, the Bank had a Capital Adequacy Ratio of 12.31%, well above the target range of 10% – 10.5%. The Adjusted Common Equity (ACE) ratio at June 2006 was 6.07%, above the target minimum of 5%.

The adoption of AIFRS for regulatory purposes at 1 July 2006 results in these ratios moving to 11.90% and 5.59% respectively, albeit there has been no change to the financial strength of the Bank. In response we have adjusted our ACE target range, applicable following these changes, to 4.5% – 5%. Adjusted common equity is $155 million higher than the 5% top end of the revised target range.

After these changes, the Company remains in a very strong capital position. Further, the Company is overweight regulatory, fundamental capital and adjusted common equity.

It is our intention to undertake the following capital transactions:

- Where requested, exchange the Reset Preference Shares for Ordinary Shares in September, giving rise to a further $105 million in fundamental capital/adjusted common equity.
- The issue of $100 million – $150 million in subordinated debt by the general insurer in September.
- The general insurer to pay a special dividend, funded by the subordinated debt issue, to the Company.
- The Company undertake a $250 million – $300 million issue of a Tier 1 innovative hybrid instrument in the December quarter to fund future growth.

We are presently considering a capital distribution of some of the surplus fundamental capital/adjusted common equity in the December quarter.

Group capital table

The Group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the Group has the Bank as the holding company for subsidiaries operating the General Insurance, Wealth Management and other businesses. To assist in understanding the regulatory capital position within the Group the following table (including consolidation entries) demonstrates the distribution of capital.

	as at 30 June 2006					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation $m	Total $m
Group capital position (continued)						
Tier 1						
Ordinary share capital	3,007	-	-	-	-	3,007
Preference shares	244	-	-	-	-	244
Funding provided by Bank holding company	-	1,468	46	27	(1,541)	-
Retained profits [1]	861	655	172	3	(522)	1,169
Insurance liabilities in excess of liability valuation	-	349	-	-	-	349
Less goodwill	(1,305)	(932)	-	-	1,184	(1,053)
Less deductible capitalised expenses	(74)	-	-	-	-	(74)
Less future income tax benefit	(18)	-	-	-	18	-
Total tier 1 capital	2,715	1,540	218	30	(861)	3,642
Tier 2						
Asset revaluation reserve (pre AIFRS)	8	-	-	-	-	8
APRA general reserve for credit losses	118	-	-	-	-	118
Subordinated notes	1,301	196	-	-	-	1,497
Total tier 2 capital	1,427	196	-	-	-	1,623
Deductions from capital						
Investments in subsidiaries	(852)	-	-	-	852	-
Guarantees and facilities to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(857)	-	-	-	857	-
Total capital base	**3,285**	**1,736**	**218**	**30**	**(4)**	**5,265**
Required minimum capital base [2]	2,534	1,315	118	28	-	3,995
Excess	**751**	**421**	**100**	**2**	**(4)**	**1,270**

Notes:

(1) For Banking and General Insurance, this represents the APRA calculation of retained profits. APRA requires accrual of expected dividends in the Bank and provides a different method of calculating General Insurance current year profits. Accrued dividends are not included in the APRA capital calculation for General Insurance, but are deducted in this group calculation to offset the accrued dividends receivable in Banking retained profits. In addition, for Banking, the APRA retained profits are still based on previous GAAP, rather than AIFRS. A reconciliation of AIFRS to APRA retained profits is shown on the next page.

(2) Where applicable the minimum capital base is as specified by APRA. For Banking this is 9.5% of risk weighted assets and for General Insurance this is 1.25 times the minimum capital requirement. For Wealth Management, the excess assets shown above represent amounts which could be distributed to shareholders and are the sum of a) assets above APRA required minimums for Suncorp Life & Superannuation Limited's Shareholder Fund and Suncorp Metway Investment Management Ltd, and b) Shareholder non-participating profits within Suncorp Life & Superannuation Limited's Statutory Funds. It should be noted that this calculation excludes policy owner retained profits within the Statutory Funds, which can be used to meet APRA solvency and Capital Adequacy requirements. For certain investment entities the minimum capital base represents net tangible asset requirements under Australian Financial Services licences. For Other entities minimum capital is the actual capital base. Required capital for Other entities includes capital of entities which are not consolidated for APRA purposes.

The table shows that the Group has total capital over and above regulatory minimum levels of $1,270 million.

The Company maintains a policy of holding capital levels prudently above regulatory minimums to ensure the ongoing strength and security of the Group and to safeguard the Group credit ratings.

Group capital position (continued)

	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation[1] $m	Total $m
	as at 30 June 2006					
Reconciliation of total capital base to net assets						
Net assets	3,884	2,309	279	34	(2,078)	4,428
Difference relating to APRA definition of retained profits	(8)	(186)	(60)	(5)	-	(259)
Equity items not eligible for inclusion in capital for APRA purposes						
Reserves (post AIFRS)	(26)	-	(1)	1	(1)	(27)
Contributed equity tax adjustments	-	-	-	-	-	-
Additional items allowable for capital for APRA purposes						
Preference shares	244	-	-	-	-	244
Subordinated notes	1,301	196	-	-	-	1,497
Technical provisions in excess of liability valuation	-	349	-	-	-	349
Holdings of own shares	18	-	-	-	16	34
Reserves (pre AIFRS)	8	-	-	-	-	8
APRA general reserve for credit losses	118	-	-	-	-	118
Deductions from capital for APRA purposes						
Goodwill [2]	(1,305)	(932)	-	-	1,184	(1,053)
Deductible capitalised expenses	(74)	-	-	-	-	(74)
Future income tax benefits	(18)	-	-	-	18	-
Funding of capital and guarantees by Bank holding company	(857)	-	-	-	857	-
Total capital base	**3,285**	**1,736**	**218**	**30**	**(4)**	**5,265**

Notes:

[1] Consolidation mainly represents the Bank's investments in non-banking subsidiaries and amortisation of goodwill. APRA requires goodwill to continue to be amortised in accordance with previous AGAAP requirements.

[2] APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation occurs within General Insurance and when the entire Group is consolidated. The total intangible deduction from Group capital in the table above of $1,053 million represents the total unamortised balance of goodwill for the Group.

	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation $m	Total $m
	as at 30 June 2006					
Reconciliation of APRA retained profits to reported retained profits						
Reported retained profits	869	841	232	8	(522)	1,428
Retained profits of entities not consolidated for APRA purposes	(5)	143	-	-	-	138
Differences in retained profits for APRA purposes	(218)	(179)	-	-	-	(397)
Expected intragroup dividends [1]	215	(150)	(60)	(5)	-	-
	(8)	(186)	(60)	(5)	-	(259)
APRA retained profits	861	655	172	3	(522)	1,169

Notes:

[1] Intragroup dividends are not deducted from the General Insurance capital position shown on page 75 in accordance with APRA instructions.

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Banking capital adequacy				
Consolidated banking capital				
Tier 1				
Ordinary share capital	3,007	2,946	2,796	2,725
Preference shares	244	244	244	244
Preconversion reserve	-	-	13	13
Retained profits	861	709	1,018	710
Less amortised goodwill for banking subsidiaries	(18)	(19)	(20)	(20)
Less unamortised goodwill component of investment in non-banking subsidiaries	(1,287)	(1,287)	(1,214)	(1,209)
Less other intangible assets	(74)	(68)	(67)	(62)
Less excluded assets	-	-	-	(1)
Less net future income tax benefit	(18)	(23)	-	-
Total tier 1 capital	2,715	2,502	2,770	2,400
Tier 2				
Asset revaluation reserve (pre AIFRS)	8	8	8	8
APRA general reserve for credit losses	118	118	118	118
Perpetual subordinated notes	170	170	170	170
Subordinated notes	1,131	835	602	593
Total tier 2 capital	1,427	1,131	898	889
Deductions from capital				
Investments in non-banking subsidiaries (net of goodwill component deducted from Tier 1)	(852)	(863)	(851)	(853)
Guarantees and facilities to non-banking subsidiaries	(5)	(5)	(5)	(5)
Capital base	**3,285**	**2,765**	**2,812**	**2,431**
Total assessed risk	**26,675**	**25,626**	**24,439**	**23,292**
Risk weighted capital ratio	**12.31%**	**10.79%**	**11.51%**	**10.44%**
Reconciliation of deduction for investments in subsidiaries				
Investment securities – Balance Sheet – Banking	2,142	2,153	2,079	2,077
Less securities held by entities not consolidated for APRA purposes	(3)	(3)	(14)	(12)
Less intangible component deducted from Tier 1 capital – non-banking subsidiaries	(1,287)	(1,287)	(1,214)	(1,209)
Less non-subsidiary entity investment securities	-	-	-	(3)
Deduction from total capital for investment in subsidiaries	**852**	**863**	**851**	**853**
Retained profits movement				
Retained profits opening for the half-year	709	1,018	710	445
Opening AIFRS adjustments	-	61	-	-
Add Banking profit after tax for the half-year	181	179	167	145
Less profit after tax of entities not consolidated for APRA purposes	(2)	(2)	1	-
Add/(less) APRA adjustments	(3)	(13)	(28)	-
Less dividend expense/accrual	(278)	(673)	(253)	(236)
Add estimated change in dividend reinvestment plan	(8)	4	38	2
Add dividends from non-banking subsidiaries	262	135	383	354
Retained profits closing for the half-year	**861**	**709**	**1,018**	**710**
Reconciliation of banking deduction for intangible assets to Group intangible assets				
Goodwill for banking subsidiaries per balance sheet	22	22	20	21
APRA adjustments	(1)	(3)	-	-
Non-amortised goodwill for non-banking entities	1,287	1,287	1,214	1,209
Goodwill reflected in investments in associates	(38)	(38)	(38)	(33)
Amortisation of non-banking goodwill	(217)	(212)	(274)	(244)
Intangible assets not deducted from capital	71	74	182	131
Group intangible assets	**1,124**	**1,130**	**1,104**	**1,084**

Banking capital adequacy (continued)

	Carrying value				Risk weights	Risk weighted balance			
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	%	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Risk weighted assets									
Assets									
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	504	677	637	787	0	-	-	-	-
Claims on banks and local governments	151	133	212	66	20	30	27	42	13
Loans secured against residential housing	16,600	16,923	16,208	15,921	50	8,300	8,461	8,104	7,961
Other assets	16,899	15,818	14,954	14,036	100	16,899	15,818	14,954	14,036
Loans with loan valuation ratio in excess of 80%	14	15	16	22	200	28	30	32	44
Total Banking assets [(1)]	**34,168**	**33,566**	**32,027**	**30,832**		**25,257**	**24,336**	**23,132**	**22,054**

	Notional amount	Credit equiv-alent	Risk weights	Risk weighted balance			
	Jun-06 $m	Jun-06 $m	%	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Off balance sheet positions							
Guarantees entered into in the normal course of business	363	200	20-100	156	128	119	106
Commitments to provide loans and advances	5,868	1,241	0-100	897	795	814	780
Capital commitments	8	8	100	8	8	4	6
Foreign exchange contracts	11,080	253	20-50	52	46	55	88
Interest rate contracts	26,511	238	20-50	78	56	73	49
Total off balance sheet positions	43,830	1,940		1,191	1,033	1,065	1,029
Market risk capital charge				227	257	242	209
Total risk weighted assets				25,257	24,336	23,132	22,054
Total assessed risk				**26,675**	**25,626**	**24,439**	**23,292**
				%	%	%	%
Risk weighted capital ratios							
Tier 1				10.18	9.77	11.33	10.30
Tier 2				5.34	4.41	3.68	3.82
Deductions				(3.21)	(3.39)	(3.50)	(3.68)
Total risk weighted capital ratios				**12.31**	**10.79**	**11.51**	**10.44**

Notes:

(1) Total Banking assets differ from Banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

Adjusted Common Equity – consolidated Bank

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Ordinary share capital	3,007	2,946	2,796	2,725
Retained profits	861	709	1,018	710
Reserves	8	8	21	21
	3,876	3,663	3,835	3,456
Less:				
Goodwill	(1,305)	(1,306)	(1,234)	(1,229)
Other intangible assets	(74)	(68)	(67)	(62)
Excluded assets	-	-	-	(1)
Future income tax benefit	(18)	(23)	-	-
Investment in non-banking subsidiaries (net of goodwill)	(852)	(863)	(851)	(853)
Asset revaluation reserve (pre AIFRS)	(8)	(8)	(8)	(8)
	(2,257)	(2,268)	(2,160)	(2,153)
Adjusted Common Equity	**1,619**	**1,395**	**1,675**	**1,303**
Total assessed risk	26,675	25,626	24,439	23,292
	%	%	%	%
Adjusted Common Equity ratio	**6.07**	**5.44**	**6.85**	**5.59**

General Insurance minimum capital ratio

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

- The risk that the liability 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 liability is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of assets is diminished (investment risk); and
- The risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

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

At June 2006 the consolidated General Insurance business has a strong capital position at 1.79 times the minimum requirement. This is down from 1.88 times at June 2005. Capital in excess of the target level is repatriated to the parent by way of dividends.

General Insurance minimum capital ratio (continued)

	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Tier 1				
Ordinary share capital	1,468	1,468	1,395	1,395
Retained profits	805	676	680	718
Insurance liabilities in excess of liability valuation	499	489	480	466
Less: Tax effect of excess insurance liabilities	(150)	(147)	(144)	(140)
	2,622	2,486	2,411	2,439
Less:				
Goodwill	(932)	(932)	(808)	(833)
Net future income tax benefit	-	-	(3)	-
Total deductions from tier 1 capital	(932)	(932)	(811)	(833)
Total tier 1 capital	**1,690**	**1,554**	**1,600**	**1,606**
Tier 2				
Subordinated notes	196	200	199	199
APRA capital base	**1,886**	**1,754**	**1,799**	**1,805**
Outstanding claims risk capital charge	471	481	470	458
Premium liabilities risk capital charge	207	196	192	182
Total insurance risk capital charge	678	677	662	640
Investment risk capital charge	274	262	245	238
Catastrophe risk capital charge	100	100	50	50
Total minimum capital requirement (MCR) [1]	1,052	1,039	957	928
MCR coverage ratio (times)	1.79	1.69	1.88	1.95

Notes:

(1) The MCR in this table, $1.052 billion, differs from the MCR figure of $1.315 billion in the table on page 70 because the figure on page 70 is 1.25 times the MCR, as required by APRA.

		Half-Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Retained profits movement				
Retained profits opening for the half-year	676	680	718	808
Opening AIFRS adjustments	1	-	-	-
Add General Insurance profit after tax for the half-year	258	238	227	258
Less profit after tax of entities not consolidated for APRA purposes	24	(21)	(34)	(15)
Add/(less) APRA adjustments	(42)	103	(27)	(25)
Less dividends paid	(112)	(324)	(204)	(308)
Retained profits closing for the half-year	**805**	**676**	**680**	**718**

	Half-Year Ended						Full Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04	Jun-06 vs Dec-05	Jun-06 vs Jun-05	Jun-06	Jun-05	Jun-06 vs Jun-05
	$m	$m	$m	$m	%	%	$m	$m	%
Operating Expenses Excluding Life Insurance Policy Owners' Interests									
Staff expenses									
Salaries and wages	266	261	244	244	1.9	9.0	527	488	8.0
Other staff expenses [1]	113	92	98	83	22.8	15.3	205	181	13.3
Total staff expenses	379	353	342	327	7.4	10.8	732	669	9.4
Equipment and occupancy expenses									
Depreciation									
Buildings	1	-	1	-	n/a	-	1	1	-
Plant, equipment and software	30	28	31	33	7.1	(3.2)	58	64	(9.4)
Leasehold improvements	5	4	4	5	25.0	25.0	9	9	-
Loss on disposal of property, plant and equipment	-	-	1	-	n/a	(100.0)	-	1	(100.0)
Operating lease rentals	26	23	23	23	13.0	13.0	49	46	6.5
Other occupancy expenses [2]	9	9	7	7	-	28.6	18	14	28.6
Total equipment and occupancy expenses	71	64	67	68	10.9	6.0	135	135	-
Other									
Hardware, software and data line expenses	22	22	22	23	-	-	44	45	(2.2)
Advertising and promotion expenses	39	34	40	28	14.7	(2.5)	73	68	7.4
Office supplies, postage and printing	30	34	31	34	(11.8)	(3.2)	64	65	(1.5)
Amortisation of franchise systems	1	-	1	-	n/a	-	1	1	-
Other [3], [4]	63	60	54	54	5.0	16.7	123	108	13.9
Total other expenses	155	150	148	139	3.3	4.7	305	287	6.3
Expenses charged to the Wealth Management Statutory Funds [5]	(22)	(20)	(37)	(32)	10.0	(40.5)	(42)	(69)	(39.1)
Total operating expenses from ordinary activities	**583**	**547**	**520**	**502**	**6.6**	**12.1**	**1,130**	**1,022**	**10.6**

Notes:

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

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

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

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

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

Dividends

The final dividend of 50 cents per share is fully franked and due to be paid on 2 October 2006. The record date for determining entitlements to the dividends is 12 September 2006.

	Half-Year Ended			
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% after proposed dividend	**360**	**253**	**206**	**324**

Income Tax

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

	Half-Year Ended						Full Year Ended		
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %	Jun-06 $m	Jun-05 $m	Jun-06 vs Jun-05 %
Profit before income tax expense	650	628	601	604	3.5	8.2	1,278	1,205	6.1
Prima facie income tax expense calculated at 30%	195	188	180	181	3.7	8.3	383	361	6.1
Tax effect of differences:									
Non-deductible expenditure	5	1	6	4	400.0	(16.7)	6	10	(40.0)
Non-assessable income	(1)	-	(3)	-	n/a	(66.7)	(1)	(3)	(66.7)
Imputation gross-up on dividends received	2	3	3	5	(33.3)	(33.3)	5	8	(37.5)
Dividend tax credits	(7)	(11)	(8)	(20)	(36.4)	(12.5)	(18)	(28)	(35.7)
Life and superannuation statutory funds	(3)	(9)	(5)	(8)	(66.7)	(40.0)	(12)	(13)	(7.7)
Other	3	2	(8)	6	50.0	(137.5)	5	(2)	(350.0)
Income tax adjusted for differences	194	174	165	168	11.5	17.6	368	333	10.5
Over/under provision in prior year	(6)	-	(4)	(6)	n/a	50.0	(6)	(10)	(40.0)
Income tax expense	**188**	**174**	**161**	**162**	**8.0**	**16.8**	**362**	**323**	**12.1**
Effective tax rate	**28.9%**	**27.7%**	**26.8%**	**26.8%**	**4.4**	**8.0**	**28.3%**	**26.8%**	**5.7**
Income tax expense by segment									
Banking	70	78	68	73	(10.3)	2.9	148	141	5.0
General Insurance	103	92	83	83	12.0	24.1	195	166	17.5
Wealth Management	13	2	9	4	550.0	44.4	15	13	15.4
Other	2	2	1	2	-	100.0	4	3	33.3
Total income tax expense	**188**	**174**	**161**	**162**	**8.0**	**16.8**	**362**	**323**	**12.1**

Basel II Accord

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

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

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

Impact of adopting Australian equivalents to International Financial Reporting Standards

The Group transitioned to AIFRS on 1 July 2004. In preparing the opening AIFRS Balance Sheet, comparative information for the half-years ended 30 June 2005 and 31 December 2004 have been restated using AIFRS with certain exceptions. An explanation of the impact of transition to AIFRS of the standards applied to the comparative information is set out in Part A of this section.

As permitted by AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*, the Group has elected not to apply AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 4 *Insurance Contracts* and the revised AASB 1023 *General Insurance Contracts* (as amended June 2005) and AASB 1038 *Life Insurance Contracts* (as amended June 2005) to the comparative information, and therefore these standards apply from 1 July 2005. An explanation of the impact of these standards on the transition to AIFRS is set out in Part B of this note.

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

The amounts disclosed in this section exclude life insurance policy owners' interests.

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

Part A: AIFRS adjustments in the comparative period

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

			Transition Impact		
	Note	Previous GAAP $m	Reclassify $m	Remeasure $m	AIFRS $m
Restated Balance Sheet at 1 July 2004					
Assets					
Cash and liquid assets	(j)	696	-	8	704
Receivables due from other banks		163	-	-	163
Other financial assets					
Trading securities		2,549	-	-	2,549
Investment securities	(b), (k)	5,167	(84)	(4)	5,079
Investments in associates and joint ventures	(k)	100	4	-	104
Loans, advances and other receivables	(b), (j)	28,744	-	2,316	31,060
Property, plant and equipment	(e), (g)	184	(84)	-	100
Investment property	(j), (k)	-	84	56	140
Unlisted investment in life insurance statutory funds		185	-	-	185
Deferred tax assets	(d)	149	-	16	165
Intangible assets	(e), (g)	984	95	(15)	1,064
Excess of net market value of interests in life insurance controlled entities	(c)	15	-	(15)	-
Other assets	(b), (d)-(f), (h), (i), (k)	572	(15)	(51)	506
Total assets		**39,508**	**-**	**2,311**	**41,819**
Liabilities					
Deposits and short term borrowings		24,290	-	-	24,290
Payables due to other banks		70	-	-	70
Payables and other liabilities	(b), (h)	840	-	(93)	747
Current tax liabilities		104	-	-	104
Provisions		130	-	-	130
Deferred tax liabilities	(d)	169	-	(35)	134
Outstanding claims and unearned premiums provisions		5,176	-	-	5,176
Securitisation liabilities	(b)	-	-	2,410	2,410
Bonds, notes and long term borrowings	(j)	3,926	-	61	3,987
Subordinated notes		805	-	(1)	804
Total liabilities		**35,510**	**-**	**2,342**	**37,852**
Net assets		**3,998**	**-**	**(31)**	**3,967**
Equity					
Share capital	(b), (i)	2,654	-	(18)	2,636
Share capital - preference shares		244	-	-	244
Reserves	(b), (d), (g)	24	(8)	(3)	13
Retained profits	(b)-(i)	1,070	8	(18)	1,060
Total parent entity interest		**3,992**	**-**	**(39)**	**3,953**
Outside equity interests	(b)	6	-	8	14
Total equity		**3,998**	**-**	**(31)**	**3,967**

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

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

	Note	Previous GAAP $m	Transition Impact Reclassify $m	Transition Impact Remeasure $m	AIFRS $m
Restated Balance Sheet at 31 December 2004					
Assets					
Cash and liquid assets	(b), (j)	816	-	14	830
Receivables due from other banks		18	-	-	18
Other financial assets					
Trading securities		3,429	-	-	3,429
Investment securities	(b), (k)	5,484	(89)	(12)	5,383
Investments in associates and joint ventures	(a), (k)	101	14	1	116
Loans, advances and other receivables	(b), (j)	31,057	-	2,456	33,513
Property, plant and equipment	(e), (g)	179	(79)	-	100
Investment property	(j), (k)	-	89	56	145
Unlisted investment in life insurance statutory funds		214	-	-	214
Deferred tax asset	(d)	136	-	16	152
Intangible assets	(a), (e), (g)	953	89	42	1,084
Excess of net market value of interests in life insurance controlled entities	(c)	17	-	(17)	-
Other assets	(b), (d)-(f), (i)	628	(24)	(53)	551
Total assets		**43,032**	**-**	**2,503**	**45,535**
Liabilities					
Deposits and short term borrowings		27,743	-	-	27,743
Payables due to other banks		39	-	-	39
Payables and other liabilities	(b), (h)	910	-	(86)	824
Current tax liabilities		104	-	-	104
Provisions	(a)	121	-	26	147
Deferred tax liabilities	(d)	203	-	(36)	167
Outstanding claims and unearned premiums provisions		5,366	-	-	5,366
Securitisation liabilities	(b)	-	-	2,551	2,551
Bonds, notes and long term borrowings	(j)	3,323	-	59	3,382
Subordinated notes		962	-	(1)	961
Total liabilities		**38,771**	**-**	**2,513**	**41,284**
Net assets		**4,261**	**-**	**(10)**	**4,251**
Equity					
Share capital	(b), (i)	2,725	-	(24)	2,701
Share capital - preference shares		244	-	-	244
Reserves	(b), (d), (g)	26	(8)	(5)	13
Retained profits	(a)-(j)	1,260	8	11	1,279
Total parent entity interest		**4,255**	**-**	**(18)**	**4,237**
Outside equity interests	(b)	6	-	8	14
Total equity		**4,261**	**-**	**(10)**	**4,251**

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

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

	Note	Previous GAAP $m	Transition Impact Reclassify $m	Transition Impact Remeasure $m	AIFRS $m
Restated Balance Sheet at 30 June 2005					
Assets					
Cash and liquid assets	(j)	999	-	9	1,008
Receivables due from other banks		67	-	-	67
Other financial assets					
Trading securities		3,396	-	-	3,396
Investment securities	(b), (k)	5,618	(95)	(10)	5,513
Investments in associates and joint ventures	(a), (k)	112	16	1	129
Loans, advances and other receivables	(b), (j)	32,081	-	3,721	35,802
Property, plant and equipment	(e), (g)	181	(76)	-	105
Investment property	(j), (k)	-	95	61	156
Unlisted investment in life insurance statutory funds		200	-	-	200
Deferred tax asset	(d)	149	-	18	167
Intangible assets	(a), (e), (g)	922	86	93	1,101
Excess of net market value of interests in life insurance controlled entities	(c)	18	-	(18)	-
Other assets	(b), (d)-(f), (h)-(k)	682	(26)	(70)	586
Total assets		**44,425**	**-**	**3,805**	**48,230**
Liabilities					
Deposits and short term borrowings		27,172	-	-	27,172
Payables due to other banks		66	-	-	66
Bank acceptances		74	-	-	74
Payables and other liabilities	(b), (h)	1,152	-	(184)	968
Current tax liabilities		179	-	-	179
Provisions	(a)	152	-	50	202
Deferred tax liabilities	(d)	221	-	(49)	172
Outstanding claims and unearned premiums provisions		5,518	-	-	5,518
Securitisation liabilities	(b)	-	-	3,906	3,906
Bonds, notes and long term borrowings	(j)	4,408	-	60	4,468
Subordinated notes		969	-	(1)	968
Total liabilities		**39,911**	**-**	**3,782**	**43,693**
Net assets		**4,514**	**-**	**23**	**4,537**
Equity					
Share capital	(b), (i)	2,796	-	(23)	2,773
Share capital - preference shares		244	-	-	244
Reserves	(b), (d), (g)	27	(8)	(7)	12
Retained profits	(a)-(j)	1,433	8	44	1,485
Total parent entity interest		**4,500**	**-**	**14**	**4,514**
Outside equity interests	(b)	14	-	9	23
Total equity		**4,514**	**-**	**23**	**4,537**

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

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

	Note	Half-Year Ended 31 Dec-04 Previous GAAP $m	Transition Impact $m	AIFRS $m	Half-Year Ended 30 Jun-05 Previous GAAP $m	Transition Impact $m	AIFRS $m
Restated Income Statement for the half-years ended 31 December 2004 and 30 June 2005							
Banking interest revenue	(b)	1,135	83	1,218	1,194	120	1,314
Banking interest expense	(b)	(758)	(77)	(835)	(800)	(111)	(911)
		377	6	383	394	9	403
General insurance premium revenue		1,256	-	1,256	1,273	-	1,273
Reinsurance and other recoveries revenue		172	-	172	144	-	144
Banking fee and commission revenue	(b)	111	(6)	105	114	(8)	106
Banking fee and commission expense		(38)	-	(38)	(44)	-	(44)
General insurance investment income:							
Insurance provisions	(j)	158	1	159	138	5	143
Managed schemes income		11	-	11	14	-	14
Joint venture income	(a)	11	1	12	15	1	16
Shareholder funds		119	-	119	81	-	81
Other revenue	(b)	75	1	76	83	-	83
Total revenue		2,252	3	2,255	2,212	7	2,219
Other operating expenses	(b), (c), (e), (h), (i)	(496)	(6)	(502)	(513)	(7)	(520)
Claims expense		(1,064)	-	(1,064)	(1,020)	-	(1,020)
Outwards reinsurance expense		(55)	-	(55)	(54)	-	(54)
Non-banking interest expense		(12)	-	(12)	(14)	-	(14)
Total expenses		(1,627)	(6)	(1,633)	(1,601)	(7)	(1,608)
Profit before impairment losses on loans, amortisation of goodwill and tax		625	(3)	622	611	-	611
Impairment losses on loans and advances		(18)	-	(18)	(10)	-	(10)
Amortisation of goodwill	(a)	(31)	31	-	(30)	30	-
Profit before tax		576	28	604	571	30	601
Income tax expense	(d)	(163)	1	(162)	(163)	2	(161)
Profit for the year		**413**	**29**	**442**	**408**	**32**	**440**

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

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

(a) Business combinations and goodwill

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS consolidated Balance Sheet. In applying the election available under AASB 1, the carrying amount of goodwill is adjusted on transition to AIFRS for contingent consideration. At 1 July 2004, no adjustment is required. At 31 December 2004, the adjustment results in an increase to intangible assets of $27 million and an increase to provisions of $27 million. At 30 June 2005, the adjustment results in an increase to intangible assets of $51 million and an increase to provisions of $51 million.

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

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

In addition, the amortisation of the notional goodwill previously included in share of net profits of joint ventures accounted for using the equity method will cease. The previous GAAP notional goodwill amortisation of $1 million for the 31 December 2004 half-year and $1 million for the 30 June 2005 half-year has been reversed, increasing the investment in associates and joint ventures and profit before tax for AIFRS comparative disclosure purposes.

(b) Consolidation of special purpose vehicles

The interpretation of the consolidation rules applicable to special purpose vehicles under AASB 127 *Consolidated and Separate Financial Statements* and UIG Interpretation 112 *Consolidation – Special Purpose Vehicles* differ under AIFRS. This results in the following changes for the Group:

Securitisation trusts

The Group securitises mortgage loans as part of its strategy to fund growth in Banking loans and receivables. Under previous GAAP, the Group was not considered to control the securitisation vehicles and the assets and liabilities of these vehicles were not recognised in the Balance Sheet. Under AIFRS, the Group is considered to control the securitisation vehicles, resulting in their consolidation. At 1 July 2004, this results in an increase to loans, advances and other receivables of $2,320 million, a decrease to other assets of $11 million, the recognition of securitised liabilities of $2,410 million and a decrease to payables and other liabilities of $101 million with no change in retained profits.

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

At 30 June 2005, the adjustments result in an increase to loans, advances and other receivables of $3,724 million, a decrease to other assets of $10 million, the recognition of securitised liabilities of $3,906 million and a decrease to payables and other liabilities of $192 million, with no change in retained profits.

Whilst there is no impact on profit for AIFRS comparative purposes, the consolidation of the securitisation vehicles results in a reclassification of amounts in the Income Statement. For the 31 December 2004 half-year, net banking interest revenue increases by $6 million, banking fee and commission revenue decreases by $5 million, and operating expenses increase by $1 million. For the 30 June 2005 half-year, net banking interest revenue increases by $9 million, banking fee and commission revenue decreases by $8 million, and operating expenses increase by $1 million.

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

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

(b) Consolidation of special purpose vehicles (continued)

Managed investment schemes and treasury shares

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

Under AIFRS, the cost of any shares in the Company held by the consolidated managed investment schemes (known as treasury shares) are required to be eliminated against share capital, with unrealised gains or losses being eliminated against retained profits.

At 1 July 2004, the net impact of consolidating additional managed investment schemes and eliminating the related treasury shares is a decrease to investment securities of $5 million, an increase to loans, advances and other receivables of $1 million, an increase to payables and other liabilities of $1 million, a decrease to share capital of $10 million, a decrease to reserves of $2 million, a decrease to retained profits of $1 million and an increase to outside equity interests of $8 million.

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

At 30 June 2005, the adjustments result in a decrease to investment securities of $12 million, an increase to loans, advances and other receivables of $1 million, an increase to payables and other liabilities of $1 million, a decrease to share capital of $11 million, a decrease to reserves of $6 million, a decrease to retained profits of $4 million and an increase to outside equity interests of $9 million.

For AIFRS comparative disclosure purposes for the 31 December 2004 half-year, other operating expenses increase by $2 million, resulting in a decrease to profit of $2 million. For AIFRS comparative disclosure purposes for the 30 June 2005 half-year, other operating expenses increase by $1 million, resulting in a decrease to profit of $1 million.

Employee share plan

Under previous GAAP, the Group did not control the Executive Performance Share Plan ("EPSP") and the EPSP's assets and liabilities were not recognised in the consolidated Balance Sheet. Under AIFRS, the Group controls this plan resulting in the consolidation of the plan. In addition, the cost of the shares in the Company held by the EPSP (known as treasury shares) are required to be eliminated against share capital, with unrealised gains or losses being eliminated against retained profits.

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

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

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

Under previous GAAP, AASB 1038 *Life Insurance Business* required a Life Insurer to recognise the excess of net market value of an interest in a subsidiary over the net assets of the subsidiary, as an asset in its Balance Sheet and movements in the asset in the Income Statement. Under AIFRS, revised AASB 1038 *Life Insurance Contracts* in conjunction with AASB 138 *Intangible Assets* does not allow the asset to be recognised in the Balance Sheet or the movement in the asset to be recognised in the Income Statement.

On transition to AIFRS, the EMVONA asset has been written off resulting in a decrease to the EMVONA asset and retained profits of $15 million at 1 July 2004, $17 million at 31 December 2004 and $18 million at 30 June 2005. The additional EMVONA value recognised under previous GAAP of $2 million for the 31 December 2004 half-year and $1 million for the 30 June 2005 half-year has been reversed resulting in a decrease in profit before tax for AIFRS comparative disclosure purposes.

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

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

(d) Income tax

Under AIFRS, AASB 112 *Income Taxes* uses a "Balance Sheet approach" of calculating income tax balances rather than the "Income Statement approach" applied under previous GAAP. The Balance Sheet approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

Impact from adopting AASB 112:

The tax adjustments on 1 July 2004, 31 December 2004 and 30 June 2005 for the tax effect of items not previously required to be recognised comprise an increase to deferred tax liabilities of $2 million and a decrease in retained profits of $2 million for the tax effect of differences between the tax and accounting carrying value on buildings and intangible assets.

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

Impact from adopting other AIFRS standards

The impact of the change in basis and the transition adjustments required by the application of AIFRS standards other than AASB 112 on the deferred tax balances and the previously reported tax expense is:

- at 1 July 2004, deferred tax assets increase by $16 million, other assets decrease by $34 million, deferred tax liabilities decrease by $37 million and retained profits increase by $19 million.
- at 31 December 2004, deferred tax assets increase by $16 million, other assets decrease by $34 million, deferred tax liabilities decrease by $38 million and retained profits increase by $20 million.
- at 30 June 2005, deferred tax assets increase by $18 million, other assets decrease by $48 million, deferred tax liabilities decrease by $53 million and retained profits increase by $23 million.

For AIFRS comparative purposes, the impact on the tax expense is a decrease of $1 million for the 31 December 2004 half-year and $3 million for the 30 June 2005 half-year.

(e) Intangible assets

Reclassification of software

Under AIFRS, the Group's software assets are reclassified from property, plant and equipment to intangible assets. This reclassification adjustment results in a decrease in property, plant and equipment and an increase in intangible assets of $84 million at 1 July 2004, $79 million at 31 December 2004 and $76 million at 30 June 2005.

Remeasurement of software

Under previous GAAP, the Group capitalised and amortised:

- the costs incurred in acquiring, installing, enhancing and developing application software for internal use; and
- certain product set-up costs

where the benefits were reasonably certain.

Under AIFRS, AASB 138 *Intangible Assets* introduces stricter criteria around the costs that can be capitalised and amortised. This results in a greater proportion of application software costs and product set-up costs being expensed as incurred. Under AIFRS, less costs will be capitalised and recognised in the Balance Sheet and there will be a reduction in amortisation expense in future years.

At 1 July 2004, the impact of the change in capitalisation and amortisation of software costs results in a decrease to intangible assets of $15 million, a decrease to other assets of $3 million and a decrease to retained profits of $18 million. At 31 December 2004, this results in a decrease to intangible assets of $17 million, a decrease to other assets of $2 million and a decrease to retained profits of $19 million. At 30 June 2005, this results in a decrease to intangible assets of $21 million, a decrease to other assets of $3 million and a decrease to retained profits of $24 million.

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

Franchise systems

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

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

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

(f) Post employment benefits

Under previous GAAP, the Group did not recognise an asset or a liability in its Balance Sheet for the net position of the defined benefit superannuation plan it sponsors. Under AIFRS, AASB 119 *Employee Benefits* requires the surplus or deficit of each plan to be recognised in the consolidated Balance Sheet, and permits three options for recognising actuarial gains and losses on an ongoing basis. The Group has elected to recognise actuarial gains and losses in full in the Income Statement.

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

(g) Property, plant and equipment

Under previous GAAP, the Group used the deemed cost basis to record property, plant and equipment. On transition to AIFRS, the Group elected to use the AASB 1 exemption that allows a previous revaluation to be the asset's deemed cost. As a result of selecting the cost basis under AASB 116 *Property, Plant and Equipment*, the asset revaluation reserve of $8 million has been transferred to retained profits.

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

(h) Revenue recognition, deferral of fee income and acquisition expenses

Under AIFRS, AASB 118 *Revenue* requires that certain fee income and acquisition expenses that were previously recognised in the Income Statement are deferred and recognised in the Balance Sheet, and amortised to the Income Statement over the period of the service or contract term.

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

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

(i) Share based payments

Shares

Under previous GAAP, the Group recognised an expense for the shares issued under the EPSP. Shares in the Company are purchased by a trust when the shares are granted and held until they vest to the employee. The cost of the shares was amortised to the Income Statement over the vesting period.

Under AIFRS, AASB 2 *Share-Based Payments* requires the Group to continue to recognise an expense for the shares issued under the EPSP. However, this expense will be determined based on the fair value of the equity instruments issued, which considers the impact of market related vesting conditions. The fair value of the equity instruments will be amortised to the Income Statement over the vesting period, adjusted to reflect actual and expected levels of the ultimate entitlement.

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

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

Options

Under previous GAAP, the Group did not recognise an expense for the options issued under the Executive Option Plan ("EOP"). As permitted by the election available under AASB 1, the Group has elected not to apply AASB 2 to equity instruments issued prior to 7 November 2002. The AASB 1 exemption applies to all options issued under the EOP.

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

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

(j) Securitisation transactions

The Group is a party to certain lease securitisation transactions in relation to investment properties that it owns. Under previous GAAP, the relevant assets and liabilities, and revenue and expense items were recognised on a net basis. Under AIFRS, AASB 140 *Investment Properties* requires that the fair value of an investment property is determined excluding the impacts of special terms or circumstances specific to any party. This requirement results in the Group recognising the relevant assets, liabilities, and revenue and expense items on a gross basis. The assets and liabilities are recognised at fair value.

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

At 31 December 2004, this adjustment results in an increase in cash and liquid assets of $8 million, a decrease in loans, advances and other receivables of $3 million, an increase in investment properties of $56 million, an increase in bonds, notes and long term borrowings of $60 million, and an increase in retained profits of $1 million.

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

For AIFRS comparative purposes, General Insurance investment revenue – insurance provisions and profit before tax increases by $1 million for the 31 December 2004 half-year and $5 million for the 30 June 2005 half-year.

(k) Balance Sheet reclassification

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

- loans to a joint venture of $4 million at 1 July 2004, $14 million at 31 December 2004 and $16 million at 30 June 2005 have been reclassified from other assets to investments in associates and joint ventures; and
- investment properties of $84 million at 1 July 2004, $89 million at 31 December 2004 and $95 million at 30 June 2005 have been reclassified from investment securities to investment properties.

	Note	1 Jul-04 $m	31 Dec-04 $m	30 Jun-05 $m
Equity reconciliation at 1 July 2004, 31 December 2004 and 30 June 2005				
A summary of the effect of the above adjustments on equity is set out below.				
Business combinations and goodwill	(a)	-	32	63
Consolidation of special purpose vehicles	(b)	(22)	(33)	(36)
EMVONA	(c)	(15)	(17)	(18)
Income tax	(d)	16	17	19
Intangible assets	(e)	(18)	(19)	(24)
Defined benefit fund	(f)	2	2	2
Revenue recognition and deferred acquisition costs	(h)	(4)	(5)	(6)
Share based payments	(i)	3	5	8
Securitisation transactions	(j)	1	2	7
Other		(2)	(2)	-
Total parent entity interest		(39)	(18)	15
Outside equity interests		8	8	8
Total equity		**(31)**	**(10)**	**23**

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

Part B: AIFRS impacts on 1 July 2005

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

	Note	30 Jun-05 AIFRS $m	Adjustments Reclassify $m	Adjustments Remeasure $m	1 Jul-05 AIFRS $m
Restated consolidated Balance Sheet at 1 July 2005					
Assets					
Cash and liquid assets		1,008	-	-	1,008
Receivables due from other banks		67	-	-	67
Other financial assets					
Trading securities		3,396	-	-	3,396
Investment securities		5,513	-	-	5,513
Investments in associates and joint ventures		129	-	-	129
Loans, advances and other receivables	(iv), (v)	35,802	-	46	35,848
Property, plant and equipment		105	-	-	105
Investment property		156	-	(3)	153
Unlisted investment in life insurance statutory funds		200	-	-	200
Deferred tax asset	(vi)	167	-	43	210
Intangible assets	(ii)	1,101	-	(3)	1,098
Other assets	(ii)-(iv), (vii)	586	(9)	(61)	516
Total assets		**48,230**	**(9)**	**22**	**48,243**
Liabilities					
Deposits and short term borrowings	(iii)	27,172	-	4	27,176
Payables due to other banks		66	-	-	66
Bank acceptances		74	-	-	74
Payables and other liabilities	(iii), (iv), (vii)	968	51	111	1,130
Current tax liabilities		179	-	-	179
Provisions	(vii)	202	(51)	-	151
Deferred tax liabilities	(vi)	172	-	7	179
Outstanding claims and unearned premiums provisions	(ii)	5,518	-	14	5,532
Outside beneficial interests	(i)	-	27	-	27
Securitisation liabilities	(iii), (vii)	3,906	(8)	(88)	3,810
Bonds, notes and long term borrowings		4,468	-	-	4,468
Subordinated notes	(iii)	968	-	(11)	957
Preference shares	(i)	-	250	-	250
Total liabilities		**43,693**	**269**	**37**	**43,999**
Net assets		**4,537**	**(278)**	**(15)**	**4,244**
Equity					
Share capital		2,773	-	-	2,773
Share capital - preference shares	(i)	244	(250)	6	-
Reserves	(iii), (vi)	12	-	(16)	(4)
Retained profits	(i)-(vi)	1,485	(5)	(5)	1,475
Total parent entity interest		**4,514**	**(255)**	**(15)**	**4,244**
Outside equity interests	(i)	23	(23)	-	-
Total equity		**4,537**	**(278)**	**(15)**	**4,244**

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

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

(i) Debt/equity classification

The Group's preference shares, which were classified as equity under previous GAAP, have been reclassified as a financial liability and dividends paid on these preference shares are treated as interest expense rather than as dividends in accordance with AASB 132. The carrying amount of preference shares at 1 July 2005 is $250 million, and distributions are $16 million for the year ended 30 June 2006. Transaction costs from issuing the preference shares of $6 million were transferred to retained profits on 1 July 2005.

The Group consolidates a number of the managed investment schemes operated by its subsidiaries as set out in Part A (b). Under AIFRS, the managed investment schemes' unit holder funds, which are classified as equity under previous GAAP, have been reclassified as a financial liability in accordance with AASB 132. Consequently, on 1 July 2005, outside beneficial interests increase by $27 million, retained profits decreased by $5 million and outside equity interests decrease by $22 million.

(ii) General Insurance business

Under previous GAAP, AASB 1023 *Financial Reporting of General Insurance Activities* deals with the accounting for a general insurance business. Under AIFRS, products that meet the definition of a general insurance contract under revised AASB 1023 *General Insurance Contracts* will continue to use current accounting treatments subject to a revised Liability Adequacy Test. All the Group's general insurance products meet the definition of a general insurance contract.

Under previous GAAP, the Liability Adequacy Test was performed at the reporting entity level. Under AIFRS, the Liability Adequacy Test is applied to portfolios or products that are subject to broadly similar risks and are managed together as a single portfolio. In conducting this test, the expected cash flows relating to future claims include a risk margin to reflect the inherent uncertainty of the estimation process. The estimate of future claims including the risk margin represents an estimated 75% probability that the estimate is adequate. As a result of the revised Liability Adequacy Test, intangible assets decrease by $3 million, other assets decrease by $23 million, outstanding claims and unearned premiums liabilities increase by $14 million and retained profits decrease by $40 million on 1 July 2005.

(iii) Hedge accounting

Under AIFRS all derivative contracts, whether used as hedging instruments or otherwise, are recorded at fair value on the Group's Balance Sheet, with a corresponding entry to the Income Statement or an equity reserve.

AIFRS introduces new rules in relation to hedge accounting, and all hedging instruments will be subject to rigorous effectiveness testing. Where a hedging instrument fails the effectiveness tests, movements in fair value are recorded in the Income Statement, which may result in volatility.

Where cash flow hedges are used and the hedge effectiveness tests are met, the movement in fair value of the derivative instrument is recorded in an equity reserve to the extent this amount is equal to or less than the movement in the fair value of the hedged item. Where fair value hedges are used and the hedge effectiveness tests are met, the movement in fair value of the derivative instrument is recorded in the Income Statement. To the extent the fair value hedges are effective in managing the underlying risk, this movement will offset the movement in fair value of the underlying hedged item which will also be recorded in the Income Statement.

The Group has adopted a hybrid approach to address the potential earnings volatility that may arise from measuring all derivative instruments at fair value. The Group uses cash flow hedging and fair value hedging and measures some derivative instruments and the underlying asset or liability at fair value through profit or loss. As a result of applying these changes on 1 July 2005, other assets decrease by $6 million, short term borrowings increase by $4 million, payables and other liabilities increase by $20 million, subordinated debt decreases by $11 million, equity reserves decrease by $17 million and retained profits decrease by $2 million.

As a result of applying these changes to the securitisation trusts, payables and other liabilities increase by $93 million, securitisation liabilities decrease by $88 million and equity reserves decrease by $5 million.

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

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

(iv) Loan establishment fee income and establishment expenses

Under AIFRS, AASB 139 introduces stringent rules to account for loan establishment fee income and loan acquisition expenses. These income and expense items are deferred and recognised as an adjustment to the yield on the loan and disclosed as interest revenue.

On 1 July 2005, certain loan establishment fees and acquisition expenses that were previously recognised in the Income Statement have been recognised in the Balance Sheet, with a corresponding adjustment to retained profits. This results in an increase to loans, advances and other receivables of $9 million, a decrease to other assets of $32 million, a decrease to payables and other liabilities of $1 million and a decrease in retained profits of $22 million.

(v) Loan impairment provisions

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

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

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

At 1 July 2005, the adjustment to reverse the previous GAAP general provision and recognise the AIFRS collective provision results in an increase to loans, advances and other receivables and retained profits of $40 million.

(vi) Income tax

The impact of the change in basis of calculating income tax balances under AASB 112 and the transition adjustments required by the application of the AIFRS standards adopted from 1 July 2005 is to increase deferred tax assets by $43 million, increase deferred tax liabilities by $7 million, increase equity reserves by $7 million and increase retained profits by $29 million.

(vii) Balance Sheet reclassification

On 1 July 2005, the application of AASB 132 requires certain assets and liabilities to be reclassified to Balance Sheet categories that are different from previous GAAP. The significant reclassifications in addition to the adjustments above is to decrease other assets by $8 million, increase payables and other liabilities by $51 million, decrease provisions by $51 million and decrease securitisation liabilities by $8 million.

Appendix 1A – Income Statement – Full Year

Excluding Life Insurance Policy Owners' Interests

	Full Year Ended Jun-06 $m	Full Year Ended Jun-05 $m	Jun-06 vs Jun-05 %
Banking interest revenue	2,878	2,532	13.7
Banking interest expense	(2,030)	(1,746)	16.3
	848	786	7.9
General insurance premium revenue [(1)]	2,573	2,529	1.7
Banking fee and commission revenue	202	211	(4.3)
Banking fee and commission expense	(73)	(82)	(11.0)
Reinsurance and other recoveries revenue	315	316	(0.3)
General insurance investment income:			
Insurance funds	234	302	(22.5)
Managed schemes income	26	25	4.0
Joint venture income	25	28	(10.7)
Shareholder Funds	203	200	1.5
Other operating income [(2)]	188	159	18.2
Total revenue	4,541	4,474	1.5
Claims expense	(1,948)	(2,084)	(6.5)
Outwards reinsurance expense	(117)	(109)	7.3
Operating expenses from ordinary activities [(1)]	(1,130)	(1,022)	10.6
Non-banking interest expense	(37)	(26)	42.3
Total expenses	(3,232)	(3,241)	(0.3)
Profit before impairment losses on loans and advances and tax	1,309	1,233	6.2
Impairment losses on loans and advances	(31)	(28)	10.7
Profit before tax	1,278	1,205	6.1
Income tax expense	(362)	(323)	12.1
Net profit attributable to equity holders of the parent	**916**	**882**	**3.9**

Notes:

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

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

Appendix 1B – Income Statement – Half-Year

Excluding Life Insurance Policy Owners' Interests

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Banking interest revenue	1,462	1,416	1,314	1,218	3.2	11.3
Banking interest expense	(1,036)	(994)	(911)	(835)	4.2	13.7
	426	422	403	383	0.9	5.7
General insurance premium revenue (1)	1,284	1,289	1,273	1,256	(0.4)	0.9
Banking fee and commission revenue	102	100	106	105	2.0	(3.8)
Banking fee and commission expense	(38)	(35)	(44)	(38)	8.6	(13.6)
Reinsurance and other recoveries revenue	170	145	144	172	17.2	18.1
General insurance investment income:						
Insurance funds	103	131	143	159	(21.4)	(28.0)
Managed schemes income	12	14	14	11	(14.3)	(14.3)
Joint venture income	15	10	16	12	50.0	(6.3)
Shareholder Funds	87	116	81	119	(25.0)	7.4
Other operating income (2)	95	93	83	76	(200.0)	14.5
Total revenue	2,256	2,285	2,219	2,255	(1.3)	1.7
Claims expense	(930)	(1,018)	(1,020)	(1,064)	(8.6)	(8.8)
Outwards reinsurance expense	(59)	(58)	(54)	(55)	1.7	9.3
Operating expenses from ordinary activities (1)	(583)	(547)	(520)	(502)	6.6	12.1
Non-banking interest expense	(18)	(19)	(14)	(12)	(5.3)	28.6
Total expenses	(1,590)	(1,642)	(1,608)	(1,633)	(3.2)	(1.1)
Profit before impairment losses on loans and advances and tax	666	643	611	622	3.6	9.0
Impairment losses on loans and advances	(16)	(15)	(10)	(18)	6.7	60.0
Profit before tax	650	628	601	604	3.5	8.2
Income tax expense	(188)	(174)	(161)	(162)	8.0	16.8
Net profit attributable to equity holders of the parent	**462**	**454**	**440**	**442**	**1.8**	**5.0**

Notes:

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

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

Appendix 2 – Statement of Recognised Income and Expense

	Half-Year Ended Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 vs Dec-05 %	Jun-06 vs Jun-05 %
Cash flow hedges	32	(2)	-	-	Large	n/a
Assets available-for-sale reserve	2	-	-	-	n/a	n/a
Net income recognised directly in equity	34	(2)	-	-	Large	n/a
Net profit	462	454	440	442	1.8	5.0
Total recognised income and expenses for the period	**496**	**452**	**440**	**442**	**9.7**	**12.7**
Effect of change in accounting policy						
Effect of adoption of AASB 132, AASB 139, AASB 4, and AASB 1038 on 1 July 2005 with 2005 not restated						
Net decrease in retained earnings	-	(10)	-	-	(100.0)	n/a
Net decrease in cash flow hedge reserve	-	(16)	-	-	(100.0)	n/a
	496	**426**	**440**	**442**	**16.4**	**12.7**

Appendix 3 – Balance Sheet reconciliation

As at 30 June 2006	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Consolidation[1] $m	Total $m
Assets						
Investment securities	2,142	5,727	34	-	(2,183)	5,720
Intangibles	82	929	-	10	103	1,124
Other	43,536	2,202	276	187	(589)	45,612
	45,760	8,858	310	197	(2,669)	52,456
Liabilities	41,874	6,549	26	163	(589)	48,023
Net assets	**3,886**	**2,309**	**284**	**34**	**(2,080)**	**4,433**

Notes:

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

Appendix 4 – Definitions

Adjusted Common Equity	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries.
Adjusted Common Equity ratio	Adjusted Common Equity divided by total assessed risk, as defined by APRA.
Basic shares	Ordinary shares on issue.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business.
Cost to average total Banking assets ratio	Operating expenses of the Banking business divided by average total Banking assets as shown in the average Banking balance sheet. The ratio is annualised for half-years.
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities.
Diluted shares	Comprises ordinary shares, partly paid shares, non-participating shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares until September 2006 and their dividends exceed the basic earnings per share. Weighted average shares are calculated in accordance with accounting standard AASB 133 *Earnings per Share* and excludes treasury shares and options where the exercise price exceeds the market price.
Effective tax rate	Income tax expense divided by operating profit before tax.
Embedded value	An assessment of the economic value arising out of the current in force Wealth Management business. An embedded value comprises two components being the adjusted net assets and the value of in force business.
Earnings per share	Basic earnings per share is calculated by dividing profit after tax for the period less dividends on preference shares classified as equity by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Both basic and diluted weighted average number of ordinary shares are adjusted for treasury shares. Calculated in accordance with accounting standard AASB 133 *Earnings per Share*.
Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing the General Insurance business. Premium revenue and operating expenses are net of statutory fees and charges included in income and expenses in the Consolidated Financial Report.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding investment income on Shareholder and Statutory Funds (as per exclusions outlined at Underlying Profit definition), one-off items and life insurance policy owner interests.
Gross non-performing loans	Gross impaired assets plus past due loans.
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Life insurance policy owner interests	Amounts due to an entity or person who owns an insurance policy. This need not be the insured. This is distinct from shareholders' interests. Policy owner interests are excluded from the Analysts Pack as they do not impact the results of the Company. Policy owner interests are reported for statutory purposes only.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in the outstanding claims liability.
Net interest margin	Net interest income divided by average interest earning assets.

Appendix 4 – Definitions (continued)

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 (when classified as equity) and intangibles divided by ordinary shares at the end of the period adjusted for treasury shares. In determining the number of ordinary shares at the end of the period, partly paid shares are taken into account by assuming that the unpaid amount is paid.
Net tangible asset backing – diluted	Shareholders' equity attributable to members of the Company, plus outstanding options, less preference shares (when classified as equity) and intangibles divided by diluted shares at the end of the period adjusted for treasury shares.
Payout ratio – basic	Total after tax dividends and distributions on ordinary and preference shares which relate to the period divided by operating profit after tax adjusted for after-tax interest on preference shares (when classified as liability). Ordinary shares are adjusted for treasury shares.
Payout ratio – diluted	Diluted shares at the end of the period multiplied by ordinary dividend per share for the period divided by operating profit after tax adjusted for anti-dilutive preference share (when classified as equity) dividends. Diluted shares are adjusted for treasury shares.
Return on average risk weighted assets	Banking operating profit after tax (based on assumed tax rate of 30%) divided by average risk weighted assets. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average total assets	Operating profit after tax divided by average total assets excluding life insurance policy owners' interests. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity – basic	Operating profit after tax less preference shares (when classified as equity) dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares (when classified as equity). Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity – diluted	Operating profit after tax less anti-dilutive preference share (when classified as equity) dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes funds generated on outstanding options. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – Banking	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting investment in non-banking subsidiaries and adding the notional reallocation to reflect the Bank's calculated share of Group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – General Insurance	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting outside equity interests and deducting the notional reallocation to reflect the General Insurer's calculated share of Group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – Wealth Management	Operating profit after tax divided by average shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Total assessed risk	Risk weighted assets, off balance sheets positions and market risk capital charge.
Underlying profit	Operating profit before tax, investment income on Shareholder Funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained profits in Wealth Management and one-off items.

Appendix 5 – Ratio calculations

	Half-Year Ended				Full Year Ended	
	Jun-06 No. of Shares	Dec-05 No. of Shares	Jun-05 No. of Shares	Dec-04 No. of Shares	Jun-06 No. of Shares	Jun-05 No. of Shares
Earnings per share						
Denominator						
Weighted average number of shares:						
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	551,946,291	547,687,879	541,542,934	537,553,914	549,799,584	539,531,965
Weighted average number of potential ordinary shares relating to:						
Options on ordinary shares	166,965	171,044	409,821	454,611	165,565	393,770
Partly paid ordinary shares	-	(197)	4,712	6,958	(99)	9,841
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	552,113,256	547,858,726	541,957,467	538,015,483	549,965,050	539,935,576

The 2,500,000 preference shares recognised in liabilities/equity (prior to 1 July 2005) are not considered to be either ordinary or potential ordinary shares. They are anti-dilutive in nature as the dividends are payable at 6.25% pa which exceeds basic earnings per share. Therefore, preference shares have not been included in either basic or diluted earnings per share.

	Half-Year Ended				Full Year Ended	
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 $m	Jun-05 $m
Earnings:						
Reconciliations of earnings used in calculating earnings per share:						
Net profit	462	454	440	442	916	882
Less preference share dividends (when classified as equity)	-	-	(8)	(8)	-	(16)
Earnings used in calculating basic and diluted earnings per share	462	454	432	434	916	866

Appendix 5 – Ratio calculations (continued)

Return on average shareholders' equity – basic

Numerator

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

	Half-Year Ended				Full Year Ended	
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 $m	Jun-05 $m
Denominator						
Adjusted average shareholders' equity:						
Opening total equity	4,133	4,537	4,251	3,998	4,537	3,998
Less outside equity interest	-	(23)	(14)	(6)	(23)	(6)
Less preference shares (when classified as equity)	-	(244)	(244)	(244)	(244)	(244)
Opening adjusted equity	4,133	4,270	3,993	3,748	4,270	3,748
Closing total equity	4,433	4,133	4,537	4,251	4,433	4,537
Less outside equity interest	-	-	(23)	(14)	-	(23)
Less preference shares (when classified as equity)	-	-	(244)	(244)	-	(244)
Closing adjusted equity	4,433	4,133	4,270	3,993	4,433	4,270
Average adjusted equity	**4,283**	**4,202**	**4,132**	**3,871**	**4,352**	**4,009**

Appendix 5 – Ratio calculations (continued)

Return on average shareholders' equity – diluted

Numerator

Earnings for return on average shareholders' equity – diluted is as per "earnings per share" information on page 96.

	Half-Year Ended				Full Year Ended	
	Jun-06 $m	Dec-05 $m	Jun-05 $m	Dec-04 $m	Jun-06 $m	Jun-05 $m
Denominator						
Adjusted average shareholders' equity:						
Opening total equity	4,133	4,537	4,251	3,998	4,537	3,998
Less outside equity interest	–	(23)	(14)	(6)	(23)	(6)
Less anti-dilutive preference shares (when classified as equity)	–	(244)	(244)	(244)	(244)	(244)
Plus funds generated on outstanding options	5	14	16	48	14	48
Opening adjusted equity	4,138	4,284	4,009	3,796	4,284	3,796
Closing total equity	4,433	4,133	4,537	4,251	4,433	4,537
Less outside equity interest	–	–	(23)	(14)	–	(23)
Less anti-dilutive preference shares (when classified as equity)	–	–	(244)	(244)	–	(244)
Plus funds generated on outstanding options	5	5	14	16	5	14
Closing adjusted equity	4,438	4,138	4,284	4,009	4,438	4,284
Average adjusted equity	**4,288**	**4,211**	**4,147**	**3,903**	**4,361**	**4,040**

Appendix 5 – Ratio calculations (continued)

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

The following table reconciles the equity base per the balance sheet of each business line to the Group equity. In addition, it shows the adjustments made to the equity base for the purposes of the diluted return on equity calculations, and the net profit which is the numerator for the calculation.

	as at 30 June 2006					
	Banking $m	General Insurance $m	Wealth Management $m	Other $m	Con-solidation $m	Total $m
Reconciliation of net profit after tax for diluted return on average shareholders' equity calculations						
Profit before tax	506	691	81	13	(13)	1,278
Less tax expense [(1)]	(152)	(207)	(15)	(4)	16	(362)
Net profit	**354**	**484**	**66**	**9**	**3**	**916**
Reconciliation of average adjusted equity for diluted return on average shareholders' equity calculations						
Opening adjusted equity June 2005:						
Opening total equity	3,965	2,237	300	34	(1,999)	4,537
Less outside equity interests	-	(18)	(10)	-	5	(23)
Less anti-dilutive preference shares (classified as equity)	(244)	-	-	-	-	(244)
Adjustment for investment in subsidiaries	(2,074)	-	-	-	2,074	
Notional reallocation of subordinated debt [(2)]	144	(144)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	14	14
Adjusted opening equity	1,791	2,075	290	34	94	4,284
Closing adjusted equity June 2006:						
Closing total equity	3,886	2,309	279	34	(2,075)	4,433
Adjustment for investment in subsidiaries	(2,134)	-	-	-	2,134	-
Notional reallocation of subordinated debt and preference shares [(2)]	397	(397)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	5	5
Adjusted closing equity	2,149	1,912	279	34	64	4,438
Adjusted average equity	**1,970**	**1,994**	**285**	**34**	**79**	**4,361**
	%	%	%	%	%	%
Diluted return on average shareholders' equity	**18.0**	**24.3**	**23.2**	**26.5**	**n/a**	**21.0**

Notes:

(1) Differs to the taxation note as it assumes a 30% tax rate for Banking and General Insurance. The difference is adjusted in the Consolidation column.

(2) The Group notionally allocates subordinated debt and preference shares classified as debt between Banking and General Insurance based on their relative shares' of Group regulatory capital. This results in a notional allocation from the Bank to General Insurance as the Bank physically carries all preference shares and the subordinated debt of the Group except for $199 million in General Insurance. The notional allocation adjusts the "free capital" of the business lines. The capital funding expense shown in General Insurance for the current half-year reflects its calculated share of Group subordinated debt and preference shares.

Appendix 6 – Details of share capital

		Half-Year Ended		
	Jun-06	Dec-05	Jun-05	Dec-04
Ordinary shares each fully paid				
Number at the end of the period	556,706,890	553,580,870	545,844,729	541,984,473
Dividend declared for the period (cents per share)	50	47	45	42
Preference shares (classified as equity) each fully paid				
Number at the end of the period	-	-	2,500,000	2,500,000
Dividend declared for the period ($ per share)	-	-	3.07	3.18
Preference shares (classified as liability) each fully paid				
Number at the end of the period	2,500,000	2,500,000	-	-
Dividend declared for the period ($ per share) (1)	3.07	3.18	-	-
Ordinary shares each 5 cents partly paid				
Number at the end of the period	-	-	11,250	16,750
Non-participating shares fully paid				
Number at the end of the period	2,000	2,000	2,000	2,000

Notes:

(1) Classified as interest expense.

Appendix 7 – Key dates [1]

Ordinary shares (SUN)

2006		
Final dividend		
Ex dividend date [2]	6	September
Record date	12	September
Dividend payment	2	October
2007		
Interim dividend		
Ex dividend date [2]	1	March
Record date	7	March
Dividend payment	2	April
Final dividend		
Ex dividend date [2]	30	August
Record date	5	September
Dividend payment	1	October

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

2006		
Ex interest date [2]	9	November
Record date	15	November
Interest payment	30	November
2007		
Ex interest date [2]	9	February
Record date	15	February
Interest payment	2	March
Ex interest date [2]	9	May
Record date	15	May
Interest payment	30	May
Ex interest date [2]	9	August
Record date	15	August
Interest payment	30	August

Reset Preference Shares (SUNPA)

2007		
Ex dividend date [2]	1	March
Record date	7	March
Dividend payment	14	March
Ex dividend date [2]	30	August
Record date	5	September
Dividend payment	14	September

Results announcements

2007		
Half-Year Results and interim dividend announcement	26	February
Annual Results and final dividend announcement	27	August
Annual General Meeting	31	October

Notes:

(1) Dates may be subject to change

(2) Subject to ASX confirmation