2003 Annual Report

BANKING INSURANCE INVESTMENT

SUNCORP

Suncorp-Metway Ltd ABN 66 010 831 722

Contents

Year in Review

'be heard'
The brand promise for our newly launched marketing and branding campaign. We listen to our customers' needs and deliver the relevant solutions through extraordinary customer service.

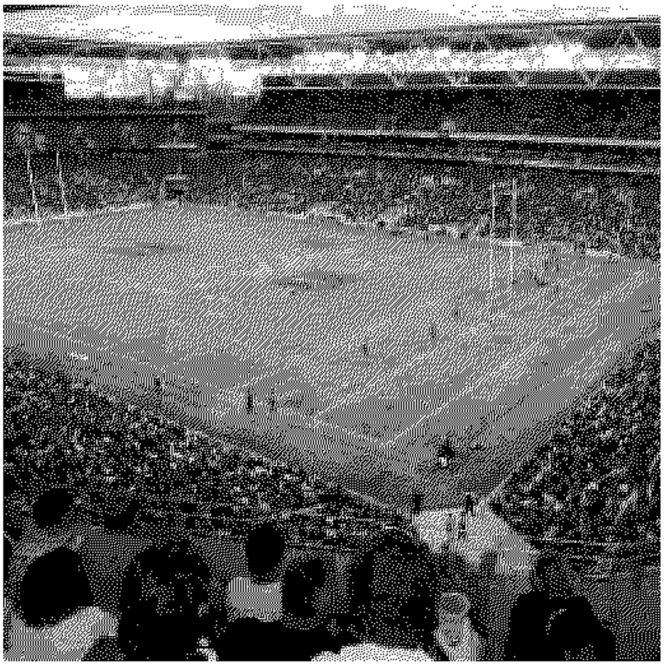
GIO is our main insurance brand outside Queensland and all our branches now provide banking, insurance and wealth management products and services nationally.

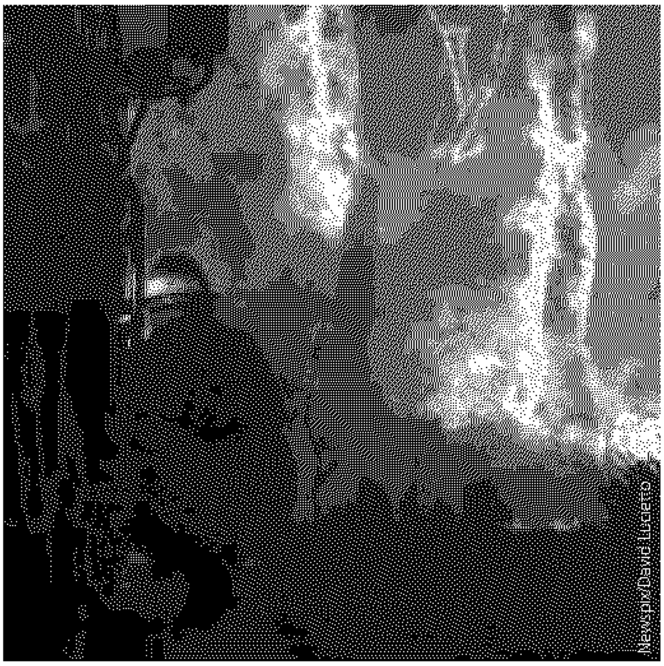
SUNCORP

Vision

To be the most desirable financial services company in Australia

- For our customers to do business with
- For our employees to work for
- For the community to be associated with
- For our shareholders to invest in





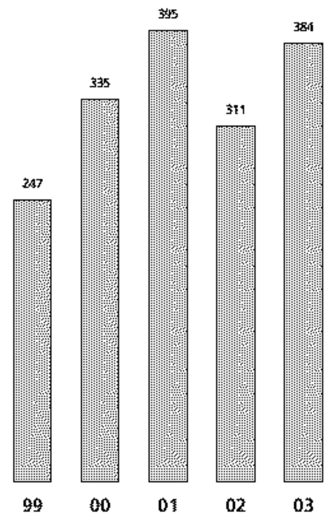
We have secured naming rights to the Suncorp Stadium Brisbane until 2009. Enthusiastic spectators enjoy outstanding facilities in one of the country's finest sporting arenas.

Suncorp and GIO were in Canberra to help customers when devastating bushfires damaged and destroyed dozens of houses and other property. We paid $26 million in claims.

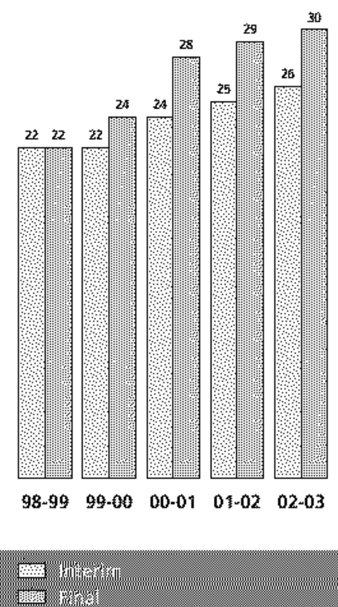
Financial Highlights

- Net profit up 23.5% to $384 million, compared with $311 million in 2002.
- Half year profit increased by 45.8% to a record $229 million.
- Underlying profit increased by 26% to $582 million.
- Earnings per ordinary share, before goodwill, on a cash basis, rose 19% to 82 cents.
- Return on equity, on a cash basis, fully diluted, increased from 11.9% to 12.7% and reached 14.5% in the second half.

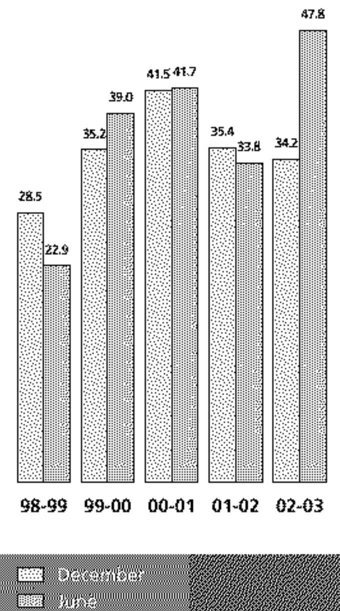
Operating profit after tax
$m



Dividends interim/final
cents

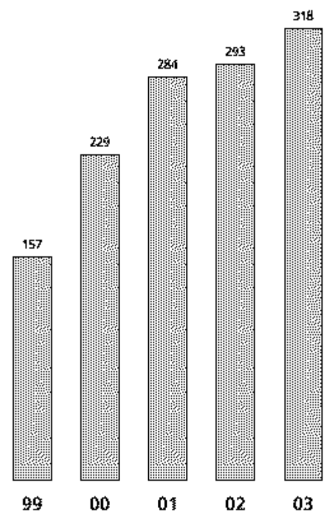


Cash earnings per share diluted
Half Year %

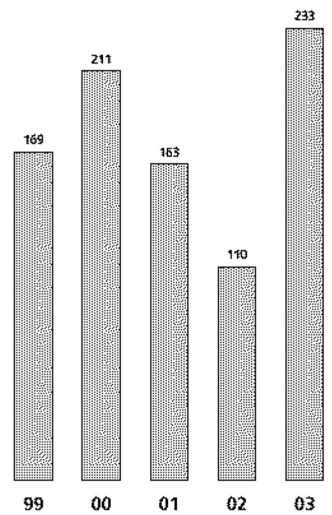


- The final dividend increased by 1 cent to 30 cents per share, taking the annual dividend to 56 cents per share, up 2 cents.
- Banking pre-tax profit increased 8.5% to $318 million, profit before bad debts and tax, increased 10% to $367 million.
- General insurance pre-tax profit more than doubled to $233 million. Insurance Trading Result increased 85% to $209 million, equal to 10% of net premium revenue.
- Wealth Management pre-tax profit fell 29% to $41 million. Excluding an $8 million one-off gain in the prior year, profit was down 18%.

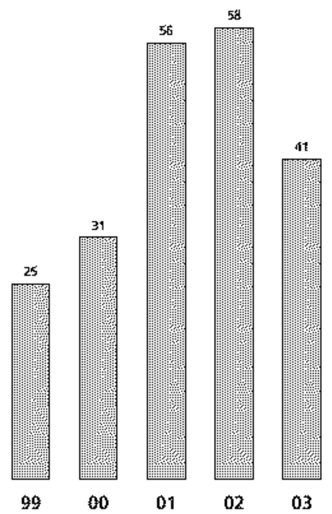
Banking
Profit before tax and goodwill
$m



General Insurance
Profit before tax and goodwill
$m



Wealth Management
Profit before tax and goodwill*
$m



* Excludes Life and Super policy owners' interests, and tax.

Chairman's Letter to Shareholders

Dear Shareholder,

The 2003 year was a period of major organisational change and financial progress for your Company.

At a board level, the year saw the retirement of the former Chairman, John Lamble AO in March. I would like to take this opportunity to thank John for his inspirational leadership during his six years as Chairman. During that time, he presided over the initial merger of Suncorp, Metway and QIDC in 1996, then led the Company through the acquisition of the GIO insurance business in 2001. I congratulate him on his success and I would like to thank my Board colleagues and shareholders for giving me the opportunity to serve as Chairman of the Company in his place.

The year also saw the appointment of John Mulcahy as Managing Director and Chief Executive Officer, replacing Steve Jones, who resigned in September last year. John took up the role in January, following a distinguished career in a number of senior roles at the Commonwealth Bank, and before that at Lend Lease. He already has proven to be an outstanding appointment and has had a major impact in reorganising the Company, refining the group strategy and implementing new disciplines to deliver stronger financial results.

Financial Performance Summary

I am pleased to report a 23.5 percent increase in net profit to $384 million for the year to June. The improvement in profit is very satisfying, and included a record half year result of $229 million for the final six months of the year – up 45.8 percent on the prior corresponding period.

The Board has declared a final dividend of 30 cents per share, up one cent, taking the full year dividend to 56 cents per share, fully franked, and continuing the group's recent record of uninterrupted dividend increases.

The financial results are summarised in the following table:

	Year ended 2003 $m	2002 $m	Change %
Profit Overview			
Banking	318	293	8.5
General Insurance	233	110	111.8
Wealth Management*	41	58	(29.3)
Other	9	8	12.5
Profit before tax and goodwill	601	469	28.2
Goodwill amortisation	62	60	3.3
Tax	155	98	58.2
Net profit	384	311	23.5

* Excludes Life and Super policy owners' interests, and tax.

You can see that the increase in profit was mainly due to a strong improvement in general insurance results, which rose by 112 percent to $233 million for the year. This reflects the fact that the benefits of the GIO general insurance acquisition are now flowing strongly through to the group's profit results.

The acquisition has proven to be a great success, making Suncorp the second largest insurance company in Australia, strengthening our business base and delivering significant returns for shareholders.

Banking profit increased by 8.5 percent to $318 million during the year and showed a strong improvement in earnings in the second half due to a sharper focus on cost controls and increased non-interest income.

Wealth Management profits were down on the previous year due to difficult conditions within the investment industry, and because the prior year included some one-off gains. However, the division continues to make a meaningful contribution to group profits, reporting a pre-tax result of $41 million for the year, and showing a 9 percent improvement in second half results to $24 million.

The board is satisfied with the financial progress of the Company, with the earnings per share, on a cash basis before goodwill, increasing by a healthy 19 percent to 82 cents in the year.

Strategic Review

When John Mulcahy joined the group in January, one of his key tasks assigned by the Board was to develop and implement a group strategy for the next five years. Following the completion of the GIO integration, the Company needed a new strategic plan to continue to grow the business and drive improved profitability.

The review involved a fundamental reassessment of the Company's businesses and the opportunities available in the rapidly evolving but fiercely competitive financial services sector.

The results of the review were announced in June, and were well received by the investment community, which had been eager to see some clarification of the Company's agenda for the future.

In essence, the Company intends to retain its existing business lines and will operate as a financial services conglomerate. This builds on the group's previous Allfinanz approach and takes advantage of the Company's strong cross-sell capabilities. The difference is, however, that each business line, including a separate line for each of retail banking and business banking, is structured and operated as a separate business unit, responsible and accountable for its own performance. We believe that the

"The board is optimistic about the outlook for the coming year. While global economic conditions are somewhat subdued, within Australia the economy appears resilient, with good growth rates and low inflation forecast to continue."

John Story, Chairman

Chairman's Letter to Shareholders

financial conglomerate strategy will enable us to achieve returns for our shareholders that are consistently superior to our peers in the financial services sector.

A pre-requisite for success is that we must operate our business lines at least as well as our competitors in the field, and John Mulcahy and his executive team have developed detailed plans to ensure that outcome is achieved.

Vision

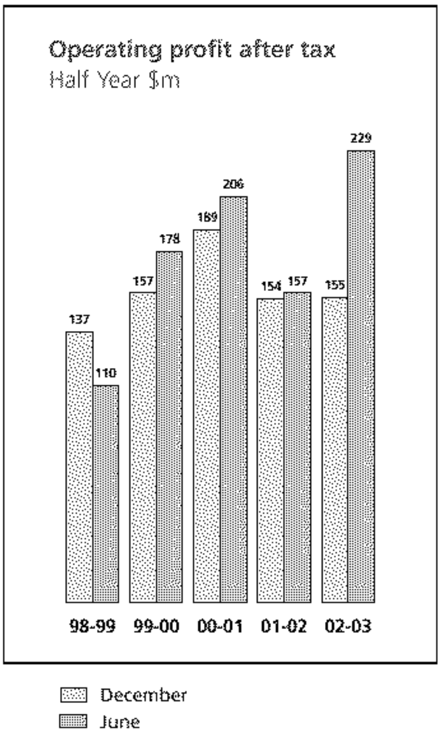
As part of this fundamental strategic review, the vision we have chosen for the Company is 'to be the most desirable financial services company in Australia'. That is for shareholders, for customers, for employees and for the community in general.

This is clearly a very ambitious vision for the group, but we believe that we should aim high. Our objective is to instil a culture within the Company which seeks to deliver great service for our 3.8 million customers, a stimulating and rewarding work environment for our 8,000 employees, strong community values, and consistently good returns to our 194,000 shareholders.

Board Changes

The Company's Chief Financial Officer, Chris Skilton, who acted as interim Chief Executive following Steve Jones' resignation, was appointed an executive director in November. This appointment recognises both Chris' skills and experience, and the significance of the CFO role within the organisation. Bill Bartlett, a former Ernst & Young insurance partner and experienced accounting practitioner, joined the Board on 1 July 2003. Both are very strong appointments.

Pat Handley resigned in March. I would like to thank him for his contribution.



Outlook

The board is optimistic about the outlook for the coming year. While global economic conditions are somewhat subdued, within Australia the economy appears resilient, with good growth rates and low inflation forecast to continue.

The primary markets in which the Company operates are in good shape, with general insurance enjoying a structural shift towards higher profitability, banking showing continued good lending growth and excellent credit quality, and investment markets demonstrating signs of recovery.

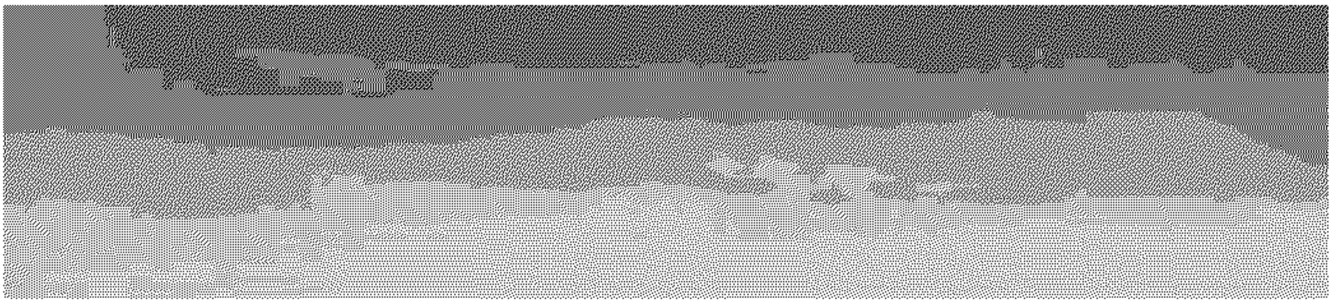
The Company now has the new management team in place and a clearly defined strategic plan being implemented.

So assuming no dramatic swings in financial markets, or unusual insurance claims events, we would expect to be able to report a further improvement in profits in the coming year.

Conclusion

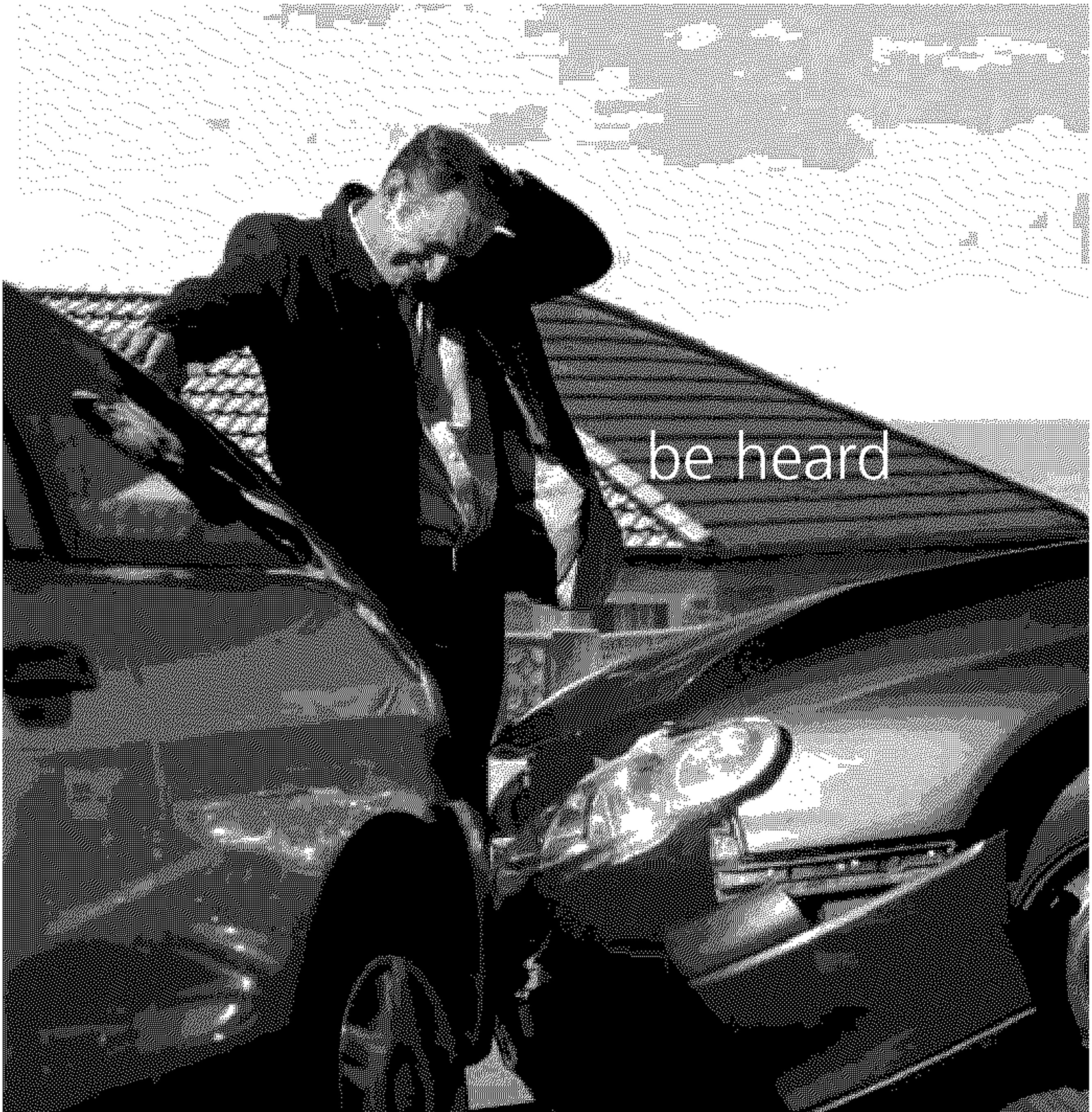
Finally, I would like to express my thanks to all the staff for their efforts and commitment during the year, and my colleagues on the Board. Most importantly, I thank you, the shareholders, for your ongoing support.

John Story
Chairman



"We guarantee customers in Queensland, New South Wales and Victoria who drive their damaged cars into our assessment centres that we will have the repairs done within seven days or provide a courtesy car until the repair is completed. We also guarantee the repairs for the life of the car."

(Subject to terms and conditions that appear on page 22.)



Managing Director's Letter to Shareholders

Dear Shareholder,

Your Company made excellent progress in 2003, and in this Annual Report, my first as your managing director, I am pleased to announce strong profit growth and an increase in the dividend.

The 23.5 percent rise in net profit, to $384 million, is a commendable result. It reflects a significant team effort and major improvements at many levels during the year which leave us well positioned.

In this letter, I will outline some of those major achievements, then give you my analysis of the profit results and the outlook for the future.

Our Journey

The Company has come a long way since it was initially brought together in December 1996 through the merger of Suncorp, Metway and QIDC. That original amalgamation created a new force in Australia's financial services industry, with a rare combination of skills in banking, general insurance and wealth management, and a strong Queensland business base.

In 2001, we launched ourselves onto the national stage through the $1.3 billion acquisition of the GIO general insurance business in Australia, which made us Australia's second largest general insurer and delivered significant market shares across the country.

We completed the GIO integration in June 2003, and our 2003 results bear testimony to the success of that acquisition. We have built a strong foundation based on high levels of operating efficiency and by providing excellent service to our customers. Our challenge now is to build on that base and continue to deliver great products and services at competitive prices for customers, thereby ensuring strong profit growth for shareholders.

Strategy Review

To achieve that end, it is vital that we have an ambitious vision, clear strategy and coherent, detailed plans for the future. From my perspective, having joined the Company in January, a key achievement has been the finalisation of the group's strategy for the next five years, and the communication of that strategy to staff, shareholders and the external community.

John Story outlined the financial services conglomerate approach in his letter. By operating as a financial services conglomerate, we can drive important synergies that include significant cost savings across the group, and higher revenues by selling a wider range of products to our existing customers. As long as we are ensuring that each of our business lines is operating at peak efficiency, we will deliver group results that are better than our competitors. Then the value of the group will be higher than the value of each of the component parts of the business, and we will be creating additional wealth for shareholders.

When developing our strategy, we used a business model which takes into account the interests of all our stakeholders, including customers, staff and the community, as well as shareholders. We aim to strike a balance that creates a strong sustainable business for the future.

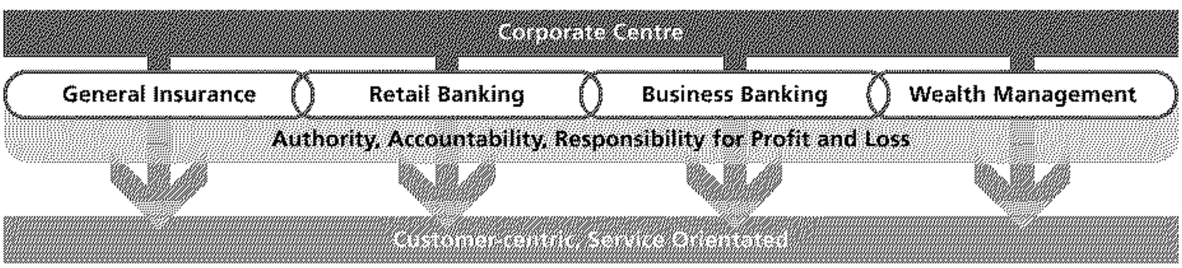
Organisational Restructure

The key to strong performance rests with our biggest asset – our people. We have approximately 8,000 staff across Australia, and within the Company we have a strong 'can-do' culture and a genuine desire to meet customer needs. A key to achieving our strategic goals is the adoption of an organisational structure which enables and encourages our people to perform well and reach their full potential.

In March, we announced a fundamental restructure of the group, putting aside the previous complex matrix structure and reorganising around our business lines – Retail Banking, Business Banking, General Insurance and Wealth Management.

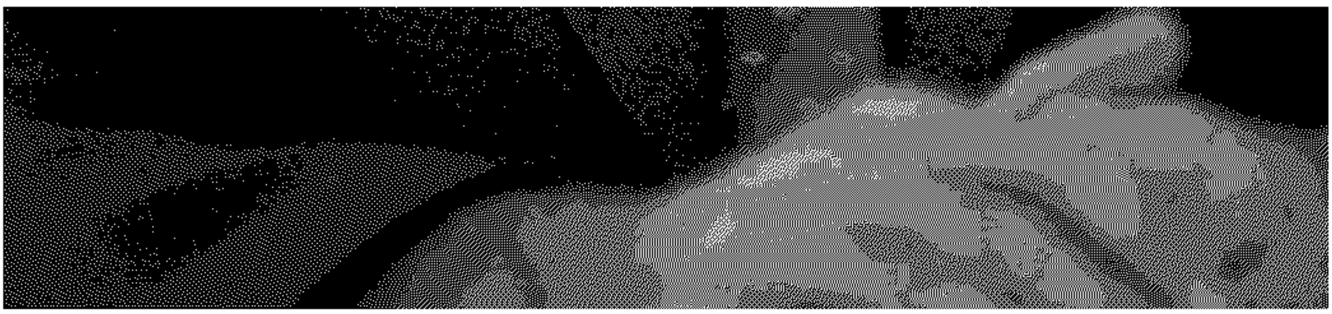
The new structure ensures that managers have the authority and responsibility to achieve their targets and deliver better service to customers. Within each business line we now have clearly defined roles and accountabilities for all staff, and an alignment of roles that puts the focus squarely on meeting customer needs and delivering excellent service.

Organisational Restructure



"The financial conglomerate strategy is an adaptation of Suncorp's previous Allfinanz approach ... taking a major step forward by imposing a new focus on delivering much better performance from the underlying businesses."

John Mulcahy, Managing Director



Managing Director's Letter to Shareholders

The executive management team was reviewed at the time of the restructure. The new team is now in place, and profiled on page 26 of this report. I am confident we have a strong team leading the Company.

Business Line Strategies

Within each of the business lines the relevant executives have devised detailed plans focused on delivering high standards of service and excellent products for our customers.

Retail Banking

In Retail Banking, the Company plans to operate as a 'super-regional' bank, clearly differentiated from the Big 4 and focused on core bank products including home lending, small business lending, transaction accounts and retail deposits.

We have commenced a fundamental re-engineering of home lending processes to improve performance and lift customer retention. Our home lending has now stabilised, halting the loss of market share that has been evident during the past 12 months and rebuilding growth momentum. We have simplified our range of products to reduce complexity for staff and customers, introduced a specialised home lending force to improve service, and redesigned our distribution networks to make them more effective.

Outside Queensland, we will continue to use intermediaries and alliances to grow our lending, and when we have built a sufficiently large business base, we will open branches to service those customers.

Business Banking

The Business Banking division will continue to focus on its strengths, being small and medium sized commercial banking, agribusiness and property. The Business Banking division has been performing strongly over the past few years, and we aim to continue that growth by cementing our strong relationships with our target customer segments.

We remain very committed to our property and agribusiness customers. We know those businesses well and have skilled staff providing high levels of expert service. Because of that specialist expertise and our thorough lending practices, we are very comfortable with our exposure to those businesses.

General Insurance

Following the acquisition of the GIO general insurance business from AMP in June 2001, Suncorp's General Insurance division has developed as a strong source of profit growth for the group. The acquisition and integration of GIO has achieved cost savings and revenue that have made the general insurance company one of the most efficient in Australia.

Our challenge now is to grow the business from that strong, competitive base.

The GIO brand, which has suffered in recent years, is being revitalised through major service improvements and extensive marketing campaigns, and is the main insurance brand outside of Queensland. We also aim to increase our presence in the commercial insurance sector, which we have identified as a major growth opportunity.

Wealth Management

Wealth Management is the group's smallest operating division, but we see potential for substantial growth through improving the penetration of our existing customer base, and by expanding our operations into new market segments such as the youth sector and pre-retirees. We also aim to take advantage of our strong investment skills to promote increased sales of investment products.

Financial Goals

As part of the strategy review, we have specified some key financial goals to focus our efforts and measure our progress:

1) We aim to deliver returns to shareholders in the top quartile of the financial services sector.
2) We expect to produce annual productivity gains of between 5 percent and 10 percent.
3) We aim to consistently report a return on equity of more than 15 percent.

Financial Performance

The table on the opposite page summarises the results for each half year.

While the full year net profit increased by 23.5 percent to $384 million, you can see from the table that the profit improvement almost entirely occurred in the last six months. In the first half, profits increased by $1 million to $155 million and then in the second half, profits lifted by 46 percent to $229 million. That is a record half year result for the Company.

The improvement was driven mainly by the strength of the General Insurance division, where the profit stream arising from the GIO acquisition is now flowing strongly to the bottom line, producing a 140 percent increase in second half earnings to $161 million. Banking also made considerable progress in the second half, producing a 20 percent profit increase to $168 million.

A key measure for shareholders is the earnings per share figure. On a cash basis, that is before goodwill amortisation, earnings per share increased by 19 percent for the year to

Financial Performance	June 03 $m	Dec 02 $m	June 02 $m	Dec 01 $m	June 03 vs 02 Change %
	Half Year ended				
Banking	168	150	140	153	20
General Insurance	161	72	67	43	140
Wealth Management*	24	17	22	36	9
Other	5	4	4	4	25
Profit before goodwill and tax	**358**	**243**	**233**	**236**	**54**
Income Tax	97	58	46	52	111
Goodwill amortisation	32	30	30	30	7
Net profit	**229**	**155**	**157**	**154**	**46**

* Excludes Life and Super policy owners' interests, and tax.

82 cents per share. Again, the major improvement occurred in the second half when the increase was 41 percent to 47.8 cents, a record half year earnings per share for the group. It gives us great confidence for the future.

Transformation

A highlight of the period from an operational perspective was the completion of the Transformation program for the integration of the GIO business. The program is a very rigorous and intensive exercise, which strips out duplication and re-engineers processes to drive efficiency. I can confirm its effectiveness, and the results for the year prove the case. Because it was so successful, we have begun a new program to impose the disciplines of Transformation continually throughout the Company, constantly reviewing our practices to drive improvements.

The GIO Transformation program, which commenced in December 2001, was officially completed in June this year, and it achieved the group's goal of delivering savings and revenue benefits worth $240 million in a full year.

I will now go through each division and summarise the performance.

Banking

The Banking profit before tax increased by 8.5 percent to $318 million for the year, which is a reasonable outcome, and represents a return on equity of 19 percent for the year.

The Banking profit is really a story of two halves. The first half result was down to $150 million from $153 million in the prior corresponding six months.

Banking Profit	Year ended 2003 $m	2002 $m	Change %
Net interest income	592	550	8
Other operating income	155	126	23
Operating expenses	(380)	(343)	11
Bad and doubtful debts expense	(49)	(40)	23
Pre-tax profit	**318**	**293**	**8.5**

There were two key factors that affected the first half result:

1) Lending growth had slowed, particularly in the Queensland housing market, despite strong growth in the market overall. This led to a loss of market share.
2) Expense growth was much higher than it should have been at 10.5 percent.

Remedial action was taken during the year as the trends became clear. New initiatives and marketing campaigns were instituted to recover lending growth and increase non-interest income, and tighter controls were imposed on expenses.

The second half result consequently improved, and we were able to report a 20 percent increase in second half profit to $168 million.

Overall lending growth for the year was 11 percent, to $25.1 billion, compared to 12.7 percent for the market. Commercial lending growth was particularly strong, increasing by 15.4 percent compared with 4.6 percent for the industry. But housing growth at 9.4 percent was below the exceptionally strong 21.4 percent growth rate for the sector. The new lending initiatives we have introduced have already led to encouraging improvements in lending performance.

Credit conditions in Banking are generally very sound, and overall asset quality in our portfolio is strong. However, we maintain tight lending policies and high levels of security, and adopt a prudent approach to the market.

General Insurance

The benefits of the Transformation program are most clearly evident in the General Insurance result, which more than doubled to $233 million before tax, for the 12 months.

The clearest indicator of the underwriting performance of the insurance company is the insurance trading result, which is made up of the premium revenue, less claims costs and operating expenses, plus investment income earned on the funds held to pay claims. The result increased by 85 percent to $209 million, which is equal to 10.4 percent of premium income – a pretty healthy margin.

The improvement was primarily driven by solid premium growth, which increased 12 percent to $2.01 billion, and

Managing Director's Letter to Shareholders

	Year ended 2003 $m	2002 $m	Change %
General Insurance Profit			
Net premium revenue	2,012	1,797	12
Net incurred claims	(1,651)	(1,409)	17
Operating expenses	(433)	(448)	(3)
Investment income, tech provisions	281	173	62
Insurance Trading Result	**209**	**113**	**85**
Other income	32	11	191
Investment income, shareholder funds	11	0	–
GIO acquisition funding costs	(19)	(14)	36
Pre-tax profit	**233**	**110**	**112**

Net of certain statutory fees and charges included in income and expenses in the consolidated financial report.

reduced operating expenses, which fell by 3 percent to $433 million. Leaving aside the direct costs associated with writing new business, such as brokers' commissions, operating expenses decreased by 31 percent to $202 million for the year, which is an excellent performance. The expense ratio, which measures expenses as a proportion of premium income, reduced to 21.5 percent for the year, and was 20.9 percent in the second half.

The claims experience in the year was affected by the devastating bushfires, which struck Canberra in January. They cost the Company in the vicinity of $26 million, with 323 claims in total including 47 houses destroyed. The incident serves as a strong message to the community to ensure that they hold adequate insurance cover.

The claims expense was also affected by an increase in costs in the Queensland Compulsory Third Party insurance market, where we have seen evidence of rising awards for personal injury.

Suncorp has been working with the government and regulator to review the scheme to maintain acceptable levels of affordability for consumers and profitability for insurers. We are cautiously optimistic that planned legislative changes will check rising claims costs and maintain the stability of the scheme.

The General Insurance result benefited from a one-off gain of $16 million made from the sale of two central Brisbane property assets, and that amount is included in other income in the table to the left.

It also was gratifying to see an improvement in investment income on shareholder's funds during the year, following the poor returns of 2002. During the second half we announced that we were reducing the proportion of shares in our investment portfolio from 85 percent to approximately 40 percent. While this will slightly reduce the expected investment returns over the long term, it also will reduce the volatility of our earnings and produce a more reliable income stream.

Overall, conditions in the general insurance industry are now fundamentally strong, following a period of consolidation. Prices have risen considerably over the past two years and are now appropriate to cover the risks being borne by the insurance industry. Our challenge is to take our strong position and grow the business.

Wealth Management

The pre-tax profit from Wealth Management activities was $41 million for the year to June 2003, compared to $58 million in the prior year, which included a one-off profit of $8 million relating to the sale and restructure of property portfolios. The business environment remained difficult, as continuing weakness in investment markets resulted in a slowdown of fund inflows across the Australian funds management industry.

On a half year basis, the divisional results are improving. The second half profit increased by 9 percent to $24 million, compared with the June half in 2002.

Wealth Management profits are derived from two sources – profits from the Life Company and earnings from Funds Management activities.

The Life Company recorded a pre-tax profit contribution in 2003 of $32 million, compared with $39 million in the prior year. The profit fell mainly because of lower experience profits, and reductions in the value of subsidiary service companies, due to the impact of poor investment market conditions.

Funds Management profit was $9 million at June 2003, compared with $11 million in the prior year (excluding an $8 million one-off profit for the sale and restructure of property portfolios in 2002).

Wealth Management funds under management at June 2003 totalled $9.9 billion, an increase of 5 percent on the previous year. Funds Management activities outperformed the benchmark in all asset classes recording a positive return in the asset classes of cash, fixed interest, domestic equities and property trusts, while international equities recorded a negative return, in the 12 months to June 2003.

	Year ended 2003 $m	2002 $m	Change %
Wealth Management Profit			
Life Company	32	39	(17.9)
Funds Management	9	19	(52.6)
Pre-tax profit	**41**	**58**	**(29.3)**

Excludes Life and Super policy owners' interests, and tax.

Looking Forward

'be heard'

The theme of this year's report, as you would have seen from the front cover is 'be heard'. That is the brand promise for our newly launched marketing and branding campaign. The approach we are adopting is all about service. We believe that is the key to success in our business today, and we pride ourselves on maintaining excellent service quality.

Through the 'be heard' campaign, the message we are conveying is that Suncorp listens to its customers in order to better understand their needs and then acts decisively to deliver relevant solutions, through continually improving products and extraordinary customer service.

The external campaign is a natural extension of a major internal program to ensure that the organisation stays very customer focused. The internal program is called the Customer Service Initiative. It involves tracking our performance in key service areas. For example, we know that customers don't want to wait in queues at branches or on the phone and we know they want their smashed car repaired quickly. So we measure how our service rates in these areas and a number of others.

Outlook

I would like to turn to the outlook for the coming year.

The Australian financial services industry is highly competitive across all areas of business and all major product lines.

In Banking, we would expect to see some slowing in the extraordinarily high credit growth that has been evident over the past two years, particularly in the housing sector. However, we expect the changes we are making to our home lending processes and distribution to lead to improved sales and better retention rates.

Interest rates are expected to be fairly stable for the immediate future, so we would not expect significant reductions in margins, and we remain confident that overall credit conditions will continue to be favourable. Consequently, we would expect to report an increase in profit before tax of between 8–10 percent for the year.

In General Insurance, as I mentioned earlier, the industry has recently been through a structural change which has significantly improved the operating environment and lifted profitability. While we expect to see continued strong competition in general insurance, we believe that new disciplines are now being imposed on the industry which will help to ensure that rational pricing practices prevail for the foreseeable future.

Speaking more specifically about the Suncorp business, during the coming year we will gain further benefits from the flow through of the Transformation exercise. We also will be implementing a range of initiatives across the business to drive improved growth, such as the revitalisation of the GIO brand and the restructuring of commercial distribution management.

These factors should enable the General Insurance division to deliver an insurance trading result towards the high end of our target range of 10–13 percent of net earned premium for the full year, assuming no natural disasters, unusual claims events or financial catastrophes.

Wealth management markets are showing signs of recovery as equity markets regain lost ground and investor confidence improves. The measures we are taking to improve our product set and distribution capability should lead to increased inflows on the back of our strong investment track record. So we would expect to see high single digit growth in Wealth Management profit before tax.

Taken together, these improvements should lead to a solid profit result, and an increase in underlying profit, before goodwill, tax, one-off gains and investment earnings on shareholder's funds, of the order of 15 percent in the full year.

Summary

So in summary, we have had a good year and an excellent final six months. We have an ambitious vision, a clear strategy and detailed plans. We expect to build on our strong track record and deliver increasing benefits to our customers, staff, community and shareholders.

To achieve our goals requires the dedication and commitment of our staff across Australia. They have all made a great effort in the past year, in the face of considerable change and upheaval. They have demonstrated the Suncorp 'can-do' culture. I would like to thank them sincerely for their efforts.

Finally, I would like to thank my colleagues on the Board and all the shareholders for their strong support.

John Mulcahy
Managing Director and Chief Executive Officer

Group Overview

Who we are

Suncorp is one of Australia's 30 largest listed companies and the most diversified of the country's major financial services institutions.

We are a national Company with our Head Office in Brisbane, Queensland. We are Australia's sixth largest bank and second largest insurance company, with total assets of more than $38 billion. The Company has a market capitalisation of approximately $6.5 billion, 194,000 shareholders, and approximately 8,000 staff.

Our main businesses are retail and business banking, general insurance, life insurance, superannuation and funds management. The focus of our business is on retail consumers and small to medium sized businesses.

In Banking, the Company lends more than $25 billion to 890,000 customers nationally, and operates in home lending, consumer lending and deposits, transaction accounts, property development finance, property investment, lease finance, commercial lending and agribusiness.

In General Insurance, Suncorp earns annual premium revenue of more than $2 billion nationally and has strong market shares in most of its insurance business classes including CTP, home insurance, motor insurance, workers compensation and commercial insurance.

In Wealth Management, we provide life insurance, superannuation and investment services to our 148,000 customers and we manage almost $10 billion in investments, including the reserves of our general insurance business and life insurance company.

Of our 3.8 million customers across the group, just over half are in Queensland, with the remainder spread throughout the rest of Australia.

Our customers have access to 229 Suncorp Retail and Business Banking branches and outlets, predominantly in Queensland, and 40 GIO agencies nationally. As well, we have mobile lenders, insurance representatives and financial advisers located across the country. The Company owns the LJ Hooker real estate franchise, and we distribute lending products through mobile consultants attached to the LJ Hooker and First National networks. We also have an exclusive distribution arrangement with the AMP network to sell general insurance products.

Our customers have access to 243 Suncorp ATMs and more than 21,600 ATMs of other banks, as well as 6,000 EFTPOS terminals. Nearly 170,000 Suncorp customers now use our internet service for their everyday banking needs. Over the last year, $2.5 billion in funds transfers (up 70 percent), $1.1 billion in BPAY® transactions (up 65 percent) and $0.9 billion in external transfers (up 250 percent) were made by internet bankers.

Customers can also make applications on line for a transaction account, credit card, home or investment property loan, small business loan or personal finance loan, share trade, manage a margin lending facility or a superannuation account, and purchase home or car insurance. More than 11,000 customers go online for insurance quotes each month.

Our seven call centres, which take care of customers' banking, insurance and wealth management needs, average more than 1.3 million calls per month.

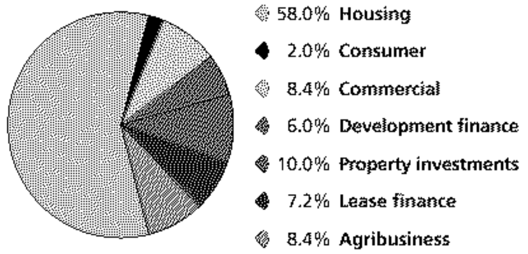
Banking

Our Business in Profile

We are Australia's sixth largest bank, with total loans of $25 billion to more than 890,000 Retail and Business Banking customers.

Our portfolio is dominated by low risk housing loans, which make up 58 percent of the total portfolio, but we also have extensive business banking operations, with assets of $9.9 billion.

Banking portfolio
$25b as at 30 June 2003



be heard

Our 8,000 staff are located all over Australia although the majority are in Queensland and New South Wales. From Perth to Penrith, Hobart to Cairns, they are capable, committed and customer focused. We have created an environment which supports them to get on and do what they do best! Staff are encouraged to have a sense of ownership of the new corporate vision and to develop their own goals and plans so that they can realise the vision for themselves. We also recognise the demands on staff both at work and outside of work and offer a range of practical support to assist juggling these responsibilities to provide a better work/life balance.

Group Overview

The bulk of our lending is in Queensland, which makes up $16 billion of our $25 billion in loans, but we have a growing proportion interstate. Total assets outside Queensland increased by 27 percent to almost $9 billion during the year, which is equal to 36 percent of the portfolio.

In Retail Banking, we offer our 828,000 customers home and personal loans, transaction and savings accounts, credit cards and foreign currency services through an extensive branch network, ATMs, call centres, the telephone and the internet.

In Business Banking we have 64,000 customers and a broadly diversified portfolio. It includes lending in property, agribusiness, commercial banking and equipment and lease finance and trade finance.
Of our total business banking assets of $9.9 billion, approximately 58 percent are in Queensland, and we have a solid, growing presence in NSW, Victoria and Western Australia.

Our network of 187 Business Banking managers includes 60 specialist agribusiness managers throughout Queensland, NSW and Victoria.We have been providing financial services for rural producers for over 100 years and today provide over $2 billion in loans to this sector. We hold approximately 25 percent of the agribusiness market in Queensland and in other states our agribusiness market continues to expand strongly.

Commercial Banking provides working capital and term finance for small to medium enterprises. This year commercial lending assets grew by 22 percent to over $2 billion reflecting the development of our business distribution network and our business banking branding.

Development Finance, which provides finance for mainly residential developments in metropolitan areas, had the strongest asset growth, buoyed by rising property values and continued construction activity.The portfolio increased by 28 percent to $1.48 billion. Property Investment, which includes finance for facilities such as shopping centres and warehouses, also grew strongly, rising 14 percent to $2.52 billion.

Operational Highlights of 2003

The Company launched its new Visa credit card in June, following research showing strong demand from our customers. The initial response has been well beyond our initial expectations, as customers have recognised the many attractive design features of the card.

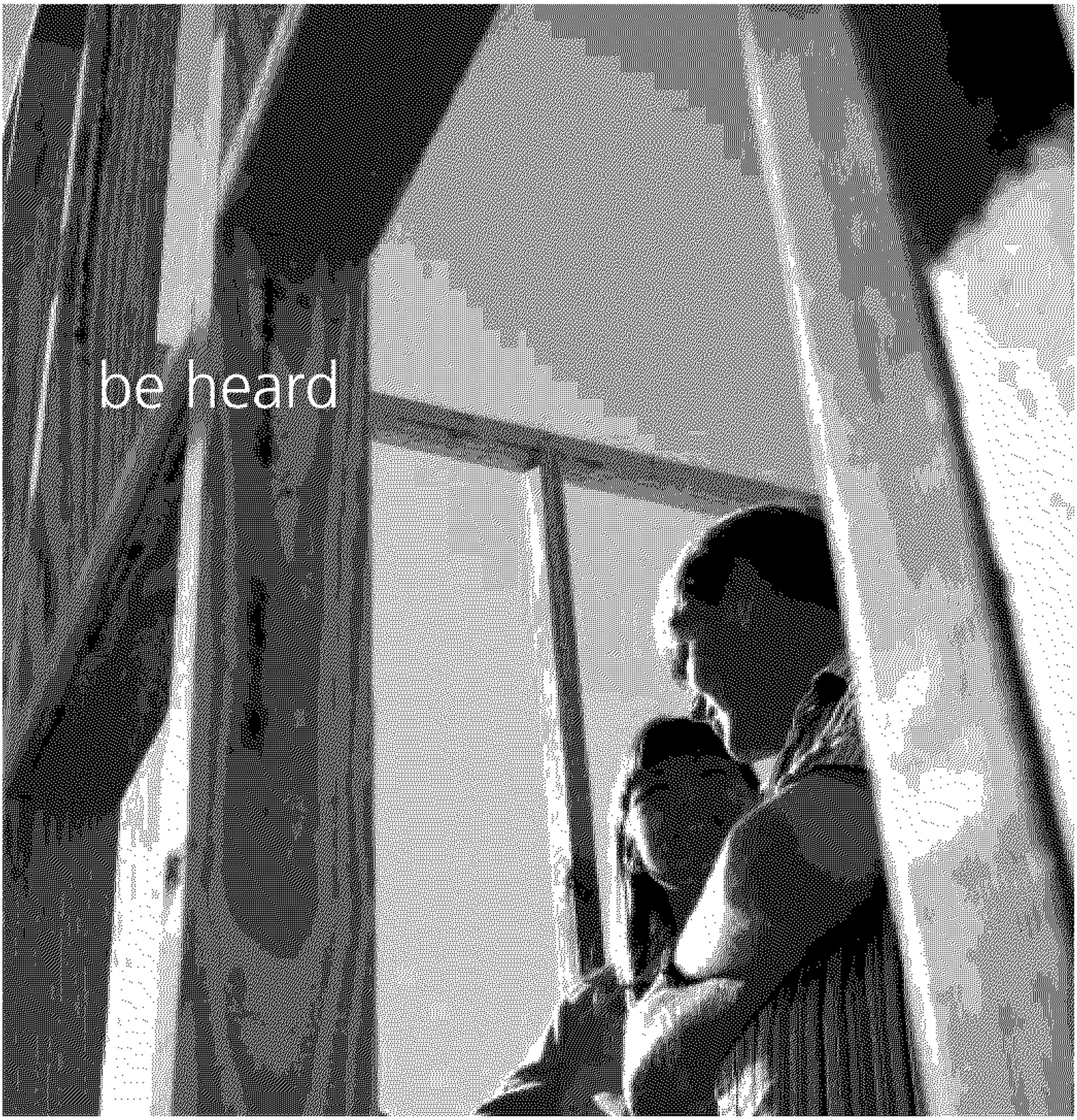
Called Suncorp Clear Options, the card provides a wide range of choices for customers, with rewards available including travel, merchandise and cash vouchers. Customers can choose either a standard card or premium card, with different fees, interest rates and interest free days, depending on their individual preferences. The card was recently ranked by independent group Cannex as one of the best in the country.

The card fills out the Suncorp product range, enabling us to provide a full suite of products for our retail and business customers.

Another operational highlight of the year was the introduction of the next stage of our customer relationship technology called Enterprise. The system enables us to provide excellent service by tracking all of our products and services that any individual customer uses. This means that when a customer either phones the call centre or stops at a branch, the person they speak to has the information available to provide the required assistance. The latest update of Enterprise enables changes in customer details, such as a change of address, to be recorded across all our product data bases, avoiding duplication and improving service for our customers.

The Environment

Credit growth across the industry remains strong, particularly in housing.The levels of lending growth the industry has experienced in the housing segment in the past year are expected to moderate in 2004, but this is expected to be offset by ongoing strength in business lending. The operating environment remains positive, with low interest rates, good economic growth and favourable credit conditions prevailing.



Teacher Aides Stewart and Michelle Webber inspect their new home under construction in Brisbane. "Everything has been going well but it's been a long time coming," said Michelle. "We're very excited about moving in soon, especially having the swimming pool ready in time for the hot summer days." The Webbers took advantage of our Ready Access home loan, with its introductory discounted interest rate for the first 12 months, redraw facility and savings account that allows all of their funds to be 100 percent offset against their loan. The introductory interest rate was used for the purchase of their land and they were then able to add to that same loan for the construction of their house.
Suncorp processed nearly 60,000 home loans during the year.

Group Overview

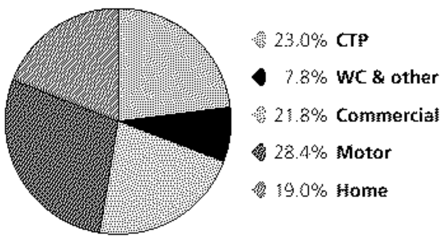
General Insurance

Our Business in Profile

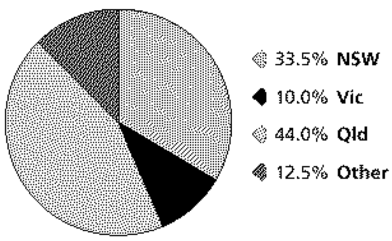
We are Australia's second largest general insurance company, with annual premium revenue of more than $2 billion. Our General Insurance division takes care of 3.3 million customers Australia wide, providing home insurance, motor vehicle insurance, personal effects cover, commercial insurance, Compulsory Third Party insurance (CTP) and workers' compensation services.

We have a broad geographical spread, with 44 percent of our premium revenue coming from Queensland, 34 percent from NSW, 10 percent from Victoria and the rest spread between Western Australia, Tasmania and the ACT.

General Insurance portfolio
Gross written premium
$2.26b as at 30 June 2003



Gross written premium by state
$2.26b as at 30 June 2003



We hold substantial market shares nationally and we continue to be market leaders in our Queensland home base in motor insurance (32 percent), in home insurance (29 percent) and CTP insurance (54 percent). Across Australia we provide cover for more than 1.8 million motor cars and 900,000 homes.

Our commercial insurance business covers property, liability, motor, marine and associated risks throughout Australia. We remain the leading provider of commercial insurance products to around 270,000 small to medium businesses, or 25 percent of the national market.

Through GIO we offer workers compensation services in New South Wales, Australian Capital Territory, Western Australia and Tasmania to more than 120,000 enterprises in the government and private sectors.

Over the year we paid out more than $1.5 billion in claims to people who had suffered financial misfortune in one form or another. We settled more than 355,000 motor, home and commercial claims and over 4,000 casualty claims. Natural disasters and storms in four states, including the devastating Canberra bushfires, resulted in more than 2,300 claims. We also settled more than 8,000 compulsory third party, disability, trauma and accidental death claims in the year.

Operational Highlights

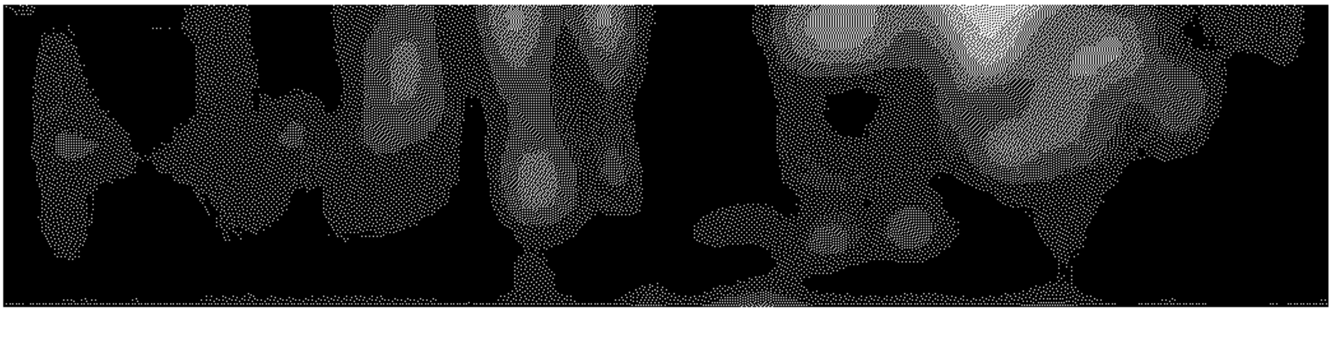
A highlight of the past year from an operational perspective was the completion of the Transformation program for the integration of the GIO business. The program, which commenced in December 2001, was officially completed in June this year, delivering savings and revenue benefits worth $240 million in a full year and contributing to a dramatic improvement in our operating efficiency.

The program involved hundreds of initiatives aimed at improving service and lifting efficiency.

One of the major improvements implemented during 2003 was the restructuring of our claims operations. We built three new motor vehicle assessment centres in Sydney, at Seven Hills, Arncliffe and Moorebank, and we upgraded the Artarmon centre. In Melbourne, we relaunched our motor vehicle assessment centres and substantially increased customer awareness, thereby improving the usage of the centres, which offer significant service advantages for customers. They simply need to drive their damaged car into the centre, and we take it from there, taking the hassle out of the process for our customers.

be heard

Rocky Point Sugar Mill in south-east Queensland has a 125 year history in the hands of five generations of the Heck family. Wanting to ensure the long term viability of the family enterprise, the Heck family entered into an arrangement which allowed the construction of a cogeneration power station adjacent to the sugar mill using the sugar cane waste after milling as the primary fuel for the plant. Suncorp assisted the family with the significant refurbishment of the old milling facilities. The $50 million cogeneration plant generates up to 160,000 megawatt hours of 'green' energy annually from waste that would otherwise have been consigned to landfill or burnt. This electricity supplies more than 18,000 homes and reduces greenhouse gas emissions by up to 130,000 tonnes. Through their foresight Bill Heck, and sons David and Murray are ensuring a cleaner and financially secure future for the family's sixth generation and local cane producers as well as leading the way for the rest of the sugar industry.



We simultaneously extended our Queensland service commitment to our customers in NSW and Victoria. We guarantee those customers who drive their damaged cars into our assessment centres that we will have the repairs done within seven days, or we will provide a courtesy car until the repair is completed. We also guarantee the repairs for the life of the car.

Another operating highlight of the year was the creation of new call centres in Toowoomba and Melbourne, focused on providing support for GIO customers. During the year we completed the restructuring of the former GIO district offices, replacing them with a centralised processing system and centralised phone support for our customers. In Toowoomba, we have 110 dedicated teleclaims staff, with all new claims now taken over the phone, providing significantly improved convenience for customers and faster service.

Additional efficiencies were also achieved during the year through the introduction of workflow and imaging technology to GIO claims processing. This makes the processing of claims paperless, and therefore much quicker for customers.

The General Insurance Industry

The fundamentals in Australia's general insurance industry have improved dramatically in the past two years, due to structural adjustments following major losses in the recent past.

While competition remains healthy, industry profitability has improved because companies have adopted a more disciplined approach to pricing their policies following the demise of the HIH Insurance group.

This has been given regulatory weight through important new prudential guidelines which require insurers to hold significant funds in reserve to cover claims costs. Insurers are now pricing their products at appropriate rates to enable them to put aside sufficient funds to cover the underlying risks and provide an acceptable return for shareholders. In this new environment, consumers can feel much more confident that when a claim is made, the insurance company will have the money available to pay the claim.

Suncorp has always adopted a conservative approach to its reserving. In other words, we make sure that when a claim is made, we put aside enough money to cover the eventual cost. In fact, we set aside significant additional funds, called risk margins, to increase the security of our position. In the year to June 2003, our risk margins totalled approximately $570 million, and our total outstanding claims provisions were $3.8 billion. So consumers can feel very confident that Suncorp is strong and secure.

Following the completion of the Transformation exercise, the general insurance business is now turning its focus to growth, and is implementing a range of initiatives in the 2004 year to lift premium revenues in all our markets. With the fundamentals in the industry expected to remain healthy, the outlook is favourable.

Wealth Management

Our Business in Profile

Wealth Management is the smallest of our business lines, but it is arguably the segment with the greatest growth potential, both in terms of the industry and our business.

The business can be viewed in two parts – the Life Company, and the Funds Management operations.

Within the Life Company, we provide a full range of life insurance, superannuation and managed investments, with a comprehensive range of products and services, including financial planning and advice, to 148,000 retail customers.

We are growing our Wealth Management business through leveraging the highly developed cross-sell capabilities in the organisation, our strong investment performance, our broad product set and our extensive distribution networks.

We have 154 financial advisors and investment consultants in our branches who are able to take advantage of leads generated through the network, including opportunities with our GIO customers.

We offer individual investors in our retail unit trusts easy access to nine options from secure cash to property and shares, providing attractive short, medium and long term investment.

be heard

Photo courtesy: Newspix/David Lucietto

When bushfires struck Canberra in January, Suncorp and GIO were there to help our customers deal with the tragedy. Within 24 hours of the fires hitting the suburbs of Canberra, we had 30 assessors and support staff on the ground, organising temporary accommodation for customers, providing immediate cash support payments, and just being there to answer people's concerns. In total, we received 263 major claims related to the fires, including 47 houses totally destroyed. Over the following months, we paid out a total of $26 million in claims, and we maintained a strong staff presence in the nation's capital to help people rebuild their lives.

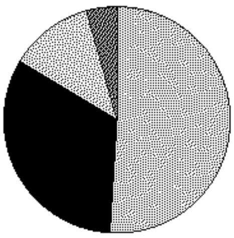
Photo courtesy: Newspix/Michael Jones

Easy Super provides personal super, employer sponsored and allocated pension choices. There are 25 investment options offered within Easy Super Personal Superannuation and Easy Super Allocated Pension to meet different investment needs with the flexibility to invest in one portfolio or in any combination of portfolios. Registered members and employers have online access to Easy Super superannuation accounts.

Term, trauma and income protection insurances are also available for policyholders seeking lump sum or income payments in cases of sickness or injury or benefits to families should the insured person die.

In Funds Management, we manage $9.9 billion in funds, including $3.6 billion in life insurance and managed investments for customers, $1.2 billion in wholesale funds, and $5.1 billion from reserves of our general insurance business. Together, these sources of funds provide us with the critical mass to be within the top 20 fund managers in Australia.

Funds under management
$9.9b as at 30 June 2003



The funds are invested across a range of asset classes, with the majority in Cash, Australian fixed interest and Australian equities.

Operational Highlights

The operational highlight of 2003 was our investment performance. Despite subdued financial markets overall, we outperformed the industry benchmarks in all major investment classes.

	Market average results %	Suncorp results %
Investment Performance		
Australian Cash	4.97	5.25
Australian Fixed Interest	9.78	9.91
World Fixed Interest	12.23	12.71
Australian Equities	(1.71)	1.06
World Equities	(18.29)	(16.51)
Listed Property Trusts	12.15	12.57

Table represents the performance of all funds under Suncorp Metway Investment Management Ltd management.

Given the nature of our investment stakeholders, we have developed a natural funds management strength in the areas of Australian asset sectors.

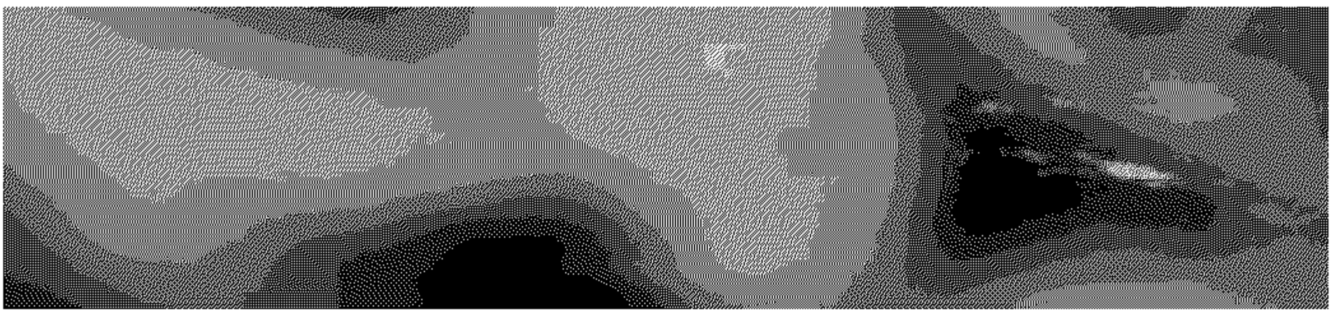
With $6 billion in Australian fixed interest and equities, we believe that our current size as a funds manager is a competitive advantage as many of our larger scale competitors may find it increasingly difficult to deliver superior investment performance in the future.

While wealth management businesses globally have been affected by investment market volatility in recent years, the medium term growth prospects are strongly underpinned by the need for Australians to provide for their own retirement needs and the compulsory nature of superannuation.

Customer Service Initiative **(refer page 7)**

The offer applies to cars, 4WD's, utilities, and vans up to two tonne carrying capacity, which were manufactured less than 31 years ago, which are comprehensively insured with Suncorp. The car must be driven to a Suncorp or GIO Motor Vehicle Assessment Centre for repairs following an approved claim. The offer excludes cars towed to a Suncorp or GIO Motor Vehicle Assessment Centre. Repairs to cars are to be carried out as directed by Suncorp. The offer excludes cars damaged as a result of hail or flood, or cars to which additional private work is to be carried out. The seven day offer is available for repairs for one claim only. Repairs to be made at the same time for additional claims will increase term of offer by seven days for each claim (eg two claims, 14 days). The courtesy car provided will be a 'small category' vehicle.

Recent retirees Don and Jill Atkinson share a love of gardening. This wonderful shady oasis which they have created at their suburban home is just the spot for a cup of tea or to take time out in the hot summer months. They have been clients of Suncorp Financial Planning for over seven years and have been accumulating superannuation contributions with retirement in mind. Their financial advisors put together a strategy using their superannuation and other monies to establish an allocated pension for each of them to provide a very tax effective retirement income. Don and Jill can now look forward to a very comfortable retirement knowing their income will be regular and stable, with little or no tax. Most importantly, their financial advisors will continue to review this strategy annually to ensure that this remains the case.



Our Community

We support the communities we serve by sponsoring numerous events and providing much-needed assistance to charities.

One of our largest community sponsorships is The Youth Enterprise Trust (YET), whose wilderness-based programs and ongoing support help young Australians from all walks of life discover a sense of purpose in their lives. This year, the Trust received $74,000 from a marketing campaign in which we donated $10 for each new CTP insurance policy that was switched to Suncorp.

The Bridge to Brisbane Fun Run, which involved 14,000 competitors, including 2,000 staff and their families, completing a 12 kilometre course along the Brisbane River, raised around $200,000 for the Brisbane PA Hospital Research Team and the Cerebal Palsy League.

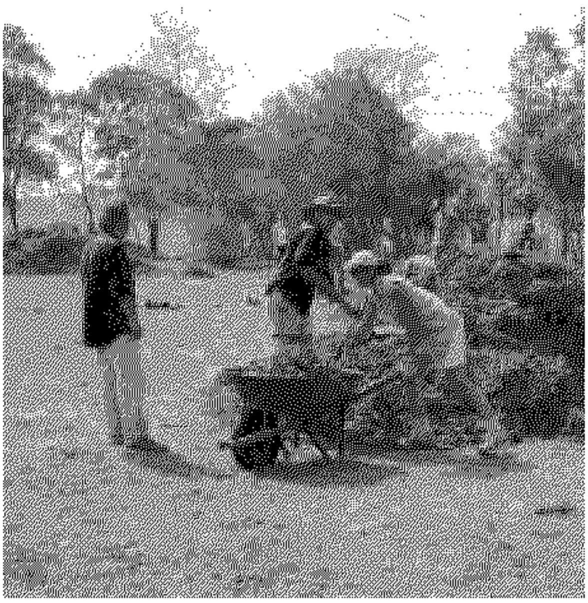
We also sponsored Queensland's highest citizenship honours, which were announced by Premier Peter Beattie at a special ceremony at Parliament House. Professor Alan Mackay-Sim received Suncorp Queenslander of the Year for his groundbreaking research which has the potential to help paralysed people walk again. And Alice Chang, a 23-year-old medical student, received Suncorp Young Queenslander of the Year for her passionate work to raise the profile of youth issues and young Queenslanders in the community.

This year, as part of our support of our agribusiness customers, we sponsored Beef Australia in Rockhampton, the country's premier beef cattle industry event. We also sponsored Butterfly Week for the Hear and Say Centre, raising funds and awareness for deaf and hearing-impaired children, and Daffodil Day, the Cancer Council's biggest fundraising event of the year for cancer research, education and patient/family support.

Other community programs during the year that received our support included:

- Suncorp River*fire*
- Royal Flying Doctors Service
- Salvation Army Red Shield Appeal
- B105FM Christmas Royal Children's Hospital Appeal
- Parramatta Chamber of Commerce NSW – regional business awards for excellence
- Urban Development Institute of Australia's national and Queensland awards for excellence in property development
- Queensland Cricket

Staff also gave freely of their time and expertise to help charities and local community events. For example, in Brisbane and Sydney staff stepped up to the World's Greatest Shave challenge and helped raise over $15,000 for leukaemia research and patient support. They also responded enthusiastically to raising funds for community Christmas Days for rural families in drought stricken areas across the Darling Downs in Queensland.



Over 100 volunteers, including Suncorp staff, joined the Back to Woodstock working bee as part of their commitment to the YET program. They painted Kurrajong House inside and out, built a chook pen and planted 300 trees.

Over 14,000 people ran or walked either 12 or 4.5 kilometres to the finishing line in the Bridge to Brisbane Fun Run which raises thousands of dollars for charity each year.

be heard

Photo courtesy: The Courier-Mail

We announced two important sponsorships this year that will bring significant benefits to Suncorp. In our biggest ever sponsorship deal, we signed on as an official partner of the Rugby World Cup 2003, the largest sporting event in the world this year, with a global audience estimated at four billion people in 209 countries. Australian rugby legend Nick Farr-Jones is our official RWC ambassador. A number of the RWC matches will be played at one of the finest sporting arenas in the country, Suncorp Stadium. We have secured the naming rights of this outstanding venue in Brisbane until 2009.

Group Executive

John F Mulcahy PhD (Civil Engineering), BE (First Class Hons)
Managing Director

John Mulcahy joined Suncorp as Chief Executive Officer on 6 January 2003. He had previously held a number of executive roles at the Commonwealth Bank since 1995. John ranks as one of the most widely experienced financial services executives in Australia. He also has broad management experience, having served as Chief Executive of Lend Lease Property Investment Services and Chief Executive of Civil & Civic prior to 1995.

Mark Blucher AAIBF
Group Executive Retail Banking Customers

Mark Blucher was recently appointed to his current position having previously held the position of Group Executive Retail Distribution and HR. His key function is Retail Banking customer management, with responsibility for the profit and loss outcome, product management, distribution and processing. Mark joined Suncorp as General Manager HR in September 1997 after having spent 19 years in a number of senior positions with the ANZ Bank's operation in New Zealand.

Bernadette Fifield MBA, BBus (Mktg)
Group Executive, Wealth Management, Group Strategy and Group Marketing

Bernadette recently joined Suncorp to take up a Group Executive role responsible for the Wealth Management business as well as Group Marketing, Group Strategy and Corporate Relations. Bernadette joins the group with over 20 years experience gained in senior roles across financial services. Bernadette was previously at the Commonwealth Bank where she held a number of senior executive positions including Executive General Manager, Business Development and General Manager eCommerce.

Carmel Gray BBus (Econ & Acc)
Group Executive Information Technology

Carmel Gray was appointed to her current position in 2001 and is responsible for the group's IT activities. She had previously held the position of General Manager IT since 1999, with a focus on organisational change and strategic alignment of IT within the business. Carmel has spent her career in the IT industry in a variety of management positions including Australian Managing Director of United Kingdom-based software and services provider Logica.

Peter Johnstone LLB
Group Executive HR, Projects & Central Services

Peter Johnstone was appointed to this position in the group's recent restructure. He was previously responsible for the integration of Suncorp and GIO businesses, as well as back-office functions of Banking. Peter has assumed responsibility for Human Resources which encompasses the introduction of Suncorp's new Leadership Framework. He retains the Legal Department, Central Services, and Corporate Projects Division. He was appointed to the role of Group General Manager Operations in March 1997 and added IT to his portfolio in November 1998. Before joining Suncorp in 1996, at which time he played an integral role in the Suncorp Metway group merger, Peter was General Manager Operational Support and General Counsel of the Bank of South Australia. He has over 30 years experience in finance, business and law.

Ray Reimer
Group Executive Business Banking Customers

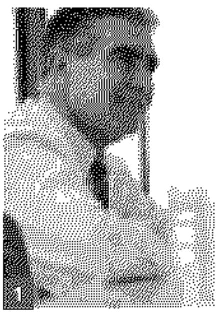
Ray Reimer was recently appointed to his present role and is responsible for commercial banking, agribusiness, property finance, equipment finance, corporate and trade finance customers. He brings a wealth of business banking experience to the position having previously held executive business banking and other senior roles throughout his 25 years with the group. Ray commenced his banking career with the Agricultural Bank and later held retail and commercial banking positions in Metway Bank.

Chris Skilton BSc (Econ), ACA
Chief Financial Officer

Chris Skilton was appointed Suncorp's Chief Financial Officer in June 2001. He was previously with Westpac where his final position was Group Executive, New Zealand and the Pacific Islands and prior to that Deputy Chief Financial Officer. Prior to Westpac, Chris was Managing Director and CEO of AIDC Ltd. He has over 20 years of direct experience in various senior roles in the finance sector.

John Trowbridge BSc, BE, BA, FIA, FIAA
Group Executive Suncorp Insurance

John Trowbridge, is responsible for the General Insurance business of Suncorp, including GIO. He joined Suncorp in 2002 following a distinguished consulting career, having established Trowbridge Consulting in 1981. John has given advice to all of Australia's major banks and insurance companies as well as State and Commonwealth Governments over a wide range of management, corporate and actuarial issues, and is an acknowledged leader in the insurance industry.








1 John F Mulcahy
2 Mark Blucher
3 Bernadette Fifield
4 Carmel Gray
5 Peter Johnstone
6 Ray Reimer
7 Chris Skilton
8 John Trowbridge

Board of Directors

John D Story BA, LLB, FAICD
Chairman Age 57

Director since January 1995, Deputy Chairman since June 2002 and Chairman since March 2003. John Story is non-executive Chairman of the law firm Corrs Chambers Westgarth and is a director of Jupiters Limited, CSR Limited and Australian Magnesium Corporation Limited. He is an Adjunct Professor of Law at the University of Queensland and a member of the Queensland Council of the Australian Institute of Company Directors.

William J Bartlett FCA, CPA, FCMA, CA (SA)
Non-executive Director Age 54

Director since 1 July 2003. Bill Bartlett is a director of RGA Reinsurance Company of Australia Limited. He has had 35 years experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He also has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board since 1994.

Ian D Blackburne MBA, PhD, BSc (First Class Hons)
Non-executive Director Age 57

Director since August 2000, Ian Blackburne is Chairman of CSR Limited, the Royal Botanic Gardens and Domain Trust (NSW) and the Australian Nuclear Science & Technology Organisation and is a director of Teekay Shipping Corporation. He retired in 2000 as Managing Director of Caltex Australia Limited after having spent 25 years in the petroleum industry.

Rodney F Cormie BCom, AAUQ, ASA, FSIA, FAICD
Non-executive Director Age 70

Director since December 1996, Rod Cormie is also a Chairman of Magellan Petroleum Australia Limited. He has had extensive experience as a company director and was a director of the Queensland Industry Development Corporation from 1990 until the creation of the Suncorp Metway Group in 1996.

Cherrell Hirst AO MBBS, BEdSt, DUniv (Hon), FAICD
Non-executive Director Age 58

Director since February 2002, Cherrell Hirst is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. She is Chairman of Peplin Biotech Limited and has been Chancellor of Queensland University of Technology since 1994. She is also Chair of the Board of Trustees, Brisbane Girls Grammar School and has recently become a member of the Board of Opera Queensland Limited. Cherrell was a former director of Metway Bank from July 1995 to December 1996.

James J Kennedy AO CBE DUniv (QUT) FCA
Non-executive Director Age 69

Director since August 1997, Jim Kennedy is a Chartered Accountant and a director of GWA International Limited, Macquarie Goodman Funds Management Ltd, Qantas Airways Limited and the Australian Stock Exchange Ltd. He is also a member of the Blake Dawson Waldron Advisory Board.

Martin D E Kriewaldt BA, LLB (Hons), FAICD
Non-executive Director Age 53

Director since 1 December 1996, Martin Kriewaldt was also a director of the Suncorp Group from 1990 and Chairman at the time of the creation of the Suncorp Metway Group in 1996. He is Chairman of Opera Queensland Limited, and a director of Campbell Brothers Limited, GWA International Limited, Oil Search Limited and the Australian Major Performing Arts Group. He is a consultant to Allens Arthur Robinson and Aon Holdings Australia Limited and a member of the Redeemer Lutheran College Council.

John F Mulcahy PhD (Civil Engineering), BE (First Class Hons)
Executive Director Chief Executive Officer Age 53

Director since joining Suncorp on 6 January 2003 as Chief Executive Officer. John Mulcahy is a member of the Business Council of Australia and the Australian Bankers Association Council. He previously held a number of executive roles at the Commonwealth Bank since 1995 and ranks as one of the most widely experienced financial services executives in Australia. John also has broad management experience, having served as Chief Executive of Lend Lease Property Investment Services and Chief Executive of Civil & Civic prior to 1995.

Chris Skilton BSc (Econ), ACA
Executive Director, Chief Financial Officer Age 49

Director since 13 November 2002. Chris Skilton was appointed Chief Financial Officer of Suncorp in June 2001. He has over 20 years experience in various senior roles in the finance sector including executive positions with Westpac Banking Corporation and as Managing Director and Chief Executive Officer of AIDC Ltd.









1 John Story
2 William Bartlett
3 Ian Blackburne
4 Rodney Cormie
5 Cherrell Hirst
6 James Kennedy
7 Martin Kriewaldt
8 John Mulcahy
9 Chris Skilton

Corporate Governance

The Board of Directors of Suncorp-Metway Ltd ('Suncorp' or the 'Company') is responsible for the Corporate Governance of Suncorp and its controlled entities (collectively the 'Suncorp Group'). Summarised in this statement are the main Corporate Governance practices that have been established by the Board and were in place throughout the financial year, unless otherwise stated, to ensure the interests of shareholders are protected and the confidence of the investment market in the Company is maintained.

Principles of Good Corporate Governance and Best Practice Recommendations

On 31 March 2003 the ASX Corporate Governance Council (Council) published a document entitled 'Principles of Good Corporate Governance and Best Practice Recommendations'. The document articulated 10 core principles and 28 best practice recommendations that the Council believes underlie good corporate governance and included guidelines to assist companies in complying with the principles and best practice recommendations.

Effective from the first financial year commencing after 1 January 2003, all listed companies are required to disclose the extent to which they have followed these principles and best practice recommendations. For Suncorp, this means disclosure of any non-complying practices must be made in next year's, (2004), Annual Report.

The Board supports the core principles and best practice recommendations published by the Council and will report by reference to them in this year's (2003) Annual Report. The current policies, procedures and practices of Suncorp, which have been developed and implemented by the Board and management over many years, comply with the principles and best practice recommendations published by the Council.

The list of 10 core principles and 28 underlying best practice recommendations and a description of the structures and practices Suncorp has in place to address each of the principles and best practice recommendations, is available on the Suncorp website at www.suncorp.com.au.

Board of Directors

Role of the Board

The Board is accountable to shareholders for the performance of the Suncorp Group and has overall responsibility for its operations.

The Suncorp Group conducts a diverse and complex range of business including banking, general insurance, life insurance and funds management, which means an important feature of the work of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulation Authority (APRA). Board members of Suncorp-Metway Ltd also undertake roles as directors of Suncorp Metway Insurance Limited, GIO General Ltd and Suncorp Life & Superannuation Limited, which are all subject to APRA regulation.

During the year, a Board Charter was adopted, which sets out the principles for the operation of the Board of Directors and provides a description of the functions of the Board and the functions delegated to management. A copy of that Charter is available on the Company's website under 'Corporate Governance', however the key functions of the Board and the functions delegated to management, as described in the charter, are summarised below:

Key functions of the non-executive directors of the Board:

- Approve the strategic direction and related objectives for the Group.
- Approve annual budgets.
- Monitor executive management performance in the implementation and achievement of strategic and business objectives and financial performance.
- Ensure business risks are identified and approve systems and controls to manage those risks and monitor compliance.
- Appoint and remove the Managing Director and ratify the appointment and removal of executives reporting directly to the Managing Director (senior executives).
- Approve the Managing Director's and senior executives' performance targets, monitor performance, set remuneration and manage succession plans.
- Determine and approve the level of authority to be granted to the Managing Director in respect of:
    - Operating and capital expenditure;
    - Credit facilities.
- Authorise the further delegation of those authorities to management by the Managing Director.
- Approve major operating and capital expenditure and credit facilities in excess of the limits delegated to management.

Composition of the Board

At the date of this statement, the Board comprises seven non-executive directors and two executive directors, (the Managing Director and the Chief Financial Officer). The names of those directors, including details of their qualifications and experience, are set out in the directors' profile section of the Concise Report and the Annual Report.

The composition of the Board is subject to review in a number of ways, as outlined below.

The Company's Constitution provides that at every Annual General Meeting, one third of the directors, excluding the

Managing Director, shall retire from office but may stand for re-election.

Board composition is also reviewed periodically by the Nomination and Remuneration Committee, either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board and the ongoing need to align those skills with the strategic demands of the group. Once it has been agreed that a new director is to be appointed, a search is undertaken, usually using the services of external consultants. Nominations are subsequently received and reviewed by the Board.

When undertaking such a review, the following principles, which form part of the Board charter, are applied:

- The Board shall comprise no more than 11 directors and no less than seven;
- A majority of directors must be independent, non-executive directors;
- The directors shall appoint as Chairman of the Board, one of the non-executive directors whom is deemed by the Board to be independent.

Director Independence and Conflicts of Interest

The Board has adopted a policy in regard to director independence which includes:

- criteria for determining the independence of directors;
- criteria for determining the materiality of a director's association or business relationship with the Company.

Based on these criteria, which are summarised below and which are based on the best practice guidelines, the Board considers all current directors, other than the Managing Director and Chief Financial Officer, to be independent.

The names of the directors considered to be independent at the date of this statement are;

Director	**Term in Office** (at the date of this statement)
John Story (Chairman)	8 years 7 months
Bill Bartlett	2 months
Ian Blackburne	3 years 1 month
Rod Cormie	6 years 9 months
Cherrell Hirst	1 year 7 months
Jim Kennedy	6 years 1 month
Martin Kriewaldt	6 years 9 months

The Board considers a director to be independent if the director is a non-executive director and:

- Is not a substantial shareholder of Suncorp or a company that has a substantial shareholding in Suncorp and is not an officer of or is otherwise associated with, either directly or indirectly, a shareholder holding more than 10 percent of the fully paid ordinary shares on issue in Suncorp.
- Within the last three years has not been employed in an executive capacity by the Suncorp Group or been a director after ceasing to hold any such employment.
- Within the last three years has not been a principal or employee of a professional advisor or a consultant whose annual billings to the Suncorp Group represent greater than 1 percent of the Company's annual (before tax) profit or greater than 5 percent of the professional advisor's or consultant's total annual billings.
- Is not a supplier or customer whose annual revenues from the Suncorp Group represent greater than 1 percent of the Company's annual (before tax) profit or greater than 5 percent of the suppliers, or customers, total annual revenue.
- Has no material contractual relationship with the Suncorp Group other than as a director of the Company.
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of the Company and independently of management.

The assessment of director independence made by the Board, included reference to the following circumstances:

a) Director Associations with a Professional Advisor or Consultant:

Two directors, Messrs Story and Bartlett have, in the last three years, held or continue to hold, a position of principal with firms providing professional advisory services to the Suncorp Group.

Mr Story is a member of Corrs Chambers Westgarth Lawyers, which provided legal services to the Suncorp Group throughout the year.

Mr Bartlett was, until 30 June 2003, a partner of Ernst & Young, a firm that provided audit and consultancy services to a Suncorp Group subsidiary company until October 2002. During the period those services were provided, Mr Bartlett did not act as signing partner or appointed auditor for any Suncorp entity. Ernst & Young continued to provide some non-audit services to the Suncorp Group during the year.

In all the above circumstances, none of the relationships or the services provided were or are deemed material in that they were within the Board determined policy limits referred to above.

Two directors, Messrs Kriewaldt and Kennedy have acted as consultants or advisors to firms providing professional advisory services to the Suncorp Group.

Mr Kriewaldt acted as a consultant to Aon Holdings Australia Limited and Allens Arthur Robinson Lawyers, which provided insurance brokerage and legal services to the Suncorp Group respectively, throughout the year.

Mr Kennedy acted as a member of an Advisory Board to Blake Waldron Dawson Lawyers, which may have provided legal services to the Suncorp Group, throughout the year.

The Board does not believe those relationships could affect the respective directors' independence in relation to any matter other than in the selection of a service provider. However, the selection of a service provider, other than for the provision of audit services or for matters of a strategic nature, are the responsibility of management and such decisions are made in the ordinary course of business, without any reference to any directors or the Board.

Such a determination regarding independence does not however change a director's obligations in relation to addressing matters of conflict of interest, and it is important from a corporate governance standpoint to distinguish between those concepts.

The procedures adopted by the Board to address actual or potential conflicts of interest are included in the Board Charter and require directors to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a conflict exists, the director concerned does not take part in any decision associated with the matter, including, as appropriate, not receiving the relevant board papers, not being present at the meeting whilst the item is considered and not being informed the decision has been taken.

b) Tenure in Office

The best practice guidelines also suggest that a director will be independent if the director *'has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company'*.

As disclosed previously in this Statement, the longest tenure of a director on the Suncorp Group parent entity Board is eight years and seven months, although two current directors, Messrs Kriewaldt and Cormie were directors of the Suncorp and QIDC entities respectively for some seven years prior to the merger with Metway Bank Limited in December 1996.

The Board do not consider those service periods to have in any way interfered with the respective directors' ability to act independently and in the best interests of the Company.

Board Appraisal

A structured process has been established to review and evaluate the performance of the Board. Each year, a survey of directors is coordinated by the Chairman to review the role of the Board, to assess the performance of the Board over the previous 12 months and to examine ways of assisting the Board in performing its duties more effectively, such as through further education.

Director Remuneration

As indicated elsewhere in this statement, the Nomination and Remuneration Committee has responsibility for recommending appropriate remuneration arrangements for directors. Recommendations are based on independent advice and factors such as the overall performance of the Company and the demands placed on directors in performing their role.

The total remuneration pool available for distribution to directors is determined by shareholders at the Annual General Meeting and was last considered by shareholders in March 1997. Also, shareholders have approved a directors retirement plan (Plan) which entitles directors to be paid a retirement benefit based on the highest total emoluments paid to a director during any consecutive three year period.

The movement in the retirement benefits provision for each director during the year and the amount of retirement benefits paid to retiring directors during the year under the terms of the Plan, are provided in the 'Directors Remuneration' note in the 2003 Annual Report and Concise Report.

Following a review of director remuneration, the Board have resolved to phase out the retirement benefit arrangements in the following manner:

- The company will cease to offer retirement benefits to non-executive directors appointed after 30 June 2003.
- Directors in office at 30 June 2003 remain contractually entitled to a retirement benefit. However those directors have agreed to cap their benefit entitlement as at 30 June 2004 and amortise their respective benefits entitlement from that date, over the period they remain in office, at a rate equivalent to 20 percent of their annual directors' fees.

  Those directors will remain entitled to receive the greater of:

  1. the amortised balance of their retirement benefit at the date they retire from office; **or**
  2. an amount equal to 25 percent of the total emoluments they received as a director over the period from the date of their appointment as a director to 30 June 2004.
- In recognition of the phasing out of the retirement benefits, directors' fees will be increased by 25 percent. For directors with accrued benefits, this increase will apply from 1 July 2004, being the date of commencement for the amortisation of their retirement benefits. For directors with no accrued benefit, the increase will apply from their date of appointment.

Directors believe these arrangements meet the intent of recent guidance on directors' remuneration while giving appropriate recognition to directors past service and contractual rights.

Full details of directors' benefits and interests are set out in the Directors' Report and Director Remuneration section of the notes to the 2003 Annual Report and Concise Report.

Director and Senior Management Dealings in Company Securities

The Suncorp Constitution permits directors to acquire securities in the Company, however its share dealing policy prohibits directors and senior management from dealing in the Company's securities or exercising options for a 30 day period prior to:

- the release of the Company's half-year and annual results to the Australian Stock Exchange;
- the Annual General Meeting;
- any major announcements; and
- and at any time whilst in possession of price sensitive information.

Directors (including the Managing Director) must advise the Chairman of the Board before buying or selling securities in the Company. The Chairman must advise the Chairman of the Audit, Business Risk and Compliance Committee before buying or selling securities in the Company. All such transactions are reported to the Board.

In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange, the Company advises the ASX of any transaction conducted by directors in securities in the Company. Full details of this policy are available on the Company's website under 'Corporate Governance'.

Independent Professional Advice

In accordance with the terms of its Charter, the Board collectively and each director individually, may take, at the Company's expense, such independent professional advice as is considered necessary to fulfil their relevant duties and responsibilities. A director seeking such advice must obtain the approval of the Chairman and such approval may not be unreasonably withheld. A copy of advice received by a director is made available to all other members of the Board except where the circumstances make that inappropriate.

Director Education

The Company has an informal process to educate new and existing directors about the nature of the business, current issues, and the corporate strategy. Directors also regularly visit the Suncorp Group's business units and meet with management to gain a better understanding of business operations.

Board Committees

In order to provide adequate time for the whole Board to concentrate on strategy, planning and performance enhancement, the Board has delegated certain specific duties to Board committees. To this end the Board has established four committees each with a defined charter, to assist and support the Board in the conduct of its duties and obligations. The structure and membership of the Committees and the Committee Charters are reviewed annually.

Copies of the charters for the Audit Business Risk and Compliance Committee and the Nomination and Remuneration Committee are available on the Company's website under 'Corporate Governance'.

Audit, Business Risk and Compliance Committee

The primary role of this committee is to monitor and review the effectiveness of the Suncorp Group's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting.

Specific issues addressed by the committee throughout the year, in accordance with its Charter included:

- Evaluation of the Suncorp Group's Reinsurance Program.
- Evaluation of the Suncorp Group's compliance and risk management structure and procedures.
- Business Continuity Planning.
- Financial Services Reform Legislation – Licence applications.
- Audit Planning.
- Reviewing internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.
- Reviewing the effectiveness of the internal audit function.
- Reviewing half-year and annual financial statements and reports prior to consideration by the Board.

All four permanent members of the committee, as listed below, are independent, non-executive directors. To further enhance the independence of the audit functions, (both internal and external) there are no management representatives on the committee, however the Managing Director, Chief Financial Officer, and the internal and external auditors are invited to committee meetings at the discretion of the committee.

The committee also holds discussions with the auditors in the absence of management on a regular basis and the provision of non-audit services by the external auditor is reviewed by the committee to ensure the integrity of the auditors independence is not prejudiced.

Membership: I D Blackburne (Chairman), M D E Kriewaldt, J J Kennedy (appointed 1 April 2003), J D Story (ex-officio from 7 March 2003), C Hirst (resigned 1 April 2003). W J Bartlett was appointed a member of the committee effective 1 August 2003.

(At the date of this Statement, the qualifications of the members of the committee satisfy the requirements of the best practice guidelines.)

Board Credit Committee

The primary role of this committee is to monitor the effectiveness of the Credit function of the Suncorp Group to control and manage the credit risks within the Suncorp Group, including the loan, investments and insurance portfolios and to identify and monitor the Suncorp Group balance sheet risk (interest rate risk and liquidity risk) within limits set by the Board.

Membership: R F Cormie (Chairman), J J Kennedy, J D Story (ex-officio from 7 March 2003), P Handley (resigned 31 March 2003), C Skilton (appointed 23 September 2002), C Hirst (appointed 1 April 2003), W S Jones (resigned 23 September 2002)

Investment Committee

The primary role of this committee is to monitor the effectiveness of the investment processes of the Suncorp Group in achieving optimum return relative to risk. This includes endorsement of investment strategies, monitoring investment performance to ensure the returns and risk profile of the portfolios are in accordance with investment mandates and that processes and systems comply with the various legislative requirements.

Membership: M D E Kriewaldt (Chairman from 1 April 2003), R F Cormie, C Skilton (appointed 23 September 2002), C Hirst (appointed 1 April 2003), J D Story (ex-officio from 7 March 2003), W S Jones (resigned 23 September 2002), P Handley (resigned 31 March 2003).

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (previously called the HR and Remuneration Committee) is responsible for making recommendations to the Board on:

- Appointment and removal of directors.
- Board performance.
- The remuneration of directors and the remuneration and performance targets of the Managing Director.
- Remuneration and performance targets of direct reports to the Managing Director.
- Appointments to and terminations of Senior Executive positions reporting to the Managing Director.
- Remuneration and human resource policy matters. An explanation of the Company's remuneration policies is set out in the Directors' Report in the 2003 Annual Report and Concise Report.
- Review board and management succession planning.

Membership: J D Story (Chairman), I D Blackburne, C Hirst (appointed 1 April 2003), P Handley (resigned 31 March 2003).

Risk Management and Internal Controls

The Company is required to manage a diverse and complex range of significant risks. Details of those risks and the type of controls and structures that are in place to ensure they are effectively managed, are set out in the 'Risk Management' section of the notes to the 2003 Annual Report.

However the Board has also established the following internal control framework:

- **Financial Reporting** – The Board receives reports monthly from management on the financial performance of each business unit within the Suncorp Group. The reports include details of all key financial and business results reported against budget, with regular updates on yearly forecasts. The Managing Director and Chief Financial Officer attest to the integrity of the financial reports provided to the Board each month and provide a written statement to the Board, in relation the Suncorp Group's half year and full year statutory accounts, that meets the requirements of best practice recommendation 4.1.
- **Continuous Disclosure** – The Company has in place policies and procedures to ensure all shareholders and investors have equal access to the Company's information and that all price sensitive information in relation to the Company's listed securities is disclosed to the ASX, in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules.

  The Manager Investor Relations has primary responsibility for all communications with the ASX and all Company announcements are placed on the Company's website at www.suncorp.com.au, following release to the ASX. A copy of the Company's disclosure policy is available on that website under 'Corporate Governance'.
- **Compliance** – Policies and procedures are also in place to ensure the affairs of the Suncorp Group are being conducted in accordance with good corporate governance practices. These procedures also ensure executive management and the Board are made aware, in a timely manner, of any material matters affecting the operations of the Suncorp Group that may need to be disclosed in accordance with the Company's disclosure policy, referred to above.

  These policies and procedures require all senior management personnel to complete a 'due diligence' report on a monthly basis, using an automated reporting system. Those reports are designed to identify any areas of non-compliance with legislative and regulatory requirements as well as internal policies and procedures.

  All matters identified are retained on each subsequent monthly report until the matter is finalised to the satisfaction of the appropriate level of management or in some circumstances a Board committee or the Board.

  A due diligence report for the Suncorp Group is signed by the Managing Director each month and a copy of that report is provided to the members of the Audit Business Risk and Compliance Committee.

Code of Conduct

Directors, management and staff are expected to perform their duties for the Suncorp Group in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Suncorp Group.

In accordance with this philosophy, a Code of Conduct has been adopted that draws together many of the policies that were already in place across the Suncorp Group. A copy of the Code of Conduct is available on the Company's website under 'Corporate Governance'.

Consolidated Financial Report

30 June 2003

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Directors' report

for the year ended 30 June 2003

Your directors present their report on the consolidated entity consisting of Suncorp-Metway Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2003.

Directors

The directors of the Company at any time during the financial year and up to the date of this report are:

John D Story (Chairman)
John F Mulcahy (Managing Director, appointed 6 January 2003)
William J Bartlett (appointed 1 July 2003)
Dr Ian D Blackburne
Rodney F Cormie
Dr Cherrell Hirst AO
James J Kennedy AO CBE
Martin D E Kriewaldt
Christopher Skilton (Chief Financial Officer and Executive Director appointed 13 November 2002)

R John Lamble AO was a director and Chairman from the beginning of the financial year until his retirement on 7 March 2003.

W Steven Jones was the Managing Director from the beginning of the financial year until his resignation on 23 September 2002.

R Patrick Handley was a director from the beginning of the financial year until his resignation on 31 March 2003.

John D Story was a director for the whole of the financial year and was appointed Chairman on 7 March 2003. He was Deputy Chairman up until this date.

Particulars of the directors' qualifications and experience are set out under Board of Directors in the Annual Report.

Principal activities

The principal activities of the consolidated entity during the course of the year were the provision of banking, general and life insurance, superannuation and funds management products and related services to the retail, corporate and commercial sectors.

There were no significant changes in the nature of the activities carried out by the consolidated entity during the year.

Review of operations

Consolidated profit from ordinary activities before amortisation of goodwill and related income tax expense for the year ended 30 June 2003 was $612 million (2002: $465 million). Consolidated profit from ordinary activities after amortisation of goodwill and income tax was $384 million (2002: $311 million).

Further information on the operations of the consolidated entity, and the results of those operations, can be found in the Chairman's Letter to Shareholders and the Managing Director's Letter to Shareholders in the Annual Report.

Dividends

A fully franked 2003 interim ordinary dividend of $137 million (26 cents per share) was paid on 31 March 2003. A fully franked 2003 final dividend of $159 million (30 cents per share) is recommended by directors.

Further details of dividends provided for or paid are set out in Note 25 on page 74 of the consolidated financial report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows.

On 11 March 2003 the consolidated entity underwent an organisational restructure along the four business lines (Retail Banking, Business Banking, General Insurance, and Wealth Management), plus key support areas. As part of the restructuring a number of changes were made to the senior executive team, reporting to the Managing Director. Subsequent to the organisational restructure a revised leadership and structural framework was implemented throughout the consolidated entity.

During the financial year, the Company entered into the following benchmark transactions:

Month	Amount	Maturity
October 2002/ January 2003	Euro 500 million	3 years
April 2003	AUD 480 million	3 years/ 3 1/2 years
June 2003	USD 250 million	10 years/ non-call 5 years

In September 2002, the Company completed a $750 million loan mortgage securitisation (APOLLO Series 2002-2). The securities were sold in domestic markets. A further loan mortgage securitisation of $789 million was completed in June 2003 (APOLLO Series 2003-1E). The securities were sold in both domestic and offshore markets.

In June 2003, the Company successfully completed its inaugural bond offering in the US market, with a USD 250 million offering of subordinated 144A/Reg S bonds. The offering was made in two tranches: a 10 year/non-call 5 year tranche of USD 150 million and a 10 year tranche of USD 100 million. Both tranches were rated A3/BBB+ and priced at 1.350 percent over US Treasuries, yielding coupons of 3.50 percent and 4.625 percent respectively.

Matters after the end of financial year

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Environmental regulation

The operations of the consolidated entity are not subject to any particular significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories. The consolidated entity may however become subject to environmental regulation when enforcing securities over land for the recovery of loans.

The consolidated entity has not incurred any liability (including for rectification costs) under any environmental legislation.

Likely developments

Information as to the likely developments in the operations of the consolidated entity is set out in the Chairman's Letter to Shareholders and the Managing Director's Letter to Shareholders in the Annual Report.

A new Code of Banking Practice is to be implemented across the banking industry during 2003. Owing to the late finalisation of the proposed Code of Banking Practice (CODE), developed by the Australian Bankers Association, and the need for further development of internal processes, the consolidated entity will now adopt the new CODE in 2004. We will also offer additional options to Guarantors, in respect of the disclosure information outlined in the Guarantees section of the new CODE.

The Financial Services Reform Act ("the FSR Act"), regulated by the Australian Securities and Investments Commission, was introduced on 11 March 2002. The FSR Act contains a two-year transitional period for the majority of changes. The consolidated entity is currently targeting September 2003 to obtain the Australian Financial Services Licences required to function under the FSR Act. These licences will be obtained once all FSR Act specifications have been satisfied and the consolidated entity determines to move into the FSR Act regime.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Insurance of officers

During the financial year ended 30 June 2003, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company and its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Indemnification of officers

Under the Company's Constitution, the Company indemnifies each person who is or has been a director or officer of the Company. The indemnity relates to all liabilities to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Constitution stipulates that the Company will meet the full amount of such liabilities, including costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

Directors' and senior executives' emoluments

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the directors and senior executives of the consolidated entity. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and accountabilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and expert advice.

The consolidated entity's remuneration policies are designed to align executives' pays with the interests of the shareholders by including performance-related pay. These payments are linked to the achievement of individual objectives that are relevant to meeting the consolidated entity's business objectives. Employees including executive directors and senior executives may receive annual bonuses based on the achievement of specific goals related to the performance of the consolidated entity including operational results. Non-executive directors do not receive any performance-related remuneration.

Performance-related pay may include deferred ordinary shares. The number of shares that vest is dependent on the performance of the consolidated entity over a three-year period. The measurement of the consolidated entity's performance is based on "Total Shareholder Return" compared with a peer comparator group of listed entities.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders which is $1,500,000 total for all non-executive directors. Non-executive directors are also entitled to retirement benefits in accordance with a shareholder-approved scheme.

Note 39 sets out the details of the nature and amount of each major element of emolument for each director and for each of the Group Executives of the Company and the consolidated entity.

Directors' report

for the year ended 30 June 2003

Options

The Company no longer grants options over unissued ordinary shares to employees as part of their remuneration. Ordinary shares in the Company were issued during the year ended 30 June 2003 on the exercise of options granted in previous financial years under the executive option plan. These are set out in note 44 on page 129 of the consolidated financial statements.

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Stock Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of the report is as follows:

	Fully paid ordinary shares	Options over ordinary shares
J D Story	72,067	-
J F Mulcahy	500,000	-
I D Blackburne	14,000	-
R F Cormie	15,735	-
C Hirst	3,383	-
J J Kennedy	31,735	-
M D E Kriewaldt	48,320	-
C Skilton	101,021	350,000

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

	Board of Directors		Audit, Business Risk and Compliance Committee		Investment Committee		Credit Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
J D Story	15	15	8	8[1]	-	-	6	2[1]	6	6
J F Mulcahy	7	7	-	-	2	2[2]	4	2[2]	-	-
I D Blackburne	15	14	10	10	-	-	-	-	6	6
R F Cormie	15	15	-	-	5	5	10	9	-	-
C Hirst	15	15	9	9	1	1	2	2	1	1
J J Kennedy	15	15	1	1	-	-	10	9	-	-
M D E Kriewaldt	15	15	10	10	5	5	-	-	-	-
C Skilton	8	8	-	-	1	1	1	1	-	-
R J Lamble[3]	10	9	-	-	-	-	-	-	-	-
W S Jones	3	2	-	-	-	-	2	1	3	3
R P Handley	11	9	-	-	4	4	8	7	5	5

Column A indicates the number of meetings held during the year while the director was a member of the Board or Committee.

Column B indicates the number of meetings attended by the director during the year while the director was a member of the Board or Committee.

(1) Represents the number of committee meetings attended by Mr Story during the period 1 July 2002 to 7 March 2003 only. Mr Story was appointed Chairman of the Board on 7 March 2003 and attended some meetings of the committees after that date in an ex-officio capacity.

(2) Mr Mulcahy attended committee meetings in an ex-officio capacity.

(3) Mr Lamble was Chairman of the Board for the period 1 July 2002 to 7 March 2003 and during that period he attended some meetings of all committees in an ex-officio capacity.

Rounding of amounts

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

Signed in accordance with a resolution of the directors.

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
29 August 2003

Summary of key financial information

for the year ended 30 June 2003

	2003	2002	2001	2000	1999	1998	1997 [3]
Financial performance							
Net interest income – banking ($m)	592	550	514	475	470	472	355
Fees and commissions – banking ($m)	202	155	123	97	108	115	62
Premium revenue – general insurance ($m) [4]	2,231	2,018	824	788	725	703	387
Premium revenue – life insurance ($m) [1][2]	86	76	610	543	572	399	220
Investment revenue – general insurance ($m) [4]	292	173	243	244	197	212	300
Investment revenue – life insurance ($m) [1]	117	27	221	307	208	173	195
Claims expense – general insurance ($m) [4]	1,937	1,697	810	684	655	674	407
Claims expense – life insurance ($m) [1][2]	60	58	396	486	597	465	247
Operating expenses ($m) [4]	1,151	1,126	615	604	602	551	419
Bad and doubtful debts expense ($m)	49	39	37	28	20	61	22
Profit from ordinary activities before amortisation of goodwill and income tax ($m)	612	465	521	520	356	304	243
Net profit attributable to members of the parent entity ($m)	384	311	395	335	247	233	150
Contributions to profit before tax and goodwill							
Banking ($m)	318	293	284	229	157	157	117
General insurance ($m) [4]	233	110	163	211	169	120	109
Wealth management ($m)	52	54	69	76	25	24	16
Other ($m)	9	8	5	4	5	3	1
Financial position							
Investment securities – general insurance ($m) [4]	4,755	4,375	3,091	2,828	2,390	2,183	3,618
Investment securities – life insurance ($m) [1]	3,132	3,161	3,000	2,732	2,488	2,401	2,490
Loans, advances and other receivables ($m)	24,459	22,955	20,146	18,067	16,769	15,812	14,644
Total assets ($m) [1]	38,434	35,435	29,717	26,219	21,484	21,424	19,908
Deposits and short term borrowings ($m)	21,579	18,176	16,908	14,509	11,671	11,846	11,734
Outstanding claims and unearned premiums provisions ($m) [4]	5,052	4,591	2,343	2,128	2,097	2,038	1,902
Life insurance gross policy liabilities ($m) [1][2]	2,661	2,780	2,651	2,363	2,136	2,058	2,068
Total liabilities ($m) [1][2][4]	34,787	32,073	27,000	24,295	19,596	19,609	18,172
Total equity ($m) [4]	3,647	3,362	2,717	1,924	1,888	1,815	1,736
Shareholder summary							
Dividends per ordinary share (cents)	56.0	54.0	52.0	46.0	44.0	44.0	40.0
Payout ratio (basic) (%)	81.3	96.6	58.0	60.9	67.2	65.2	66.4
Weighted average number of shares (basic) (million)	528.0	514.2	325.5	316.9	305.1	292.4	292.4
Net tangible asset backing per share (basic) ($)	4.44	3.83	5.41	3.72	3.26	2.93	2.62
Share price at end of period ($)	11.60	12.31	15.00	8.62	9.00	8.16	6.94
Performance ratios							
Return on average shareholders' equity (basic) (%)	11.30	11.40	19.70	22.13	23.25	27.15	22.84
Return on average total assets (%)	1.13	1.06	1.58	1.40	1.16	1.13	0.92
Productivity							
Group efficiency ratio (%)	23.9	26.5	29.4	28.5	N/A	N/A	N/A

(1) The assets, liabilities, income and expenses of the life insurance statutory funds are shown above where noted but were not included in the consolidated entity's financial report prior to 2000.
(2) From 2002 the consolidated entity has fully adopted the requirements of Accounting Standard AASB 1038 "Life Insurance Business", which resulted in a reduction in premium revenue, investment revenue, claims expense, and policy liabilities.
(3) The Suncorp/Metway/QIDC merger took place on 1 December 1996.
(4) The acquisition of GIO occurred effective 1 July 2001.

Refer page 136 for ratio definitions.

Statements of financial performance

for the year ended 30 June 2003

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Income from ordinary activities					
Banking interest revenue	3	1,668	1,514	1,675	1,538
Banking interest expense	3	(1,076)	(964)	(1,092)	(983)
	27(a)	592	550	583	555
General insurance premium revenue	3, 28(a)	2,231	2,018	-	-
Life insurance premium revenue	3, 29(a)	86	76	-	-
Banking fee and commission revenue	3, 27(a)	202	155	200	155
Banking fee and commission expense	3, 27(a)	(58)	(44)	(58)	(44)
Reinsurance and other recoveries revenue	3	302	299	-	-
General insurance investment revenue:					
insurance provisions	3	281	173	-	-
shareholder funds	3	11	-	-	-
Life insurance investment revenue	3, 29(a)	117	27	-	-
Other revenue	3	249	241	339	354
Share of net profits of associates accounted for using the equity method	38	9	5	-	-
Total income from ordinary activities		4,022	3,500	1,064	1,020
Expenses from ordinary activities					
Operating expenses from ordinary activities	4	(1,151)	(1,126)	(592)	(490)
General insurance claims expense	28(a)	(1,937)	(1,697)	-	-
Life insurance claims expense	29(a)	(60)	(58)	-	-
Outwards reinsurance premium expense	28(a), 29(a)	(161)	(167)	-	-
Decrease in net life insurance policy liabilities	29(a)	16	90	-	-
Increase in policy owner retained profits	29(a)	(49)	(24)	-	-
Non-banking interest expense	28(a)	(19)	(14)	(19)	(14)
Total expenses from ordinary activities		(3,361)	(2,996)	(611)	(504)
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense		661	504	453	516
Bad and doubtful debts expense	5	(49)	(39)	(49)	(37)
Profit from ordinary activities before amortisation of goodwill and related income tax expense		612	465	404	479
Amortisation of goodwill		(62)	(60)	-	-
Profit from ordinary activities before related income tax expense		550	405	404	479
Income tax expense relating to ordinary activities	6	(166)	(94)	(86)	(68)
Net profit attributable to members of the parent entity		384	311	318	411
Decrease in retained profits on the initial adoption of revised AASB 1028 "Employee Benefits"	2	(1)	-	(1)	-
Total changes in equity other than those resulting from transactions with owners as owners		383	311	317	411
		Cents	**Cents**		
Basic earnings per share	7	69.82	58.02		
Diluted earnings per share	7	69.74	57.87		

The consolidated statement of financial performance includes the revenue and expenses of the Statutory Funds of the consolidated entity's life insurance business which are subject to restrictions under the Life Insurance Act 1995 ("the Life Act"). Refer note 29(c) for further details.

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

as at 30 June 2003

		Consolidated		Company	
	Notes	2003 $m	2002 $m	2003 $m	2002 $m
Assets					
Cash and liquid assets	8	846	1,194	448	664
Receivables due from other financial institutions		68	57	68	57
Trading securities	9	3,174	1,498	3,174	1,498
Investment securities	10	7,902	7,544	2,059	2,060
Investments in associates	38	83	86	-	-
Loans, advances and other receivables	11	24,459	22,955	23,034	21,444
Due from controlled entities	36	-	-	2,339	1,255
Property, plant and equipment	13	217	206	34	35
Deferred tax assets	6	158	193	56	59
Intangible assets	14	1,038	1,099	-	-
Excess of net market value of interests in life insurance controlled entities		12	16	-	-
Other financial assets	15	477	587	129	253
Total assets		38,434	35,435	31,341	27,325
Liabilities					
Deposits and short term borrowings	16	21,579	18,176	22,040	18,745
Payables due to other financial institutions		26	70	26	37
Payables	17	1,273	832	1,045	337
Current tax liabilities	6	130	72	62	66
Provisions	18	104	329	8	162
Due to controlled entities	36	-	-	1,433	227
Deferred tax liabilities	6	118	198	39	53
Outstanding claims and unearned premiums provisions	19	5,052	4,591	-	-
Life insurance gross policy liabilities	20	2,661	2,780	-	-
Policy owner retained profits		319	271	-	-
Bonds, notes and long term borrowings	21	2,710	3,952	2,710	3,952
Subordinated notes	22	815	802	815	802
Total liabilities		34,787	32,073	28,178	24,381
Net assets		3,647	3,362	3,163	2,944
Equity					
Contributed equity	23	2,831	2,777	2,831	2,777
Reserves	24	22	22	21	21
Retained profits		787	557	311	146
Total parent entity interest		3,640	3,356	3,163	2,944
Outside equity interests in controlled entities		7	6	-	-
Total equity		3,647	3,362	3,163	2,944

The consolidated statement of financial position includes the assets and liabilities of the Statutory Funds of the consolidated entity's life insurance business which are subject to restrictions under the Life Insurance Act 1995 ("the Life Act"). Refer to note 29(c) for further details.

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

for the year ended 30 June 2003

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Contributed equity					
Ordinary shares					
Balance at the beginning of the financial year		2,533	1,585	2,533	1,585
Conversion of capital notes		-	558	-	558
Issue to fund GIO acquisition		-	162	-	162
Group executive option plan		6	13	6	13
Share purchase plan		-	201	-	201
Dividend reinvestment plan		48	18	48	18
Transaction costs		-	(4)	-	(4)
Balance at the end of the financial year	23	2,587	2,533	2,587	2,533
Converting capital notes					
Balance at the beginning of the financial year		-	558	-	558
Conversion to ordinary shares		-	(558)	-	(558)
Balance at the end of the financial year	23	-	-	-	-
Preference shares					
Balance at the beginning of the financial year		244	-	244	-
New issue to fund acquisition		-	250	-	250
Associated transaction costs		-	(6)	-	(6)
Balance at the end of the financial year	23	244	244	244	244
Total contributed equity		2,831	2,777	2,831	2,777
Reserves					
Asset revaluation reserve					
Opening balance		9	9	8	8
Closing balance		9	9	8	8
Pre-conversion reserve					
Opening balance		13	13	13	13
Closing balance		13	13	13	13
Total reserves	24	22	22	21	21
Retained profits					
Balance at the beginning of the financial year		557	546	146	35
Net profit attributable to members of the parent entity		384	311	318	411
Total available for appropriation		941	857	464	446
Increase in retained profits on the initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	2	152	-	152	-
Decrease in retained profits on the initial adoption of revised AASB 1028 "Employee Benefits"	2	(1)	-	-	-
Ordinary share dividends provided for or paid	25	(290)	(288)	(290)	(288)
Preference share dividends provided for or paid	25	(15)	(12)	(15)	(12)
Retained profits at the end of the financial year		787	557	311	146
Total parent entity interest in equity		3,640	3,356	3,163	2,944

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

for the year ended 30 June 2003

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Cash flows from operating activities					
Interest received		1,873	1,677	1,674	1,536
Dividends received		46	58	111	208
Premiums received		2,573	2,086	-	-
Reinsurance and other recoveries received		265	360	-	-
Other operating revenue received		701	598	507	377
Interest paid		(1,100)	(981)	(1,119)	(999)
Outwards reinsurance premiums paid		(175)	(179)	-	-
Claims paid		(1,768)	(1,715)	-	-
Operating expenses paid		(1,327)	(1,134)	(584)	(411)
Income taxes paid – operating activities		(126)	(55)	(96)	(21)
Net cash inflow from operating activities	40	962	715	493	690
Cash flows from investing activities					
Payments for purchase of controlled entities, net of cash acquired		(1)	(1,333)	-	(1,159)
Payments for purchase of investments in associates		-	(80)	-	-
Payments for plant and equipment		(125)	(96)	(1)	(2)
Proceeds from disposal of plant and equipment		2	5	-	1
Net (purchase) disposal of banking securities		(1,659)	172	(1,672)	156
Net increase in loans, advances and other receivables		(1,404)	(1,848)	(2,748)	(2,533)
Payments for insurance investments		(21,831)	(33,723)	-	-
Proceeds from disposal of insurance investments		21,157	33,860	-	-
Income taxes paid – investing activities		(31)	(42)	-	-
Net cash outflow from investing activities		(3,892)	(3,085)	(4,421)	(3,537)
Cash flows from financing activities					
Proceeds from issue of shares		6	616	6	616
Proceeds from issue of subordinated notes		13	267	13	267
Proceeds from net increase in borrowings		2,875	2,597	3,972	2,781
Dividends paid		(257)	(277)	(257)	(277)
Net cash inflow from financing activities		2,637	3,203	3,734	3,387
Net increase (decrease) in cash and cash equivalents		(293)	833	(194)	540
Cash at the beginning of the financial year		1,181	300	684	144
Cash acquired on acquisition of controlled entities	35	-	48	-	-
Cash at the end of the financial year	8	888	1,181	490	684

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with the Banking Act, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2003 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

In relation to the consolidated entity's life insurance business, which is conducted by Suncorp Life and Superannuation Limited, assets, liabilities, revenues and expenses are recognised in the consolidated financial report irrespective of whether they are designated as relating to policy owners or the shareholder. The shareholder's entitlement to monies held in the Statutory Funds is subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995 ("the Life Act").

Any excess in the valuation of entities controlled by Suncorp Life and Superannuation Limited over their recognised net assets is disclosed in the consolidated financial report as an investment entitled "Excess of net market value of interests in controlled entities". The recoverable amount of this asset is assessed regularly.

b) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Provisions for restructuring costs are recognised as at the date of acquisition of an entity on the basis described in the accounting policy note for restructuring costs (note 1(ac)).

Goodwill is brought to account on the basis described in note 1(w).

c) Revenue

Banking activities

Interest income

Interest income is recognised as it accrues.

Non-interest income

Fees and commissions are brought to account on an accruals basis. Material non-refundable front-end fees that are yield related and do not represent cost recovery are taken to the statement of financial performance over the period of the loan. Non-yield related application and activation lending fees received are recognised as income when the loan is disbursed or the commitment to lend expires. Fees received on an on-going basis that represent the recoupment of the costs of providing service, for example maintaining and administering existing facilities, are taken to income when the fees are receivable.

Dividends from controlled entities are brought to account when they are provided for in the financial statements of the controlled entities. Dividends from listed corporations are recognised as income on the date the shares are quoted ex-dividend.

Insurance activities

General insurance premium revenue

Direct premiums and inwards reinsurance premiums comprise amounts, including applicable levies and charges but excluding stamp duties collected on behalf of third parties, charged to policyholders or other insurers and are recognised net of the amount of goods and services tax ("GST"). The earned portion of premiums received and receivable, including that on unclosed business, is recognised as revenue. Premium revenue accrues on a daily basis from the date of attachment of risk. Premiums on unclosed business are brought to account by reference to previous years' experience and information that has become available between the reporting date and the date of completing the financial statements.

1. Summary of significant accounting policies (continued)

c) Revenue (continued)

Insurance activities (continued)

General insurance premium revenue (continued)

The pattern of recognition of income over the policy or indemnity periods is based on time, where this closely approximates the pattern of risks underwritten. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk. Unearned premium is determined by apportioning the premiums written in the year on a daily pro-rata basis, the 24ths method over the period of indemnity from the attachment of risk, or in the same pattern as the claims experience where time does not approximate the pattern of risk. The 24ths method assumes the pattern of risk is spread evenly over the duration of the policy and that the policies on average attach in the middle of the month.

Life insurance premium revenue

Premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as "Premiums outstanding" in Loans, advances and other receivables. Premiums due after but received before the end of the financial year are included in Payables.

Reinsurance and other recoveries receivable – general insurance activities

Expected reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and incurred but not yet reported claims are recognised as revenue at the same time that associated claims liabilities are recognised. Reinsurance and other recoveries receivable are estimated based on expected gross claims and reinsurance contracts. Recoveries receivable in relation to both short-tail and long-tail business are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Claims on short-tail business are expected to be settled within a 12 month period after balance date.

Investment revenue

Investment revenue is brought to account on an accruals basis.

Dividends from listed corporations are recognised as revenue on the date the shares are quoted ex-dividend. Distributions from listed and unlisted unit trusts are recognised on the date the unit value is quoted ex-distribution.

Changes in the net market value of investments are recognised as revenue or expenses in the statement of financial performance and are determined as the difference between the net market value at year end or consideration received (if sold during the period) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

Insurance managed funds income

Insurance managed funds income is earned from the rendering of general insurance and portfolio management services to external clients, and is recognised as it accrues.

Other revenue

Other items of revenue are recognised as they accrue.

d) Interest expense

Interest expense is recognised in the period in which it accrues. Interest, including premiums or discounts on issue of securities, is brought to account on either a yield to maturity or straight line basis according to the nature of the underlying security.

e) Claims

General insurance activities

Claims expense and a liability for outstanding claims are recognised as losses occur. The liability for outstanding claims includes claims reported but not yet paid, claims incurred but not yet reported ("IBNR") and the anticipated direct and indirect costs of settling those claims. Incurred but not enough reported ("IBNER") claims outstanding are assessed by reviewing individual claim files and estimating changes in the ultimate settlement costs using statistics based on past experience and trends. Outstanding claims on all classes are subject to either external or internal actuarial assessment.

The liability for outstanding claims for long-tail business is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date using market determined risk adjusted discount rates. The liability for outstanding claims for short-tail business is discounted and is measured as the present value of the expected future payments. These claims are expected to be settled within a 12 month period after balance date. The details of rates applied are included in note 19. These liabilities include appropriate prudential margins.

1. Summary of significant accounting policies (continued)

e) Claims (continued)

General insurance activities (continued)

Claims expense includes claims discount expense, being the portion of the increase in liability for outstanding claims arising from the passage of time as the claims liability discounted in the prior years comes closer to settlement.

Life insurance activities

Claims under investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on non-investment-linked business are recognised when the liability to the policy owner under the policy contract has been established.

f) Outwards reinsurance – insurance activities

Reinsurance contracts are separate transactions from the original insurance policy and are recognised separately. The gross amount of premiums received are recognised and where portions of the policy are reinsured the ceded premiums are recognised as reinsurance expense.

Premiums ceded to reinsurers are recognised as expenses in accordance with the pattern of reinsurance services received, being on a daily pro-rata basis for facultative and proportional reinsurance, and on an annual basis for non-proportional reinsurance.

g) Acquisition costs

Banking activities

Commissions paid to mortgage loan originators and lease brokerage are deferred and amortised over the period the benefits (net interest income) are expected to arise from the loans generated. Other commissions are expensed in the period the liability to pay commissions was incurred.

General insurance activities

Costs associated with the acquisition of business are deferred and amortised as an expense in line with the earning of the premium to which it relates. These costs include commissions or brokerage paid to agents or brokers, selling and underwriting costs, administrative costs of recording policy information and premium collection costs. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Recoverable amount of deferred acquisition costs is assessed by reference to the expected future profit implicit within the unearned portion of premiums written.

Life insurance activities

Acquisition costs, being the fixed and variable costs of acquiring new business, include commission, certain advertising, policy issue and underwriting costs, agency expenses and other sales costs. The actual acquisition costs incurred are recognised in the statement of financial performance.

Policy liabilities are determined by the Appointed Actuary after taking into account the value and future recovery of acquisition costs resulting in policy liabilities being lower than otherwise, and those costs being amortised over the period that they will be recoverable. The deferral and amortisation of acquisition costs are recognised in the statement of financial performance within "decrease in net life insurance policy liabilities".

The acquisition costs deferred are determined as the lower of actual costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class). The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative. Acquisition losses are recognised at inception to the extent this situation arises.

h) Basis of expense apportionment – life insurance activities

Expenses have been apportioned in accordance with Division 2 of Part 6 of the Life Act.

All expenses, excluding investment management fees which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses. Expenses which are directly attributable to an individual policy or product are allocated directly to the statutory fund within which the class of business to which that policy or product belongs. All indirect expenses charged to the statement of financial performance are equitably apportioned to each class of business. The expense apportionment basis is in line with the principles set out in the Life Insurance Actuarial Standards Board Valuation Standard (Actuarial Standard AS1.03 "Valuation Standard").

1. Summary of significant accounting policies (continued)

i) Foreign currency

Transactions

Transactions denominated in foreign currencies are initially translated to Australian dollars at the exchange rates ruling at the dates of the transactions. All foreign currency assets and liabilities at balance date are translated to Australian dollars at the rates of exchange current on that date. The resulting differences are recognised in the statement of financial performance as exchange gains and losses in the financial year in which the exchange rates change. Gains and losses on translation of insurance investments denominated in foreign currencies are recorded as a component of changes in the net market value of investments.

Where a foreign exchange hedge is terminated early because the anticipated transaction is no longer expected to occur, deferred gains or losses that arose on the terminated hedge are recognised in the statement of financial performance for that period. All other hedge transactions are initially recorded at the spot rates ruling at the dates of the transactions. Hedges outstanding at balance date are translated at the rates of exchange current on that date and any exchange differences are brought to account in the statement of financial performance. Costs or gains arising from hedges are deferred and amortised over the lives of the hedged positions.

Translation of controlled foreign entities

The assets and liabilities of foreign operations that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statement of financial performance is translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The assets and liabilities of foreign operations that are integrated are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

j) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

In respect of life insurance business, provisions for deferred income tax and future income tax benefits have been discounted to present values using reasonable assumptions as to interest rates, average periods for which each asset category of investments will be held and the tax rate applicable to the respective classes of business. Accounting Standard AASB 1038 "Life Insurance Business" requires shareholder and policy owner tax to be included in income tax expense in the statement of financial performance. The majority of life insurance tax is allocated to policy liabilities and does not affect net profit attributable to members of the Company.

k) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Gross written premium and net earned premium are net of the GST component of premium.

Receivables, payables and the provision for outstanding claims are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

l) Cash and liquid assets

Cash and liquid assets includes cash at branches, cash on deposit, balances with the central bank and money at short call. They are brought to account at the face value or the gross value of the outstanding balance.

m) Receivables due from other financial institutions

Receivables due from other financial institutions include nostro balances and settlement account balances. They are brought to account at the gross value of the outstanding balance.

n) Trading securities

Trading securities are government and other debt securities that are purchased for sale in the day-to-day trading operations of the banking business. They are brought to account at net fair value based on quoted market prices, broker or dealer price quotations. Realised gains and losses on disposal and unrealised fair value adjustments are reflected in "other income". Interest on trading securities is reported in net interest income. Trading securities are recorded on a trade date basis.

1. Summary of significant accounting policies (continued)

o) Investment securities

Banking activities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Insurance activities

Investments integral to insurance activities are measured at net market value at each balance date. Differences in the net market values of integral investments at the previous balance date (or cost of acquisition if acquired in the current financial year) are recognised in the statement of financial performance.

Investments include listed investments, government securities, cash deposits and other short term negotiable securities and freehold land and buildings, whether wholly or partly owner occupied or fully leased.

Net market values for listed investments and government securities are determined by reference to market quotations. Net market values for unlisted investments are determined by reference to independent valuations based on the latest available information on the investments. Net market values for freehold land and buildings are determined by independent valuations by registered property valuers. Buildings are not depreciated.

Investments not integral to insurance activities including cash deposits, short term negotiable securities and interests in unlisted investments are carried at the lower of cost and recoverable amount.

p) Investments in associates

Investments in associates are accounted for in the consolidated financial report using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits of associates is recognised in the statement of financial performance and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial report. Associates are those entities over which the consolidated entity exercises significant influence but not control.

q) Loans and other non-lease receivables

Loans and other non-lease receivables include all forms of lending and direct finance provided to customers, such as variable, controlled and fixed rate loans, overdrafts, bill financing and other facilities. They are carried at the principal amount outstanding less provisions for impairment.

r) Lease receivables

Finance leases

Finance leases, in which the consolidated entity is the lessor, are recognised in "Loans, advances and other receivables" in the statement of financial position at the beginning of the lease term at the present value of the minimum lease payments receivable plus the present value of any non-guaranteed residual value.

The finance revenue attributable to the leases is brought to account progressively in the statement of financial performance over the lease term in accordance with an actuarial method so as to achieve a constant periodic rate of return on the leases outstanding.

Leveraged leases

Investments by the consolidated entity in leveraged leases are recorded at amounts equal to the equity participation, and included in "Loans, advances and other receivables" in the statement of financial position. Debt participants have no recourse to the consolidated entity in the event of default by the lessee.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

s) Impaired assets – banking activities

All loans and advances receivable are subject to continuous management review. The consolidated entity has adopted definitions of non-accrual and past due loans consistent with Prudential Statement No. APS 220 "Credit Quality" issued by the Australian Prudential Regulation Authority ("APRA").

Non-accrual loans

Loans are classified as non-accrual where:

- there is reasonable doubt about the ultimate repayment of principal and interest;
- contractual payments are 90 or more days in arrears and the fair market value of the security is insufficient to cover payment of principal and interest;
- in the case of overdrafts, they have remained outside approved limits for 90 or more consecutive days and the fair market value of the security is insufficient to cover payment of principal and interest; or
- a specific provision has been made.

1. Summary of significant accounting policies (continued)

s) Impaired assets – banking activities (continued)

Non-accrual loans (continued)

When an impaired asset is classified as non-accrual, the consolidated entity ceases to recognise interest and other income earned but not yet received. Accrued but unpaid interest and other income is reversed back to the last reporting date or the date when interest and other income was last paid, whichever is more recent. Unpaid interest or other income dating prior to the last reporting date is reviewed to establish collectibility and a provision against loss is raised as appropriate.

Cash inflows on non-accrual loans on which interest and/or principal payments are contractually past due are applied against interest and fees and then principal. The amounts applied against interest and fees are recognised as revenue.

Past due loans

Past due loans are loans where payment of principal and interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

Restructured loans

Restructured loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not commercial to the Company. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

Bad and doubtful debts

A specific provision for impairment is made for all identified doubtful debts when there is reasonable doubt that all or a proportion of the principal can be collected in accordance with the terms of the loan agreement. Specific provisions for impairment are based on the face value of the exposure less the current market value less disposal costs.

All known bad debts are written off in the period in which they are identified. Where not previously provided for, they are written off directly to the statement of financial performance.

General provisions for impairment are maintained to cover non-identifiable possible losses and latent risks inherent in the overall portfolio of loans and advances. The provisions are determined having regard to the level of risk weighted assets, economic conditions, the general risk profile of the credit portfolio, past loss experience and a range of other criteria.

The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the statement of financial performance.

t) Securitisation

The Company conducts a loan securitisation program whereby housing mortgage loans are packaged and sold as securities to Trusts, thereby removing the assets from the consolidated entity's statement of financial position. In performing these transactions, the consolidated entity receives various fees for services provided to the program on an arm's length basis. Fee income is recognised in income on an accruals basis in relation to the reporting period in which the costs of providing these services are incurred.

Interest rate swaps and liquidity facilities are provided to the program by the Company on an arm's length basis, in accordance with APRA guidelines.

The Company is entitled to any residual income of the program after all payments due to investors and associated costs of the program have been met. The residual income is recognised in banking fees and commissions revenue when received.

Due to the significant uncertainties inherent in estimating the underlying loan repayment rates and interest margins, future cash flows cannot be reliably measured. Therefore, no asset/liability or gain/loss on sale of the loans has been recognised.

The Trustee of the program has funded its purchase of the mortgage loans by issuing floating-rate pass-through debt securities. The securities issued by the Trust do not represent deposits or other liabilities of the consolidated entity. The consolidated entity does not stand behind the capital value or the performance of the securities or the assets of the Trust. The consolidated entity does not guarantee the payment of interest or the repayment of principal due on the securities. The consolidated entity is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support. The consolidated entity has no right to repurchase any of the securitised loans and has no obligation to do so, except in limited circumstances. Accordingly, no liabilities are recognised by the consolidated entity.

u) Property, plant and equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost on acquisition and depreciated as outlined below.

Costs incurred in acquiring, installing, enhancing and developing application software for internal use where benefits are reasonably certain are capitalised and amortised over their estimated useful lives not exceeding three years, or five years in limited instances, as outlined below.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

1. Summary of significant accounting policies (continued)

u) Property, plant and equipment (continued)

Acquisition (continued)

The consolidated entity applies the cost basis for measuring all land and buildings. Independent valuations of land and buildings are obtained at least every three years, however they are not reflected in the financial statements unless they indicate a deficit in net recoverable amount.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Sale of property, plant and equipment

The gross proceeds of property, plant and equipment sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Depreciation and amortisation

The cost of each item of property, plant and equipment, including buildings (other than buildings included in investments integral to general insurance activities) but excluding freehold land is depreciated or amortised over its estimated useful life to the consolidated entity. Estimates of remaining useful lives are made regularly for all assets with annual assessments for major items. Assets are depreciated or amortised from the date of acquisition or, in respect of capital work in progress, from the time an asset is completed and held ready for use.

The prime cost method of depreciation is adopted for all assets. The depreciation rates used for each class of asset are as follows:

Buildings (excluding integral plant)	2.5%
Leasehold improvements	20.0% or life of the lease
Motor vehicles	15.0%
Technology hardware	33.3%
Automatic teller machines	20.0%
Computer equipment	33.3%
Development software	33.3%, or 20.0% in limited instances
Other plant and office equipment	20.0%

The costs of improvements to or on leasehold properties are amortised over the lesser of the unexpired period of the relevant leases or the estimated useful life of the improvement to the consolidated entity.

Leased non-current assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the minimum lease payments are discounted at the interest rate implicit in the lease. The discounted amount is established as a non-current asset at the beginning of the lease term and amortised on a straight line basis over its expected life. A corresponding liability is also established and each lease payment is allocated between the principal component and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the statement of financial performance in the periods in which they are incurred.

Surplus leased premises

Provision is made for surplus leased premises where it is determined that no material benefit will be obtained by the consolidated entity from its occupancy. This arises where premises are leased under non-cancellable operating leases and the consolidated entity either:

- currently does not occupy the premises and does not expect to occupy it in the future;
- sublets the premises for lower rentals than it is presently obliged to pay under the original lease; or
- currently occupies the premises which have been assessed to be of no material benefit beyond a known future date.

The provision is calculated on the basis of discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

v) Recoverable amount of non-current assets valued on the cost basis

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the statement of financial performance in the reporting period in which it occurs.

1. Summary of significant accounting policies (continued)

v) Recoverable amount of non-current assets valued on the cost basis (continued)

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

w) Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, on the acquisition of a controlled entity or business, is amortised over the period of time during which benefits are expected to arise. Goodwill is amortised on a straight line basis over the maximum allowable period of 20 years, as the benefits are believed to exceed this term. The unamortised balance of goodwill is reviewed at least annually by the directors. Where the balance exceeds the value of expected future benefits, the excess is charged to the statement of financial performance.

For associates, the consolidated financial report includes the carrying amount of goodwill in the equity accounted investment carrying amounts.

x) Excess of net market value of interests in life insurance controlled entities

All investment assets including controlled entities are stated at net market value. On consolidation, the investment in controlled entities is eliminated and the excess of market value of controlled entities over their underlying net assets is separately recognised in the statement of financial position. This amount is assessed periodically including at balance date as part of the valuation of investments.

Changes in market value of controlled entities are recorded as investment revenue in the statement of financial performance.

y) Other financial assets

Deferred expenditure

In addition to acquisition costs, (refer note 1(g)), items of expenditure are deferred to the extent that the benefits are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account and will contribute to the future earning capacity of the consolidated entity. They are amortised over the period in which the benefits are received. Up-front costs relating to the establishment of securitisation trusts are deferred and amortised over the weighted average life of the securitised loans. Up-front costs of projects, that are "business" costs and are non-software development related, may also be considered for deferral where they fit the criteria set out above. Refer to note 1(u) for the policy in relation to software costs.

Up-front costs associated with the issue of specific debt placements are deferred and amortised over the life of the issue. Up-front costs associated with the establishment of debt programs, under which the specific debt placement is made, are not deferred and are expensed as incurred. The types of costs deferred are in the nature of professional fees and issue placement fees.

Franchise systems

Franchise systems are brought to account at cost.

Franchise systems are amortised on a straight line basis over 20 years. The unamortised balance relating to franchise systems is reviewed annually in light of income generated. Where the balance exceeds the value of future benefits, the difference is charged to the statement of financial performance.

z) Deposits and short term borrowings

Deposits and short term borrowings comprise deposits raised and securities issued by the consolidated entity.

Deposits and short term borrowings are carried at the principal amount outstanding. Interest expense on amounts outstanding is charged to the statement of financial performance on an accruals basis.

Securities issued are recorded at issue consideration adjusted for premium or discount amortisation and interest accrual. Premiums or discounts are amortised and interest is accrued from the date of issue up to maturity or interest payment date and charged to the statement of financial performance.

Obligations to repurchase securities sold under repurchase agreements are recorded as deposit liabilities. The applicable securities are retained within the investment or trading portfolios and are accounted for accordingly.

aa) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Accounts payable are normally settled in 30 days.

ab) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

ac) Provisions for restructuring

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof if the main features of the restructuring were planned and there is a demonstrable commitment to a restructuring of the acquired entity at the acquisition date and this is supported by a detailed plan developed within three months of the acquisition.

1. Summary of significant accounting policies (continued)

ad) Employee entitlements

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at pay rates effective when the liability is expected to be paid, and includes related on-costs in respect of employees' services up to the reporting date.

Long service leave

A liability for long service leave is recognised. In respect of long service leave to be settled within 12 months after the reporting date, the liability is measured at pay rates effective when the liability is expected to be paid, and includes related on-costs in respect of employees' services up to the reporting date. In respect of long service leave which will not be settled within 12 months after the reporting date, the liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs are also included in the liability.

Superannuation

The consolidated entity contributes to both defined contribution and defined benefit superannuation schemes. Contributions are charged to the statement of financial performance as the obligation to pay is incurred. Any surplus arising from the defined benefit scheme is not recognised as an asset however any deficit is recognised as a liability.

Sick leave

Sick leave entitlements are non-vesting and are paid only upon valid claims for sick leave by employees. No liability for sick leave has been recognised as experience indicates that on average, sick leave taken each financial year is less than the entitlement accruing in that period. This experience is expected to recur in future financial years.

Employee share and option plans

Certain employees are entitled to participate in share, and previously, option ownership schemes.

Where shares are provided to employees for services provided during current or previous financial periods or in settlement of options previously issued to employees, and the shares are purchased on the Australian Stock Exchange, the difference between the purchase cost of the shares and the consideration received from the employee, if any, is recognised as an expense in the statement of financial performance. Where shares are provided to employees for services provided during current or previous financial periods or in settlement of options previously issued to employees, and new shares are issued, no expense is recognised in the statement of financial performance.

The consideration received on exercise of options issued is recorded in contributed equity.

Where shares are to be provided to employees for services provided during current and future financial periods, and will vest to the employees at a future time when specified performance hurdles are met, the shares are purchased on the Australian Stock Exchange at the commencement of the service period and recognised as an asset in the statement of financial position. The purchase cost of the shares is amortised over the service period, and recognised as an expense in the statement of financial performance, unless it is unlikely that the specified performance hurdles will be met.

Administrative costs associated with issuing shares and options are expensed.

Bonus plans

A liability is recognised for bonus plans when the benefit calculations are formally documented and determined before signing the financial report and past practice supports the calculation.

ae) Policy liabilities – life insurance activities

Policy liabilities are obligations arising from life insurance policies. These amounts, when taken together with future premiums and investment earnings, are required to meet the payment of future benefits and expenses and incorporate profit margins on existing business to be released when earned in future periods.

Policy liabilities in the statement of financial position and changes in policy liabilities disclosed in the statement of financial performance have been calculated using margin on services ("MoS") methodology in line with guidance provided by Actuarial Standard AS1.03 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board.

Policy liabilities are measured at net present values of estimated future cash flows (the projection method) or, where the result would not be materially different, as the accumulated benefits available to policy owners (the accumulation method).

1. Summary of significant accounting policies (continued)

af) Policy owner retained profits

Unvested policy owner benefits are policy owner retained profits as defined in the Life Act. These are amounts that have been allocated to participating policy owners generally, but have not been included in policy liabilities as at the reporting date. These amounts are shown as a separate liability due to policy owners.

ag) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

ah) Derivative financial instruments

Derivative financial instruments used by the consolidated entity are swaps, forwards, futures and options in the foreign exchange, interest rate and equity markets. They are used to hedge the consolidated entity's assets and liabilities or as part of the consolidated entity's trading and investment activities.

Banking activities

The banking entity utilises derivative financial instruments predominantly for hedging activities. However, they are also held for speculative purposes. Derivative financial instruments are accounted for in accordance with the purpose led basis of measurement. They are classified into three broad categories, as discussed below.

Investing and financing instruments

Investing and financing instruments are recognised in the statement of financial position at the net market value as at the reporting date.

Hedge transactions

Hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at balance date are brought to account in the statement of financial performance on an accruals basis. Costs or gains arising at the time of entering into the hedge, including option premiums, are deferred and amortised over the life of the hedge.

Where the hedged transaction has been terminated, all gains and losses associated with the hedge are brought to account immediately in the statement of financial performance on a mark to market basis. Where the hedge is terminated early and the hedged transaction is still recognised, all gains and losses associated with the hedge are amortised over the life of the hedged transaction.

A financial asset or liability resulting from a hedging instrument is measured and recognised in the statement of financial position on the same basis as the position being hedged. The financial instrument is accounted for as a hedge when it has an exposure to price risk that is equal and opposite to the position it is hedging.

Trading transactions

Trading instruments are financial instruments that do not fall into either of the first two categories. They are recognised at their net market value as at the reporting date.

Speculative trading of derivative financial instruments is conducted solely within the Value-at-Risk measure of discretionary market risk as detailed in note 31. Speculative transactions outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account immediately in the statement of financial performance on a mark-to-market basis.

Insurance activities

Derivative financial instruments used by the consolidated entity are swaps, forwards, futures and options in the foreign exchange, interest rate and equity markets. Derivative financial instruments that are used to hedge underlying exposures are accounted for in a manner consistent with the accounting treatment of the underlying exposures. Accordingly, derivative financial instruments are marked to market and the resulting gains and losses are reported in the statement of financial performance.

Foreign exchange derivatives are entered into in order to hedge exchange rate risks arising from offshore liabilities. Interest rate derivatives are used to hedge interest rate risks inherent in the business. Equity options and futures are purchased to hedge exposures arising from equity investments. Derivative financial instruments are not held for speculative purposes.

ai) Commitments and contingent liabilities

Commitments and contingent liabilities are not recorded in the statement of financial position but are disclosed in the consolidated financial report at their face value.

Where a claim or possible claim, the aggregate amount of which is not quantifiable, is made against the consolidated entity, legal advice is obtained and a provision raised as considered necessary. Contingent liabilities are not recognised in the statement of financial position because of significant uncertainty as to whether a sacrifice of future economic benefits will be required, or the amount of the liability cannot be measured reliably.

1. Summary of significant accounting policies (continued)

ai) Commitments and contingent liabilities (continued)

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are financial instruments and relate to credit risk and attract fees in line with market prices for similar arrangements. They are not sold or traded. These instruments do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are disclosed as contingent liabilities at their face value.

aj) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

ak) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2. Changes in accounting policies

Provision for dividends

The consolidated entity adopted Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" effective from 1 July 2002. Previously, the consolidated entity has provided for ordinary share dividends where there was an expectation of payment after the reporting date. AASB 1044 now prohibits the recognition of dividends as liabilities where they were not declared, determined or publicly recommended on or before the reporting date. Accordingly, the consolidated entity has not provided for ordinary share dividends at 30 June 2003.

As a result of this change, the adjustments to the consolidated financial report as at 1 July 2002 are:

- $152 million increase in opening retained profits; and
- $152 million decrease in provision for ordinary dividends.

There was no impact on net profit for the current financial year to 30 June 2003.

Employee benefits

The consolidated entity adopted revised Accounting Standard AASB 1028 "Employee Benefits" effective from 1 July 2002. Previously, calculations of employee benefits were required to be based on remuneration rates current as at the reporting date. Under the revised AASB 1028, calculation of these employee benefits must be based on remuneration rates effective when the liabilities are expected to be paid.

As a result of this change, the adjustments to the consolidated financial report as at 1 July 2002 are:

- $1 million decrease in opening retained profits; and
- $1 million increase in provision for employee benefits.

As a result of this change in accounting policy, employee benefits expense increased by $207,531 and income tax expense decreased by $62,259 for the current financial year to 30 June 2003.

3. Revenue from ordinary activities

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Revenue from ordinary activities				
Interest received or due and receivable:				
controlled entities	-	-	35	33
other persons	1,882	1,691	1,640	1,505
Dividends received or due and receivable:				
controlled entities	-	-	111	208
other persons	46	58	-	-
Property income received or due and receivable	25	24	-	-
General insurance premium revenue:				
direct	2,231	2,018	-	-
reinsurance and other recoveries revenue	286	288	-	-
reinsurance commission income	16	23	-	-
Life insurance premium revenue:				
direct	86	76	-	-
reinsurance and other recoveries revenue	16	11	-	-
Changes in net market value of investments integral to general insurance activities:				
realised	10	(11)	-	-
unrealised	35	(45)	-	-
Changes in net market value of investments integral to life insurance activities:				
realised	(63)	(11)	-	-
unrealised	(13)	(114)	-	-
Trust distributions received or due and receivable	184	133	-	-
Net profits on trading securities	12	16	(4)	-
Net profits on derivative and other financial instruments:				
realised	5	5	7	5
Fees and commissions received or due and receivable:				
controlled entities	-	-	218	139
other persons	254	208	199	155
Share of net profits of associates accounted for using the equity method	9	5	-	-
Managed funds revenue	106	116	-	-
Other revenue	29	17	8	2
Total revenue from ordinary activities	5,156	4,508	2,214	2,047
Disclosed in the statements of financial performance as:				
Banking interest revenue	1,668	1,514	1,675	1,538
General insurance premium revenue	2,231	2,018	-	-
Life insurance premium revenue	86	76	-	-
Reinsurance and other recoveries revenue	302	299	-	-
General insurance investment income	292	173	-	-
Life insurance investment income	117	27	-	-
Share of net profits of associates accounted for using the equity method	9	5	-	-
Banking fee and commission revenue	202	155	200	155
Other revenue	249	241	339	354
Total revenue from ordinary activities	5,156	4,508	2,214	2,047
Banking interest expense	(1,076)	(964)	(1,092)	(983)
Banking fee and commission expense	(58)	(44)	(58)	(44)
Total income from ordinary activities	4,022	3,500	1,064	1,020

There was no revenue from non-operating activities.

4. Expenses from ordinary activities

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Interest expense:				
controlled entities	-	-	22	19
other persons	1,095	978	1,089	978
Total interest expense	1,095	978	1,111	997
Operating expenses from ordinary activities				
Staff expenses	580	551	32	28
Equipment and occupancy expenses				
Depreciation:				
buildings	2	2	1	1
plant and equipment	66	36	-	1
leasehold improvements	12	12	-	-
Total depreciation	80	50	1	2
Loss on disposal of property, plant and equipment	6	2	-	-
Operating lease rentals	45	48	27	24
Other	15	23	12	13
Total equipment and occupancy expenses	146	123	40	39
Other expenses				
Hardware, software and data line expenses	48	90	43	35
Advertising and promotion expenses	54	46	33	24
Office supplies, postage and printing	65	68	41	31
Amortisation of franchise systems	1	1	-	-
Acquisition costs – insurance activities	132	147	-	-
Intra group expenses	-	-	341	297
Financial expenses	74	76	49	32
Other insurance underwriting expenses	32	30	-	-
Other	61	46	13	4
Total other expenses	467	504	520	423
Expenses allocated as follows:				
Claims handling expenses	(42)	(52)	-	-
Total operating expenses from ordinary activities	1,151	1,126	592	490

Notes to the financial statements

for the year ended 30 June 2003

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
5. Bad and doubtful debts expense				
Banking activities				
Charge for bad and doubtful debts:				
general provision for impairment (note 12)	7	5	7	4
specific provision for impairment (note 12)	23	19	23	17
bad debts written off	25	21	25	20
bad debts recovered	(6)	(5)	(6)	(4)
	49	40	49	37
General insurance activities				
Charge for bad and doubtful debts:				
general provision for impairment (note 12)	3	-	-	-
specific provision for impairment (note 12)	(1)	(1)	-	-
bad debts recovered	(3)	-	-	-
	(1)	(1)	-	-
Other activities				
Bad debts written off	1	-	-	-
	1	-	-	-
Total bad and doubtful debts expense	49	39	49	37
6. Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	550	405	404	479
Prima facie income tax expense calculated at 30% (2002: 30%) on profit from ordinary activities before income tax	165	122	121	144
Tax effect of permanent differences:				
Non-deductible expenditure	5	4	3	2
Non-deductible write-downs	-	1	-	3
Amortisation of goodwill	19	18	-	-
Imputation gross up on dividends received	5	-	6	-
Life insurance company Statutory Funds adjustment	(2)	(11)	-	-
Non-assessable income	(1)	(5)	(1)	-
Dividend rebates	-	(9)	(17)	(63)
Income tax credits	(16)	-	(22)	-
Future income tax benefits not previously brought to account	-	(17)	-	(14)
Other	(3)	(2)	-	(1)
Income tax adjusted for permanent differences	172	101	90	71
Over provision in prior year	(6)	(7)	(4)	(3)
Income tax expense	166	94	86	68
Income tax expense by segment				
Banking	93	69	86	68
General insurance	55	20	-	-
Wealth management	14	2	-	-
Other	4	3	-	-
	166	94	86	68

6. Income tax expense (continued)

Prima facie income tax expense includes an amount of $11 million (2002 benefit: $4 million) attributable to the life insurance company Statutory Funds. The income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The statutory rates of taxation applicable to the taxable income of significant classes of business are as follows:

	2003 %	2002 %
Class of business		
Ordinary life insurance business	30	30
Complying superannuation	15	15
Controlled entities	30	30
Current pension business	Exempt	Exempt
Non-complying superannuation	47	47
Immediate annuity business	Exempt	Exempt
RSA business	15	15
Other business (including accident and disability)	30	30
Shareholder funds	30	30

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
Income tax expense is made up of:				
Current income tax provision	218	152	92	92
Deferred income tax provision	(81)	(58)	(13)	(31)
Future income tax benefit	29	-	3	(5)
Intercompany / interfund balances	-	-	4	12
	166	94	86	68
Provision for current income tax				
Movements during the year were as follows:				
Balance at the beginning of the financial year	72	18	66	-
Income tax paid	(157)	(97)	(96)	(20)
Current year's income tax expense on profit from ordinary activities	218	152	92	92
Over provision in prior year	(3)	-	-	-
Tax losses transferred for consideration	-	(1)	-	(6)
	130	72	62	66
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable tax rate of 30% (2002: 30%) on the following items:				
Difference in depreciation for accounting and income tax purposes	2	2	-	-
Leveraged leases	15	24	10	17
Lease finance	15	22	4	3
Expenditure currently deductible but deferred and amortised for accounting purposes	17	30	17	30
Income not currently assessable for tax purposes	69	120	8	3
	118	198	39	53

6. Income tax expense (continued)

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable tax rate of 30% (2002: 30%) on the following items:				
Income currently assessable but deferred for accounting purposes	28	9	5	7
Difference in depreciation for accounting and income tax purposes	33	28	21	16
Provision for impairment	24	35	19	21
Other provisions and accrued expenses	67	110	11	15
Lease finance	5	7	-	-
Tax losses	1	4	-	-
	158	193	56	59

The future income tax benefit relating to tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or

(ii) the losses are transferred to an eligible entity in the consolidated entity; and

(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Suncorp-Metway Ltd and its controlled entities have not yet decided to implement the tax consolidation legislation. The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003. In the event that the tax consolidation legislation is implemented by Suncorp-Metway Ltd, it is not anticipated that there will be a material impact on the consolidated deferred tax assets, deferred tax liabilities and tax expense of the consolidated entity.

7. Earnings per share

	Consolidated 2003 cents	Consolidated 2002 cents
Basic earnings per share	69.82	58.02
Diluted earnings per share	69.74	57.87

	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	527,965,709	514,190,097
Weighted average number of potential ordinary shares relating to:		
options on ordinary shares	548,471	1,276,567
partly paid ordinary shares	21,588	22,747
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	528,535,768	515,489,411

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

- options outstanding on ordinary shares; and
- partly paid ordinary shares.

The 2,500,000 preference shares recognised in equity are not considered to be either ordinary or potential ordinary shares as they cannot convert to ordinary shares in the first five years from issue, and so have not been included in either basic or diluted earnings per share.

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for the year ended 30 June 2003

7. Earnings per share (continued)

	Consolidated 2003 $m	Consolidated 2002 $m
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	384	311
Preference share dividends	(15)	(12)
Earnings used in calculating basic earnings per share	369	299
Diluted earnings per share		
Net profit	384	311
Preference share dividends	(15)	(12)
Earnings used in calculating diluted earnings per share	369	299

8. Cash and liquid assets

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Cash at bank and on hand	247	165	108	99
Deposits at call	599	1,029	340	565
	846	1,194	448	664
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	846	1,194	448	664
Add: Receivables due from other financial institutions	68	57	68	57
Less: Payables due to other financial institutions	(26)	(70)	(26)	(37)
	888	1,181	490	684

9. Trading securities

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Banking activities				
Interest bearing securities at net market value				
Government and semi-government securities	-	140	-	140
Bank bills, certificates of deposits and other short term negotiable securities	3,174	1,358	3,174	1,358
Total trading securities	3,174	1,498	3,174	1,498

10. Investment securities

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Banking activities				
Investments at cost				
Shares in controlled entities (note 34)	-	-	2,056	2,057
Shares in other companies	3	3	3	3
	3	3	2,059	2,060
General insurance activities				
Quoted investments at net market value				
Debentures	800	876	-	-
Government and semi-government securities	1,808	1,149	-	-
Shares in other companies	683	1,026	-	-
Other quoted investments	-	87	-	-
	3,291	3,138	-	-
Unquoted investments at net market value				
Freehold land and buildings	74	101	-	-
Property trusts	5	33	-	-
Short term negotiable securities	525	335	-	-
Other interest bearing securities	860	768	-	-
	1,464	1,237	-	-
	4,755	4,375	-	-
Wealth management activities				
Life insurance activities				
Equity securities	1,201	1,148	-	-
Debt securities	1,410	1,375	-	-
Property	523	600	-	-
Other	(1)	38	-	-
	3,133	3,161	-	-
Funds management activities				
Unlisted unit trusts and unlisted managed investment schemes at fair value	11	5	-	-
	3,144	3,166	-	-
Total investment securities	7,902	7,544	2,059	2,060

11. Loans, advances and other receivables

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Banking activities				
Overdrafts	326	293	326	293
Credit card outstandings	74	84	74	84
Housing loans [1]	12,897	12,778	12,897	12,778
Term loans	8,178	7,139	8,152	7,085
Lease finance	1,774	1,591	1,546	1,164
Structured finance	18	25	14	21
Other lending	138	131	143	139
	23,405	22,041	23,152	21,564
Provision for impairment (note 12)	(121)	(124)	(118)	(120)
	23,284	21,917	23,034	21,444
General insurance activities				
Premiums outstanding	528	455	-	-
Provision for lapses	(2)	(2)	-	-
Provision for impairment (note 12)	(7)	(4)	-	-
	519	449	-	-
Investment revenue receivable	10	15	-	-
Insurance managed funds receivable	21	30	-	-
Insurance recoveries and other receivables	569	503	-	-
Provision for impairment (note 12)	(12)	(13)	-	-
	1,107	984	-	-
Life insurance activities				
Premiums outstanding	3	3	-	-
Investment revenue receivable	44	43	-	-
Reinsurance recoveries receivable	6	7	-	-
Other	15	1	-	-
	68	54	-	-
Total loans, advances and other receivables	24,459	22,955	23,034	21,444

(1) Excludes securitised residential mortgage loans of $1,650 million (2002: $525 million). The consolidated entity completed a securitisation transaction in September 2002 when it sold a pool of residential mortgage loans of $750 million to the APOLLO Series 2002-2 Trust at its book value. The consolidated entity completed a further securitisation transaction in June 2003 when it sold a pool of residential mortgage loans of $789 million to the APOLLO Series 2003-1E Trust at its book value.

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
12. Provision for impairment				
Banking activities				
General provision				
Balance at the beginning of the financial year	97	92	95	91
Charge against the statements of financial performance	7	5	7	4
Balance at the end of the financial year	104	97	102	95
Specific provision				
Balance at the beginning of the financial year	27	33	25	33
Charge against the statements of financial performance:				
new and increased provisions	25	34	25	32
write-back of provisions no longer required	(2)	(15)	(2)	(15)
Bad debts written-off	(33)	(25)	(32)	(25)
Balance at the end of the financial year	17	27	16	25
Total provision for impairment – banking activities	121	124	118	120
	%	%	%	%
The provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
specific provision	16.50	24.55	15.84	23.36
total provision	117.48	112.73	116.83	112.15
General provision as a percentage of risk weighted assets	0.58	0.58	0.57	0.58
Specific provision as a percentage of gross loans and advances	0.07	0.12	0.07	0.12
	$m	$m	$m	$m
Insurance activities				
General provision				
Balance at the beginning of the financial year	4	4	-	-
Charge against the statement of financial performance	3	-	-	-
Balance at the end of the financial year	7	4	-	-
Specific provision				
Balance at the beginning of the financial year	13	10	-	-
Provisions acquired through acquisition	-	4	-	-
Write-back of provisions no longer required	(1)	(1)	-	-
Balance at the end of the financial year	12	13	-	-
Total provision for impairment – insurance activities	19	17	-	-

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for the year ended 30 June 2003

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
13. Property, plant and equipment				
Property				
Freehold land at cost	4	14	4	4
Buildings at cost	42	61	42	41
Accumulated depreciation	(13)	(15)	(13)	(12)
	29	46	29	29
Leasehold improvements at cost	84	80	8	8
Accumulated amortisation	(63)	(57)	(8)	(8)
	21	23	-	-
Total property	54	83	33	33
Plant and equipment				
Computer and office equipment, furniture and fittings, computer software and motor vehicles at cost	301	216	32	33
Accumulated depreciation	(182)	(130)	(31)	(31)
	119	86	1	2
Capital works in progress				
Plant and equipment	-	2	-	-
Computer software	44	35	-	-
	44	37	-	-
Total plant and equipment	163	123	1	2
Total property, plant and equipment	217	206	34	35

An independent valuation of the consolidated entity's land and buildings was carried out as at 31 December 2000 on the basis of open market values for existing use and provided a valuation of $52 million (Company: $49 million). As land and buildings are recorded at cost the valuation has not been brought to account.

13. Property, plant and equipment (continued)

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land $m	Buildings $m	Leasehold improvements $m	Plant & equipment $m	Capital works in progress $m	Total $m
Consolidated						
Carrying amount at the beginning of the financial year	14	46	23	86	37	206
Additions	-	2	7	15	101	125
Disposals	(10)	(17)	(4)	(3)	-	(34)
Transfers (to)/from plant and equipment	-	-	7	87	(94)	-
Depreciation expense (note 4)	-	(2)	(12)	(66)	-	(80)
Carrying amount at the end of the financial year	4	29	21	119	44	217
Company						
Carrying amount at the beginning of the financial year	4	29	-	2	-	35
Additions	-	1	-	-	-	1
Disposals	-	-	-	(1)	-	(1)
Depreciation expense (note 4)	-	(1)	-	-	-	(1)
Carrying amount at the end of the financial year	4	29	-	1	-	34

14. Intangible assets

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Goodwill	1,206	1,205	-	-
Accumulated amortisation	(168)	(106)	-	-
Total intangible assets	1,038	1,099	-	-

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
15. Other financial assets				
Franchise systems	16	14	-	-
Provision for amortisation	(3)	(2)	-	-
	13	12	-	-
Deferred expenditure:				
lease brokerage	16	14	16	14
mortgage loan brokerage	15	12	15	12
establishment costs on securitisation	9	3	9	3
deferred share plan	5	3	5	3
other	4	-	4	-
Total deferred expenditure	49	32	49	32
Deferred acquisition costs on general insurance policies	171	161	-	-
Unrealised gains on derivative hedging positions	-	73	-	73
Accrued interest receivable	91	82	50	49
Prepayments	29	120	24	81
Sundry assets	124	107	6	18
	464	575	129	253
Total other financial assets	477	587	129	253

An independent valuation of the franchise systems was carried out at 31 May 2001 on the basis of current fair market value and provided a valuation range of $23.3 million to $25.6 million. As franchise systems are recorded at cost, the valuation has not been brought to account (refer note 1(y)).

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
16. Deposits and short term borrowings				
Secured				
Long term securities issued matured and unclaimed or maturing within 12 months	1	2	-	-
Unsecured				
Call deposits	6,530	5,295	6,992	5,866
Term deposits	5,332	5,166	5,332	5,166
Short term securities issued	4,517	4,286	4,517	4,286
Offshore borrowings	2,832	1,375	2,832	1,375
Long term securities issued maturing within 12 months	2,367	2,052	2,367	2,052
	21,578	18,174	22,040	18,745
Total deposits and short term borrowings	21,579	18,176	22,040	18,745

The secured borrowings are secured by charges over various assets of certain controlled entities amounting to $2 million (2002: $7 million).

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
17. Payables and other liabilities				
Unpresented bank cheques	72	66	72	66
Accrued interest payable	155	163	155	163
Security deposit for repurchase agreement	2	285	-	-
Sundry creditors and accrued expenses	410	318	184	108
Unrealised losses on derivative hedging positions	634	-	634	-
Total payables	1,273	832	1,045	337

Unrealised losses on derivative hedging positions relate to cross currency swaps of offshore borrowing. Movements in the hedging positions are fully offset by movements in underlying offshore borrowing.

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
18. Provisions				
Employee benefits (note 44)	90	94	2	2
Directors' retirement benefits	1	2	1	2
Dividends and distributions (note 25)	5	158	5	158
Restructure provision	-	65	-	-
Other	8	10	-	-
Total provisions	104	329	8	162

Directors' retirement benefits

Provision is made for expected future retirement benefits to be paid in relation to directors of the consolidated entity.

Restructure provision

A provision for restructure was recognised on the acquisition of 100 percent of GIO Insurance Investment Holdings A Pty Limited (GIOIIHA) and its wholly-owned controlled entities. The principal costs associated with the opening balance of the restructuring provision of $112 million included staff redundancy payments, termination of lease or service contracts, information systems integration, and costs involved in centralising processing services.

Other provisions

Other provisions include provisions for surplus lease space and provisions for the costs of meeting obligations under contracts entered into during the financial year.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Directors' retirement benefits $m	Restructure provision $m	Dividends and distributions $m	Other $m	Total $m
Consolidated – 2003					
Carrying amount at start of the financial year	2	65	158	10	235
Adjustment from change in accounting policy (note 2)	-	-	(152)	-	(152)
Additional provisions recognised	-	-	15	5	20
Payments/other sacrifices of economic benefits	(1)	(65)	(16)	(7)	(89)
Carrying amount at end of the financial year	1	-	5	8	14
Company – 2003					
Carrying amount at start of the financial year	2	-	158	-	160
Adjustment from change in accounting policy (note 2)	-	-	(152)	-	(152)
Additional provisions recognised	-	-	15	-	15
Payments/other sacrifices of economic benefits	(1)	-	(16)	-	(17)
Carrying amount at end of the financial year	1	-	5	-	6

19. Outstanding claims and unearned premiums provisions

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Outstanding claims – life insurance	12	13	-	-
Outstanding claims – general insurance	3,816	3,457	-	-
Unearned premiums – general insurance	1,224	1,121	-	-
Total outstanding claims and unearned premiums provisions	5,052	4,591	-	-
Outstanding claims provision – general insurance				
Expected future claims (undiscounted)	4,481	4,241	-	-
Discount to present value	(665)	(784)	-	-
Liability for outstanding claims	3,816	3,457	-	-
Current	1,112	1,066	-	-
Non-current	2,704	2,391	-	-
	3,816	3,457	-	-

The following inflation rates (normal and superimposed) and discount rates were applied in respect of the actuarial measurements of outstanding general insurance claims:

	2003 %	2002 %
For the succeeding years:		
Inflation rate		
normal	0.0 – 4.0	0.0 – 4.0
superimposed	0.0 – 9.0	0.0 – 10.0
Discount rate	4.4 – 5.2	4.9 – 5.1
For subsequent years:		
Inflation rate		
normal	0.0 – 4.0	0.0 – 4.0
superimposed	0.0 – 9.0	0.0 – 10.0
Discount rate	4.4 – 5.5	5.4 – 6.4

The general insurance portfolio is weighted towards long-tail business whereby claims are expected to be settled progressively over approximately 40 years. The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 3.1 years (2002: 3.1 years).

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
20. Life insurance gross policy liabilities				
Non-investment linked business	1,836	1,867	-	-
Investment linked business	825	913	-	-
Total life insurance gross policy liabilities	2,661	2,780	-	-

Policy liabilities are amounts which, when taken together with future premiums and investment earnings, are required to meet the payment of future benefits and expenses and incorporate profit margins on existing business to be released when earned in future periods.

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2003. The actuarial report was prepared by Mr Rowan Ward, Appointed Actuary B Sc. FIAA, and indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in this financial report and with the standards of the Life Insurance Actuarial Standards Board ("LIASB").

Policy liabilities have been calculated using the Margin on Services ("MoS") method in accordance with Actuarial Standard AS1.03 "Valuation Standard" issued by the LIASB under Section 114 of the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way that allows for the systematic release of planned margins as services are provided to policy owners and premiums are received.

The methods and profit carriers for the major policy types are as follows:

Business Type	Method	Profit Carrier
Individual		
Conventional	Projection	Bonuses
Investment account	Projection	Interest credits
Investment linked	Projection	Assets under management
Allocated pension	Projection	Assets under management
Lump sum risk	Projection	Expected claim payments
Income stream risk	Projection	Expected claim payments
Annuity	Projection	Annuity payments
Group		
Investment account	Projection	Interest credits
Investment linked	Accumulation	-
Lump sum risk	Projection	Expected claim payments
Income stream risk	Projection	Expected claim payments

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20. Life insurance gross policy liabilities (continued)

The following table sets out key assumptions used in the calculation of policy liabilities:

Assumption	Basis of assumption	Significant changes
Investment earnings	Assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the product, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Pre-tax rates varied from 4% (2002: 5%) for the cash sub funds to 8.25% (2002: 9%) for the balanced sub funds and 9% (2002: 10%) for the equity sub funds.	None.
Maintenance expenses	Per policy expense rates are based upon expected maintenance expenses in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for at rates appropriate to the taxation basis of the business.	None.
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 2% (2002: 3%) per annum was assumed.	None.
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates vary by product, class of business, policy value and duration in force. Allowance is also made for cash withdrawals. Future long term rates of discontinuance assumed vary between 5% and 25% (2002: 5% and 25%).	Assumed long term discontinuance rates for term life, TPD and trauma policies reduced to reflect continuing improvements in experience.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None.
Rates of taxation	The rates of taxation assumed are based on those applicable to the type of product.	None.
Mortality – risk products	Mortality rates for risk products have been determined using the standard mortality table IA95-97 with adjustments to allow for Suncorp Life and Superannuation Limited experience. Adjustments range from 75% (2002: 75%) to 155% (2002: 155%). Table IA95-97 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997.	Base table changed from IA90-92 to IA95-97. Adjustments changed as a result, with an overall decrease in assumed mortality.
Mortality – annuitants	Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for expected mortality improvement. Tables IM/IF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.	Adjustments updated to reflect recent experience, with an overall decrease in assumed mortality.
Disability – lump sum	Disability rates on lump sum policies have been based on industry experience with adjustments to reflect Suncorp Life and Superannuation Limited experience.	Adjustments updated to reflect recent experience with an overall decrease in assumed disability incidence.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life and Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	Adjustments updated to reflect recent experience.

20. Life insurance gross policy liabilities (continued)

Assumption	Basis of assumption	Significant changes
Future supportable bonuses and interest credits to participating policies	Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cash flows equals the value of assets supporting the business. For traditional policies supportable bonus rates are set as a proportion of the latest declared rates – 60% (2002: 75%) for ordinary policies, and 49% (2002: 72%) for superannuation policies. For investment account policies, supportable rates vary between 3.0% (2002: 3.4%) and 6.8% (2002: 8.1%) after tax and fees. For participating whole of life and endowment business, the consolidated entity's policy is to set bonus rates such that, over long periods, the returns to policy owners are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholders with the valuation allowing for the shareholders to share in distributions at the maximum allowable rate of 20%. In determining policy owner distributions, consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.	None.
Unit price growth	Unit prices are assumed to grow at a rate consistent with assumed investment earnings, tax rates and policy fees.	None.

Other requirements

The Life Act requires companies to meet prudential standards of solvency and capital adequacy. The requirements are determined in accordance with the Actuarial Standard AS2.03 "Solvency Standard" issued by the Life Insurance Actuarial Standards Board under the Life Act. For the purposes of note 29(f), minimum termination values have been determined in accordance with Actuarial Standard AS4.02 "Minimum Surrender Values and Paid-Up Values". Capital adequacy is determined in accordance with Actuarial Standard AS3.03 "Capital Adequacy Standard".

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
21. Bonds, notes and long term borrowings				
Unsecured				
Long term securities issued	1,042	1,081	1,042	1,081
Offshore borrowings	1,668	2,871	1,668	2,871
Total bonds, notes and long term borrowings	2,710	3,952	2,710	3,952
22. Subordinated notes				
Floating rate notes due October 2005	-	50	-	50
Fixed rate notes due August 2006	-	50	-	50
Fixed rate notes due November 2006	-	258	-	258
Fixed rate notes due September 2011	199	199	199	199
Floating rate notes due September 2011	75	75	75	75
Fixed rate notes due June 2013 (USD)	371	-	371	-
Perpetual floating rate notes	170	170	170	170
Total subordinated notes	815	802	815	802

The notes are unsecured obligations of the consolidated entity subordinated as follows;

- Payments of principal and interest on the notes have priority over Company dividend payments only, and in the event of the winding-up of the Company, the rights of the note holders will rank in preference only to the rights of the preference and ordinary shareholders.
- In line with APRA's capital adequacy measurement rules perpetual floating rate notes are included in upper tier 2 capital. The term subordinated notes are included in lower tier 2 capital and are reduced by 20 percent for each of their last five years to maturity.

In June 2003, the Company completed a USD250 million offering of subordinated 144A/Reg S bonds in the US market which partially replaced existing notes. The offering was made in two tranches: a 10 non-call 5 year tranche of USD150 million and a 10 year tranche of USD100 million. Both tranches were rated A3/BBB+ and priced at 1.350 percent over US Treasuries, yielding coupons of 3.500 percent and 4.625 percent respectively.

23. Contributed equity

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Share capital				
530,752,100 ordinary shares each fully paid (2002: 525,320,549 each fully paid)	2,587	2,533	2,587	2,533
2,500,000 preference shares each fully paid (2002: 2,500,000 each fully paid)	244	244	244	244
Nil ordinary shares each 45 cents partly paid (2002: 5,900 ordinary shares each 45 cents partly paid)	-	-	-	-
27,550 ordinary shares each 5 cents partly paid (2002: 28,150 ordinary shares each 5 cents partly paid)	-	-	-	-
2,000 non-participating shares fully paid (2002: 2,000 each fully paid)	-	-	-	-
Balance at the end of the financial year	2,831	2,777	2,831	2,777
Movements in ordinary shares during the financial year				
Balance at the beginning of the financial year	2,533	1,585	2,533	1,585
Conversion of nil converting capital notes to ordinary shares (2002: 124,000,000)	-	558	-	558
Nil ordinary shares issued for cash to fund the GIO acquisition (2002: 12,135,338 ordinary shares issued)	-	162	-	162
Associated transaction costs	-	(3)	-	(3)
759,000 ordinary shares issued due to the exercise of options under the Executive Option Plan (2002: 2,269,301)	6	13	6	13
Nil shares issued under Share Purchase Plan for cash (2002: 15,765,833)	-	201	-	201
Associated transaction costs	-	(1)	-	(1)
4,666,051 ordinary shares issued under the Dividend Reinvestment Plan (2002: 1,477,706)	48	18	48	18
Balance at the end of the financial year	2,587	2,533	2,587	2,533
Movements in converting capital notes during the financial year				
Balance at the beginning of the financial year	-	558	-	558
Conversion of nil converting capital notes to ordinary shares (2002: 124,000,000)	-	(558)	-	(558)
Balance at the end of the financial year	-	-	-	-
Movements in preference shares during the financial year				
Balance at the beginning of the financial year	244	-	244	-
Nil preference shares issued for cash to fund the GIO acquisition (2002: 2,500,000)	-	250	-	250
Associated transaction costs	-	(6)	-	(6)
Balance at the end of the financial year	244	244	244	244

23. Contributed equity (continued)

Ordinary shares

During the year, 759,000 options were exercised as part of the executive option plan as follows:

Month of exercise	Number of ordinary shares	Issue price $
September 2002	6,600	8.11
September 2002	361,000	6.79
November 2002	80,000	7.19
November 2002	13,333	8.81
December 2002	116,667	8.81
January 2003	3,300	8.11
January 2003	100,000	7.56
April 2003	51,600	8.89
June 2003	23,200	8.33
June 2003	3,300	8.89
	759,000	

On 1 October 2002, 2,001,354 ordinary shares were issued at $11.96 under the Dividend Reinvestment Plan in respect of the final dividend paid on 1 October 2002.

On 31 March 2003, 2,664,697 ordinary shares were issued at $9.36 under the Dividend Reinvestment Plan in respect of the interim dividend paid on 31 March 2003.

During the year, 6,500 partly paid shares were converted to fully paid shares at an average price of $2.06. The calls on, and conversion of, partly paid shares were in accordance with the employee share acquisition scheme under which they were issued.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
24. Reserves				
Pre-conversion reserve	13	13	13	13
Asset revaluation reserve	9	9	8	8
	22	22	21	21

Nature and purpose of reserves

(i) Pre-conversion reserve

Retained profits and reserves of Metropolitan Permanent Building Society, amounting to $13 million as at 1 July 1988, being the date of conversion of the Society to Suncorp-Metway Ltd (then known as Metway Bank Limited), have been placed in a pre-conversion reserve account. Under a trust arrangement the reserve will not be available for distribution to shareholders in the ordinary course of business.

(ii) Asset revaluation reserve

The asset revaluation reserve was used to record increments and decrements on the revaluation of non-current assets. The reserve is not available for future asset write-downs as a result of using the deemed cost election for land and buildings when adopting revised Accounting Standard AASB 1041 "Revaluation of Non-Current Assets". The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
25. Dividends				
Ordinary shares				
Interim dividend of 26 cents (2002: 25 cents) per fully paid share paid 31 March 2003 (2002: 2 April 2002) franked @ 30%	137	135	137	135
Final dividend of 29 cents per fully paid share paid 1 October 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (note 2) franked @ 30%	153	153	153	153
Preference shares				
Final dividend of $3.15 (2002: $3.15) per share franked @ 30%	8	5	8	5
Interim dividend of $3.10 (2002: $3.10) per share franked @ 30%	7	7	7	7
	305	300	305	300

25. Dividends (continued)

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Dividends not recognised at year end In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 30 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 3 October 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (note 2), is	159	-	159	-
Franked dividends The franked portions of the final dividend recommended after 30 June 2003 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2004. Franking credits available for subsequent financial years based on a tax rate of 30% (2002: 30%)	169	108	(14)	1

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking credits available at 30 June 2002 of $251,341,544 (Company: $2,899,079), based on after tax profits, were converted so that the opening balances on 1 July 2002 reflected tax paid amounts of $107,717,805 (Company: $1,242,463) which are shown as comparative amounts above.

26. Segment information

Business segments

The consolidated entity comprises the following business segments:

Segment	**Activities**
Banking	Banking, finance and other services.
General insurance	General insurance services.
Wealth management	Life insurance, superannuation administration and funds management services.
Other	Financial planning, funds administration, and property management services.

On 31 March 2003, the consolidated entity announced an organisational restructure along four business lines; Retail Banking, Business Banking, General Insurance, and Wealth Management. The consequential management restructuring and changes to internal reporting systems to the Managing Director and Board were implemented for the 2004 financial year. Segment information in relation to future financial years will be expanded to reflect the new business lines.

	Banking $m	General insurance $m	Wealth management $m	Other $m	Eliminations/ unallocated $m	Consolidated $m
2003						
Revenue outside the consolidated entity	1,897	2,968	255	27	-	5,147
Inter-segment revenue	16	-	-	-	(16)	-
Shares of net profits of associates	-	9	-	-	-	9
Total segment revenue	1,913	2,977	255	27	(16)	5,156
Segment result	318	233	52	9	(62)	550
Unallocated revenue less unallocated expenses						-
Profit from ordinary activities before income tax expense						550
Income tax expense						(166)
Profit from ordinary activities after income tax expense						384
Net profit						384
Segment assets	30,063	7,477	3,250	44	(2,400)	38,434
Unallocated assets						-
Total assets						38,434
Segment liabilities	26,839	5,353	3,030	17	(452)	34,787
Unallocated liabilities						-
Total liabilities						34,787
Investments in associates	-	83	-	-	-	83
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	124	-	-	1	-	125
Depreciation and amortisation expense	76	4	-	1	62	143
Other non-cash expenses	49	(1)	-	1	-	49

26. Segment information (continued)

Business segments (continued)

	Banking $m	General insurance $m	Wealth management $m	Other $m	Eliminations/ unallocated $m	Consolidated $m
2002						
Revenue outside the consolidated entity	1,701	2,618	163	21	-	4,503
Inter-segment revenue	17	-	-	-	(17)	-
Shares of net profits of associates	-	5	-	-	-	5
Total segment revenue	1,718	2,623	163	21	(17)	4,508
Segment result	293	110	54	8	(60)	405
Unallocated revenue less unallocated expenses						-
Profit from ordinary activities before income tax expense						405
Income tax expense						(94)
Profit from ordinary activities after income tax expense						311
Net profit						311
Segment assets	27,322	7,423	3,337	38	(2,639)	35,481
Unallocated assets						-
Total assets						35,481
Segment liabilities	24,324	5,355	3,124	15	(699)	32,119
Unallocated liabilities						-
Total liabilities						32,119
Investments in associates	-	86	-	-	-	86
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	87	1,040	1	-	-	1,128
Depreciation and amortisation expense	43	7	-	-	60	110
Other non-cash expenses	40	(1)	-	-	-	39

Inter-segment pricing is determined on an "arm's length" basis.

Geographical segments

The consolidated entity operates in one geographical area being Australia.

Accounting policies in relation to segment reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

27. Segment information – banking

	Consolidated 2003 $m	Consolidated 2002 $m
27(a) Contribution to profit from ordinary banking activities		
Net interest income		
Interest revenue	1,684	1,531
Interest expense	(1,092)	(981)
	592	550
Net banking fee income		
Fee and commission revenue	202	155
Fee and commission expense	(58)	(44)
	144	111
Other operating revenue		
Net profits on trading and investment securities	-	1
Net profits on derivative and other financial instruments	3	5
Other income	8	9
	11	15
Total income from ordinary banking activities	747	676
Operating expenses		
Staff expenses	(217)	(200)
Occupancy expenses	(20)	(20)
Computer and depreciation expenses	(50)	(42)
Communication expenses	(32)	(29)
Advertising and promotion expenses	(19)	(18)
Other operating expenses	(42)	(34)
Total expenses of ordinary banking activities	(380)	(343)
Contribution to profit from ordinary banking activities before bad and doubtful debts, amortisation of goodwill and income tax	367	333
Bad and doubtful debts expense (note 5)	(49)	(40)
Contribution to profit from ordinary banking activities before amortisation of goodwill and income tax	318	293

Segment information set out above includes transactions that have been eliminated in the consolidated statement of financial performance. It excludes dividends received from controlled entities.

27. Segment information – banking (continued)

27(b) Average banking statement of financial position and margin analysis

The following table sets out the major categories of interest earning assets and interest bearing liabilities of the banking activities of the consolidated entity together with the respective interest revenue or expense and the average interest rates.

Average balances used are predominantly daily averages for interest bearing items and monthly averages for non-interest bearing items.

	Consolidated					
	Average balance 2003 $m	Interest 2003 $m	Average rate 2003 %	Average balance 2002 $m	Interest 2002 $m	Average rate 2002 %
Assets						
Interest earning assets						
Trading securities	2,349	113	4.81	1,689	77	4.56
Gross loans, advances and other receivables	22,764	1,553	6.82	21,201	1,432	6.75
Other interest earning financial assets	399	18	4.51	466	22	4.72
Total interest earning assets	25,512	1,684	6.60	23,356	1,531	6.56
Non-interest earning assets						
Provision for impairment	(122)			(119)		
Property, plant and equipment	210			167		
Other financial assets	2,292			2,004		
Total non-interest earning assets	2,380			2,052		
Total assets	27,892			25,408		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	20,785	905	4.35	18,333	783	4.27
Bonds, notes and long term borrowings	3,024	156	5.16	3,235	159	4.91
Subordinated notes	490	31	6.33	530	39	7.36
Total interest bearing liabilities	24,299	1,092	4.49	22,098	981	4.44
Non-interest bearing liabilities						
Other financial liabilities	504			546		
Total non-interest bearing liabilities	504			546		
Total liabilities	24,803			22,644		
Net assets	3,089			2,764		
Analysis of interest margin and spread						
Interest earning assets	25,512	1,684	6.60	23,356	1,531	6.56
Interest bearing liabilities	24,299	1,092	4.49	22,098	981	4.44
Net interest spread			2.11			2.12
Net interest margin	25,512	592	2.32	23,356	550	2.35

27. Segment information – banking (continued)

27(b) Average banking statement of financial position and margin analysis (continued)

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

	Consolidated	
	2003 %	2002 %
Gross interest spread	2.14	2.15
Interest foregone on impaired assets	(0.03)	(0.03)
Net interest spread	2.11	2.12
Interest attributable to net non-interest bearing assets	0.21	0.23
Net interest margin	2.32	2.35

The following table allocates changes in net interest income between changes in volume and changes in rate for the last two financial years. Volume and rate variances have been calculated on the movement in average balances and the changes in the interest rates on average interest earning assets and average interest bearing liabilities.

	Consolidated					
	2003 vs 2002 Changes due to:			2002 vs 2001 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	31	5	36	22	(20)	2
Gross loans, advances and other receivables	106	15	121	158	(217)	(59)
Other interest earning financial assets	(3)	(1)	(4)	4	(3)	1
Change in interest income	134	19	153	184	(240)	(56)
Interest bearing liabilities						
Deposits and short term borrowings	106	16	122	137	(165)	(28)
Bonds, notes and long term borrowings	(11)	8	(3)	(17)	(43)	(60)
Subordinated notes	(3)	(5)	(8)	(1)	(3)	(4)
Change in interest expense	92	19	111	119	(211)	(92)
Change in net interest income	42	-	42	65	(29)	36

27. Segment information – banking (continued)

27(c) Banking capital adequacy

APRA adopts a risk-based capital assessment framework for Australian banks based on internationally accepted capital measurement standards. This risk-based approach requires eligible capital to be divided by total risk weighted assets, with the resultant ratio being used as a measure of a bank's capital adequacy.

Capital is divided into Tier 1, or "core" capital, and Tier 2, or "supplementary" capital. For capital adequacy purposes, eligible Tier 2 capital cannot exceed the level of Tier 1 capital. The bank is required to deduct from total capital investments in entities engaged in general insurance and life insurance. Under APRA guidelines, the bank must maintain a ratio of qualifying capital to risk weighted assets of at least 9.5 percent.

The measurement of risk weighted assets is based on:

- a credit risk based approach wherein risk weighting is applied to on-balance sheet assets and to the credit equivalent of unrecognised financial instruments. Categories of risk weights are assigned based upon the nature of the counterparty and the relative liquidity of the assets concerned; and
- the recognition of risk weighted assets attributable to market risk arising from trading and commodity positions. Trading and commodity balance sheet positions do not attract a risk weighting under the credit risk based approach.

Consolidated banking capital adequacy position is set out below:

	Consolidated 2003 $m	Consolidated 2002 $m
Tier 1		
Share capital	2,587	2,533
Preference shares	244	244
Pre-conversion reserve	13	13
Retained earnings	278	200
Less: Goodwill	(1,228)	(1,228)
Less: Net future income tax benefit	(29)	-
Total Tier 1 capital	1,865	1,762
Tier 2		
Asset revaluation reserve	8	8
General provision for impairment, net of related future income tax benefit	87	84
Perpetual subordinated notes	170	170
Subordinated notes	645	622
Total Tier 2 capital	910	884
Deductions from capital		
Less: Investments in subsidiaries	(857)	(859)
Less: Guarantees and facilities to non-banking controlled entities	(5)	(10)
Total deductions	(862)	(869)
Total capital base	1,913	1,777

27. Segment information – banking (continued)

27(c) Banking capital adequacy (continued)

	Consolidated				
	Carrying Value		Risk weights	Risk weighted balance	
	2003 $m	2002 $m	%	2003 $m	2002 $m
Assets					
Cash, claims on Reserve Bank of Australia, shorter term claims on Australian Commonwealth Government and other liquid assets	513	113	0	-	-
Claims on banks and local governments	102	591	20	20	118
Loans secured against residential housing	13,008	13,041	50	6,504	6,521
All other assets	10,305	9,211	100	10,305	9,211
Total banking assets	23,928	22,956		16,829	15,850

	Consolidated				
	Face value	Credit equivalent	Risk weights	Risk weighted balance	
	2003 $m	2003 $m	%	2003 $m	2002 $m
Unrecognised positions					
Guarantees entered into in the normal course of business	124	65	20-100	65	64
Commitments to provide loans and advances	4,196	1,032	0-100	704	638
Capital commitments	3	3	100	3	-
Foreign exchange contracts	12,821	293	20-50	60	98
Interest rate contracts	14,762	151	20-50	44	22
Total unrecognised positions	31,906	1,544		876	822
Assessed risk					
Total risk weighted assets				16,829	15,850
Total unrecognised positions				876	822
Market risk capital charge				244	107
Total assessed risk				17,949	16,779
Risk weighted capital ratios				%	%
Tier 1				10.39	10.50
Tier 2				5.07	5.27
Deductions				(4.80)	(5.18)
				10.66	10.59

27. Segment information – banking (continued)

27(d) Credit risk concentrations

Industry exposures associated with each asset class are detailed with respect to the banking assets of the consolidated entity excluding inter-group funding of $397 million (2002: $500 million). Details of credit risk amounts for credit commitments are set out in note 43 and for derivative financial instruments in note 32. Risk concentrations by asset class are as follows:

	Consolidated					
	Trading securities $m	Investment securities $m	Loans, advances and other reveivables $m	Credit commitments $m	Derivative instruments $m	Total risk $m
2003 financial year						
Agribusiness	-	-	1,921	20	-	1,941
Construction and development	-	-	1,947	236	-	2,183
Financial services	3,174	3	156	-	425	3,758
Hospitality	-	-	643	-	-	643
Manufacturing	-	-	379	-	-	379
Professional services	-	-	543	-	-	543
Property investment	-	-	2,677	-	-	2,677
Real estate – Mortgage	-	-	13,378	680	-	14,058
Personal	-	-	477	-	-	477
Government and public authorities	-	-	2	-	-	2
Other commercial and industrial	-	-	1,286	159	20	1,465
	3,174	3	23,409	1,095	445	28,126
Receivables due from other financial institutions						68
Total gross credit risk						28,194

27. Segment information – banking (continued)

27(d) Credit risk concentrations (continued)

	Consolidated					
	Trading securities	Investment securities	Loans, advances and other reveivables	Credit commitments	Derivative instruments	Total risk
	$m	$m	$m	$m	$m	$m
2002 financial year						
Agribusiness	-	-	1,854	-	-	1,854
Construction and development	-	-	1,549	134	-	1,683
Financial services	1,358	3	148	-	541	2,050
Hospitality	-	-	559	-	-	559
Manufacturing	-	-	373	-	-	373
Professional services	-	-	543	-	-	543
Property investment	-	-	2,311	-	-	2,311
Real estate – Mortgage	-	-	13,210	575	-	13,785
Personal	-	-	301	6	-	307
Government and public authorities	140	-	2	-	-	142
Other commercial and industrial	-	-	1,191	160	17	1,368
	1,498	3	22,041	875	558	24,975
Receivables due from other financial institutions						57
Total gross credit risk						25,032

27. Segment information – banking (continued)

27(e) Credit risk concentrations – impaired assets

	Consolidated Total risk $m	Impaired assets $m	Specific provision $m	Write-offs $m
2003 financial year				
Agribusiness	1,941	62	7	2
Construction and development	2,183	7	1	-
Financial services	3,758	-	-	-
Hospitality	643	14	1	1
Manufacturing	379	3	2	25
Professional services	543	2	1	2
Property investment	2,677	11	3	2
Real estate – Mortgage	14,058	1	1	-
Personal	477	-	-	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,465	16	1	2
	28,126	116	17	34
Receivables due from other financial institutions	68			
Total gross credit risk	28,194			

	Consolidated Total risk $m	Impaired assets $m	Specific provision $m	Write-offs $m
2002 financial year				
Agribusiness	1,854	47	2	2
Construction and development	1,683	7	1	2
Financial services	2,050	-	-	-
Hospitality	559	6	1	2
Manufacturing	373	35	16	4
Professional services	543	3	1	6
Property investment	2,311	17	2	2
Real estate – Mortgage	13,785	4	2	-
Personal	307	-	1	-
Government and public authorities	142	-	-	-
Other commercial and industrial	1,368	7	1	7
	24,975	126	27	25
Receivables due from other financial institutions	57			
Total gross credit risk	25,032			

27. Segment information – banking (continued)

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
27(f) Impaired assets				
Non-accrual loans				
Gross balances				
with specific provisions set aside	51	76	50	72
without specific provisions set aside	65	50	63	50
Gross impaired assets	116	126	113	122
Interest reserved	(13)	(16)	(13)	(15)
Net balances	103	110	100	107
Specific provision for impairment (note 12)	(17)	(27)	(16)	(25)
Net non-accrual loans	86	83	84	82
Net impaired assets	86	83	84	82
Details of size of gross impaired assets				
Less than one million	38	40	35	36
Greater than one million but less than ten million	78	58	78	58
Greater than ten million	-	28	-	28
	116	126	113	122
Past due loans not shown as impaired assets	71	104	69	101
Interest revenue forgone on impaired assets				
Net interest charged but not recognised as revenue in the statements of financial performance during the financial year	12	14	12	14
Interest revenue on impaired assets recognised in the statements of financial performance				
Net interest charged and recognised as revenue in the statements of financial performance during the financial year	7	8	7	8
Analysis of movements in impaired assets				
Balance at the beginning of the financial year	126	129	122	126
Recognition of new impaired assets and increases in previously recognised impaired assets	91	95	86	93
Impaired assets written off during the financial year	(34)	(25)	(32)	(25)
Impaired assets which have been restated as performing assets	(67)	(73)	(63)	(72)
Balance at the end of the financial year	116	126	113	122

27. Segment information – banking (continued)

27(g) Large exposures

Details of the aggregate number of the consolidated banking entity's corporate exposures (including direct and contingent exposures) which individually were greater than five percent of the consolidated entity's banking capital resources (Tier 1 and Tier 2 capital) are as follows:

	Consolidated 2003 Number	Consolidated 2002 Number
25 percent and greater	4	1
20 percent to less than 25 percent	-	1
15 percent to less than 20 percent	3	2
10 percent to less than 15 percent	3	2
5 percent to less than 10 percent	3	-

These exposures are in relation to holding of trading securities with major Australian and overseas financial institutions.

27(h) Interest rate risk

Accounting Standard AASB 1033 "Presentation and Disclosure of Financial Instruments" requires disclosures in relation to the contractual interest rate risk sensitivity from repricing mismatches at balance date and the corresponding weighted average effective interest rate. All assets and liabilities in the following table are shown according to the contractual repricing dates. The net mismatch represents the net value of assets, liabilities and unrecognised financial instruments that may be repriced in the time periods shown.

It should be noted that the banking entity uses this contractual repricing information as one of the tools to manage interest rate risk. Interest rate risk is primarily managed from a net interest income and market value perspective in the manner outlined in note 31(d).

27. Segment information – banking (continued)

27(h) Interest rate risk (continued)

The repricing periods attributable to the banking activities of the consolidated entity are as follows:

	Consolidated							
	Total $m	0 to 1 month $m	1 to 6 months $m	7 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted average rate %
2003 financial year								
Financial assets								
Cash and liquid assets	448	356	-	-	-	-	92	3.75
Receivables due from other financial institutions	68	-	-	-	-	-	68	0.00
Trading securities	3,174	-	3,174	-	-	-	-	4.77
Investment securities	3	-	-	-	-	-	3	0.00
Loans, advances and other receivables	23,685	11,200	8,380	1,160	2,934	11	-	6.83
Other financial assets	50	-	-	-	-	-	50	0.00
Total financial assets	27,428	11,556	11,554	1,160	2,934	11	213	
Weighted average rate %		6.43	6.47	6.98	7.28	8.16	0.00	6.54
Financial liabilities								
Deposits and short term borrowings	22,016	7,116	13,200	1,471	215	14	-	4.37
Payables due to other financial institutions	26	-	-	-	-	-	26	0.00
Payables	1,055	-	-	-	-	-	1,055	0.00
Bonds, notes and long term borrowings	2,710	-	1,660	55	995	-	-	5.25
Subordinated notes	815	272	543	-	-	-	-	5.55
Total financial liabilities	26,622	7,388	15,403	1,526	1,210	14	1,081	
Weighted average rate %		3.48	4.88	4.84	5.44	5.45	0.00	4.50
Net assets	806	4,168	(3,849)	(366)	1,724	(3)	(868)	
Weighted average rate %		5.28	5.56	5.77	6.74	6.62	0.00	
Unrecognised financial instruments [1]		701	(740)	610	(585)	14	-	
Weighted average rate %		6.52	5.24	4.86	5.19	5.19	-	
Net mismatch		4,869	(4,589)	244	1,139	11	(868)	
Cumulative mismatch		4,869	280	524	1,663	1,674	806	

[1] Notional principal amounts

27. Segment information – banking (continued)

27(h) Interest rate risk (continued)

	Consolidated							
	Total $m	0 to 1 month $m	1 to 6 months $m	7 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted average rate %
2002 financial year								
Financial assets								
Cash and liquid assets	664	664	-	-	-	-	-	4.32
Receivables due from other financial institutions	57	-	-	-	-	-	57	0.00
Trading securities	1,498	-	1,498	-	-	-	-	4.83
Investment securities	3	-	-	-	-	-	3	0.00
Loans, advances and other receivables	21,916	6,407	10,920	1,293	3,256	40	-	6.90
Other financial assets	155	-	-	-	-	-	155	0.00
Total financial assets	24,293	7,071	12,418	1,293	3,256	40	215	
Weighted average rate %		6.45	6.56	7.43	7.48	7.94	0.00	6.69
Financial liabilities								
Deposits and short term borrowings	18,231	5,594	10,954	1,465	218	-	-	4.29
Payables due to other financial institutions	38	-	-	-	-	-	38	0.00
Payables	361	-	-	-	-	-	361	0.00
Bonds, notes and long term borrowings	3,952	44	3,088	81	735	4	-	5.23
Subordinated notes	802	-	366	-	436	-	-	7.06
Total financial liabilities	23,384	5,638	14,408	1,546	1,389	4	399	
Weighted average rate %		2.92	5.01	5.11	5.88	9.75	0.00	4.56
Net assets	909	1,433	(1,990)	(253)	1,867	36	(184)	
Weighted average rate %		4.89	5.72	6.17	6.99	8.12	0.00	
Unrecognised financial instruments [1]		-	(524)	(74)	639	(41)	-	
Weighted average rate %		-	5.32	5.95	6.03	6.41	-	
Net mismatch		1,433	(2,514)	(327)	2,506	(5)	(184)	
Cumulative mismatch		1,433	(1,081)	(1,408)	1,098	1,093	909	

[1] Notional principal amounts

27. Segment information – banking (continued)

27(i) Maturity analysis of financial assets and liabilities

The following maturity distribution of financial assets and liabilities relating to banking activities of the consolidated entity is based on contractual terms. It should be noted that the banking entity does not use this contractual maturity information as presented in the management of the statement of financial position. Additional factors are considered when managing the maturity profiles of the business.

	Consolidated							
	At call $m	Overdraft $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Unspecified $m	Total $m
2003 financial year								
Financial assets								
Receivables due from other financial institutions	68	-	-	-	-	-	-	68
Loans, advances and other receivables	538	2,861	770	1,959	5,026	12,135	-	23,289
	606	2,861	770	1,959	5,026	12,135	-	23,357
Financial liabilities								
Deposits and short term borrowings	6,818	-	9,869	4,775	158	-	-	21,620
Payables due to other financial institutions	26	-	-	-	-	-	-	26
Bonds, notes and long term borrowings	-	-	-	-	2,692	18	-	2,710
Subordinated notes	-	-	-	-	-	645	170	815
	6,844	-	9,869	4,775	2,850	663	170	25,171

	Consolidated							
	At call $m	Overdraft $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Unspecified $m	Total $m
2002 financial year								
Financial assets								
Receivables due from other financial institutions	57	-	-	-	-	-	-	57
Loans, advances and other receivables	484	2,371	716	1,869	4,688	11,788	-	21,916
	541	2,371	716	1,869	4,688	11,788	-	21,973
Financial liabilities								
Deposits and short term borrowings	5,408	-	8,478	4,176	169	-	-	18,231
Payables due to other financial institutions	38	-	-	-	-	-	-	38
Bonds, notes and long term borrowings	-	-	-	-	3,948	4	-	3,952
Subordinated notes	-	-	-	50	582	-	170	802
	5,446	-	8,478	4,226	4,699	4	170	23,023

27. Segment information – banking (continued)

27(j) Concentrations of deposits and borrowings

Details of the concentration of financial liabilities used by the consolidated banking entity to raise funds are as follows:

	Consolidated 2003 $m	2002 $m
Australian funding sources		
Retail deposits	13,023	11,902
Wholesale funding	5,524	5,559
	18,547	17,461
Overseas funding sources – wholesale		
Asian debt instrument program	132	57
European commercial paper and medium term note market	6,492	5,967
Subordinated debt program (USD)	371	-
	6,995	6,024
	25,542	23,485

28. Segment information – general insurance

	Consolidated 2003 $m	Consolidated 2002 $m
28(a) Contribution to profit from ordinary general insurance activities		
Net earned premium		
Direct premium revenue	2,231	2,018
Outwards reinsurance premium expense	(144)	(151)
	2,087	1,867
Net incurred claims		
Direct claims expense	(1,937)	(1,697)
Reinsurance and other recoveries revenue	286	288
	(1,651)	(1,409)
Operating expenses		
Acquisition costs	(248)	(250)
Other underwriting expenses	(276)	(291)
	(524)	(541)
Reinsurance commission income	16	23
Underwriting result	(72)	(60)
Investment revenue – Insurance provisions		
Interest, dividends and rent	227	184
Realised gains/(losses) on investments	30	(19)
Unrealised gains on investments	24	8
	281	173
Insurance trading result	209	113
Managed schemes income	106	116
Managed schemes expense	(99)	(110)
Share of net profits of associates accounted for using the equity method	9	5
Investment revenue – Shareholder funds		
Interest, dividends, rent, etc	52	55
Realised gains/(losses) on investments	(40)	9
Unrealised gains/(losses) on investments	12	(54)
Other revenue	2	6
Other expenses	(15)	(16)
	11	-
Net profit on sale of properties	16	-
Contribution to profit from ordinary general insurance activities before income tax, management fee and amortisation of goodwill	252	124
Management fee expense – GIO acquisition	(19)	(14)
Contribution to profit from ordinary general insurance activities before income tax and amortisation of goodwill	233	110

Segment information set out above includes transactions that have been eliminated in the consolidated statement of financial performance.

28. Segment information – general insurance (continued)

28(b) Net incurred claims

Details of net incurred claims for general insurance are as follows:

	Consolidated					
	2003			2002		
	Current year $m	Prior year $m	Total $m	Current year $m	Prior year $m	Total $m
Direct business						
Gross claims incurred and related expenses – undiscounted	2,090	(160)	1,930	2,019	(161)	1,858
Reinsurance and other recoveries – undiscounted	(281)	(3)	(284)	(324)	27	(297)
Net claims incurred – undiscounted	1,809	(163)	1,646	1,695	(134)	1,561
Discount and discount movement – gross claims incurred	(172)	184	12	(207)	63	(144)
Discount and discount movement – reinsurance and other recoveries	18	(20)	(2)	24	(15)	9
	1,655	1	1,656	1,512	(86)	1,426
Inwards reinsurance business						
Gross claims incurred and related expenses – undiscounted			(5)			(14)
Discount and discount movement – gross claims incurred			-			(1)
			(5)			(15)
Total net claims incurred			1,651			1,411

Explanation of material variances

The major components of the prior year movements are:

- a release of prudential margin in respect of claim payments during the year;
- unwinding of the discount allowed for in the provision; and
- reassessment of valuation assumptions (refer note 19).

28. Segment information – general insurance (continued)

28 (c) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Total $m	Floating interest rate $m	Consolidated Fixed interest maturing in: 0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted Average Interest Rate %
2003 financial year								
Financial assets								
Cash and liquid assets	121	121	-	-	-	-	-	0.00
Receivables	1,159	-	-	-	-	-	1,159	0.00
Investments								
fixed interest securities	5,048	616	1,272	111	1,862	353	834	5.60
Other financial assets	42	-	-	-	-	-	42	0.00
	6,370	737	1,272	111	1,862	353	2,035	
Financial liabilities								
Payables	198	-	-	-	-	-	198	0.00
Non-interest bearing liabilities	134	-	-	-	-	-	134	0.00
	332	-	-	-	-	-	332	
Net financial assets	6,038	737	1,272	111	1,862	353	1,703	

The weighted average effective interest rate at 30 June 2003 was 5.60 percent (2002: 5.50 percent).

28. Segment information – general insurance (continued)

28 (c) Interest rate risk (continued)

	Consolidated							
	Fixed interest maturing in:							
	Total $m	Floating interest rate $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted Average Interest Rate %
2002 financial year								
Financial assets								
Cash	45	34	-	-	-	-	11	4.30
Receivables	1,044	-	-	-	-	-	1,044	0.00
Investments								
fixed interest securities	2,715	-	1,235	279	861	340	-	5.50
cash on deposit	978	978	-	-	-	-	-	4.61
margin deposits	17	17	-	-	-	-	-	3.65
Other current assets	34	-	-	-	-	-	34	0.00
	4,833	1,029	1,235	279	861	340	1,089	
Financial liabilities								
Payables	193	-	-	-	-	-	193	0.00
Interest bearing liabilities	37	37	-	-	-	-	-	8.50
Non-interest bearing liabilities	42	-	-	-	-	-	42	0.00
	272	37	-	-	-	-	235	
Net financial assets	4,561	992	1,235	279	861	340	854	
Interest rate swaps	-	50	-	-	-	(50)	-	

The consolidated entity had entered into an interest rate swap whereby the fixed interest income stream was swapped for a floating interest income stream. The arrangement was unwound on 5 July 2002.

28. Segment information – general insurance (continued)

28 (d) Managed funds

The controlled entity, GIO General Limited, has a contractual agreement with New South Wales Treasury to manage New South Wales Treasury Managed Fund, Transport Accidents Compensation Fund, Governmental Workers Compensation Account and Pre-Managed Fund Reserve. The NSW Treasury Managed Fund is a scheme of self-insurance introduced by the NSW Government in 1989 and protects the insurable assets and exposures of all NSW public sector agencies financially dependent on the Consolidated fund, all public hospitals and a number of statutory authorities. The Transport Accidents Compensation Fund is in run-off and pays the costs of motor transport accident claims under the common law system that applied in NSW until 30 June 1989. Governmental Workers Compensation Account pays the outstanding workers compensation claims liabilities as at 30 June 1989. Pre-Managed Fund Reserve is in run-off and pays outstanding public liability claims.

GIO General Limited receives management fees from the NSW Treasury for collection of premiums, administration of claims and providing risk management and accounting services.

Income, expense, assets and liabilities of the New South Wales Insurance Ministerial Corporation are included in the New South Wales Crown Entity's statement of financial performance and statement of financial position.

A controlled entity, GIO Workers Compensation (NSW) Limited, is a licensed insurer under the New South Wales Workers' Compensation Act 1987 ("the Act"). In accordance with the requirements of the Act, the controlled entity has established and maintains a statutory fund in respect of the issuance and renewal of insurance policies on behalf of WorkCover New South Wales. The controlled entity also manages the collection of premiums and the administration of most claims processes.

The application of the statutory fund is restricted to the payment of claims, related expenses and other payments authorised under the Act. WorkCover New South Wales advises that the licensed insurers have no liability under the Act in the event of a deficiency in a statutory fund and the Australian Taxation Office confirmed the statutory funds are exempt from income tax as WorkCover New South Wales holds a vested interest in the income of the statutory fund. For the reasons above, the directors are of the opinion that the controlled entity does not have control nor have the capacity to control the statutory fund. Therefore in accordance with AASB 1024 "Consolidated Accounts", income, expenses, asset, liabilities of the statutory funds are not included in the consolidated statements of financial performance and statements of financial position.

For these reasons, the statutory fund are of a separate and distinct nature and therefore it is not appropriate to include these assets and liabilities of the fund with the other assets and liabilities of the consolidated entity.

Under the Act, the controlled entity is required to perform an actuarial valuation of the financial position of the statutory fund, including a valuation of liabilities, at least once in every three year period or such other period as may be prescribed by Regulation. Accordingly, a fund method of accounting is adopted whereby the balance of the statutory fund is carried forward until the financial positions of the statutory fund are determined after actuarial investigation. Following this determination, WorkCover New South Wales may direct the transfer of any surplus in accordance with the Act, including transfers to other statutory funds of the controlled entity or to the statutory funds of another licensed insurer.

The Australian Securities and Investments Commission has, by class order 00/321, exempted the controlled entity and the consolidated entity from compliance with the *Corporations Act 2001* to the extent it is necessary to adopt the above method of fund accounting.

28. Segment information – general insurance (continued)

28 (e) Minimum capital requirement

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

- the risk that the provision for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- the risk that the unearned premium account is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- the risk that the value of assets is diminished (investment risk); 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 percent is classified as capital.

	Consolidated 2003 $m
Tier 1 Capital	
Paid up ordinary shares	1,395
Retained profits at end of reporting period	698
Technical provision in excess of liability valuation	261
Less: Tax effect of excess technical provisions	(78)
	2,276
Less: Goodwill	(904)
Future income tax benefit (net of deferred tax liabilities)	(14)
Total deductions from tier 1 capital	(918)
Adjusted total tier 1 capital	1,358
Total capital base	1,358
Outstanding claims risk charge	448
Premium liabilities risk charge	184
Investment risk charge	201
Maximum event retention risk charge	50
Minimum capital requirement	883
Capital adequacy multiple	1.54

29. Segment information – wealth management

	Consolidated 2003 $m	Consolidated 2002 $m
29(a) Contribution to profit from ordinary wealth management activities		
Net life insurance premium revenue		
Premium revenue	86	76
Outwards reinsurance expense	(17)	(16)
	69	60
Life insurance investment revenue		
Equity securities	(35)	(120)
Debt securities	100	88
Property	60	61
Other	(8)	(2)
	117	27
Management fee revenue – funds management	22	19
Other revenue	23	30
Total revenue	231	136
Operating expenses		
Claims expense	(60)	(58)
Reinsurance recoveries	16	11
Decrease in net life insurance policy liabilities	16	90
Increase in policy owner retained profits	(49)	(24)
Other operating expenses	(102)	(101)
	(179)	(82)
Contribution to profit from ordinary wealth management activities before income tax	52	54

Segment information set out above includes transactions that have been eliminated in the consolidated statement of financial performance.

	Consolidated 2003 $m	Consolidated 2002 $m
29(b) Sources of wealth management operating profit		
Shareholder's operating profit in the statutory funds		
The shareholder's operating profit from ordinary activities after income tax in the statutory funds is represented by:		
Investment earnings on shareholder's retained profits and capital	5	1
Emergence of shareholder's planned profits	30	31
Experience loss	(2)	(4)
Reversal of capitalised loss	-	8
	33	36
Shareholder's operating profit in the shareholder's fund		
Revaluation of controlled entity	(3)	2
Other	2	1
	32	39
Life Insurance Act policy owners' operating profit in the statutory funds		
The Life Act policy owners' operating profit from ordinary activities after income tax in the Statutory Funds is represented by:		
Earnings of policy owners' retained profits	11	4
Emergence of policy owners' planned profits	99	105
Experience loss	(9)	(8)
	101	101

29. Segment information – wealth management (continued)

29(c) Net policy liabilities

	Consolidated Current Basis [4] 2003 $m	Consolidated Current Basis [4] 2002 $m	Consolidated Previous Basis [5] 2003 $m
Best estimate liability			
Non-investment linked business			
Value of future policy benefits [1]	1,811	1,560	1,750
Value of future expenses	117	102	92
Value of unrecouped acquisition expenses	(98)	(82)	(99)
Balance of future premiums	(813)	(722)	(720)
	1,017	858	1,023
Investment linked business			
Value of future policy benefits [1]	909	990	909
Value of future expenses	43	39	42
Value of unrecouped acquisition expenses	(17)	(20)	(17)
Balance of future premiums	(124)	(110)	(125)
	811	899	809
	1,828	1,757	1,832
Value of future profits			
Non-investment linked business			
Policyholder bonuses [2]	581	733	587
Shareholder profit margins	176	198	163
	757	931	750
Investment linked business			
Shareholder profit margins	14	14	16
	771	945	766
Total value of declared bonuses [3]	48	69	48
Total net policy liabilities	2,647	2,771	2,646

(1) Future policy benefits include bonuses credited to policy owners in prior periods but exclude current period bonuses (as set out in the statement of financial performance) and future bonuses (as set out in (2)). Where business is valued by other than projection techniques, future policy benefits includes the account balance.
(2) Future bonuses exclude current period bonuses.
(3) Current year declared bonuses valued in accordance with the Actuarial Standard.
(4) Using the actuarial methods and assumptions relevant at the reporting date, on current in force business.
(5) Using the actuarial methods and assumptions relevant at the previous reporting date, but on current in force business.

Restrictions on assets

Investments held in the Life Statutory Funds can only be used within the restrictions imposed under the Life Act and the constitution of Suncorp Life and Superannuation Limited. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund, or as distributions. Participating policy owners can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements are met.

29. Segment information – wealth management (continued)

29(d) Trustee activities

Suncorp Superannuation Pty Ltd, a controlled entity of Suncorp Life and Superannuation Limited, acts as trustee in relation to various superannuation policies issued by Suncorp Life and Superannuation Limited. Arrangements are in place to ensure that the activities of Suncorp Superannuation Pty Ltd are managed separately.

29(e) Disaggregated information by fund

Under the Life Act, life insurance business is conducted within separate statutory funds which are distinguished from one another and the shareholder's funds. The financial statements of Suncorp Life and Superannuation Limited are lodged with relevant Australian regulators and show all major components of the financial statements disaggregated between each life insurance statutory fund and the shareholder's funds. Extracts of the disaggregated financial statements of the consolidated entity's life insurance business are set out below.

	Non-investment linked Statutory Fund No. 1 $m	Investment linked Statutory Fund No. 2 $m	Total Statutory Funds $m	Shareholder Fund $m
2003 financial year				
Investment assets	2,263	852	3,115	35
Policy liabilities ceded to reinsurers	14	-	14	-
Other assets	51	21	72	25
Total assets	2,328	873	3,201	60
Gross policy liabilities	1,836	825	2,661	-
Liabilities other than policy liabilities	68	(4)	64	20
Policy owner retained profits	320	-	320	-
Total liabilities	2,224	821	3,045	20
Net assets	104	52	156	40
Share capital	-	-	-	39
Retained profits	99	27	126	31
Capital transfers	5	25	30	(30)
Total equity	104	52	156	40
Premium revenue	84	2	86	-
Investment revenue	111	10	121	(3)
Claims expense	(60)	-	(60)	-
Net operating expenses	(85)	(18)	(103)	2
Profit from ordinary activities before tax	50	(6)	44	(1)
Profit from ordinary activities after tax	33	-	33	(1)
Transfer of profits	(13)	-	(13)	13

29. Segment information – wealth management (continued)

29(e) Disaggregated information by fund (continued)

	Non-investment linked Statutory Fund No. 1 $m	Investment linked Statutory Fund No. 2 $m	Total Statutory Funds $m	Shareholder Fund $m
2002 financial year				
Investment assets	2,237	947	3,184	46
Policy liabilities ceded to reinsurers	9	-	9	-
Other assets	53	18	71	28
Total assets	2,299	965	3,264	74
Gross policy liabilities	1,867	913	2,780	-
Liabilities other than policy liabilities	77	-	77	17
Policy owner retained profits	271	-	271	-
Total liabilities	2,215	913	3,128	17
Net assets	84	52	136	57
Share capital	-	-	-	39
Retained profits	79	27	106	48
Capital transfers	5	25	30	(30)
Total equity	84	52	136	57
Premium revenue	74	2	76	-
Investment revenue	49	(23)	26	3
Claims expense	(58)	-	(58)	-
Net operating expenses	(27)	14	(13)	-
Profit from ordinary activities before tax	38	(7)	31	3
Profit from ordinary activities after tax	36	-	36	3
Transfer of profits	(19)	-	(19)	19

29. Segment information – wealth management (continued)

29(f) Solvency requirements of the life insurance statutory funds

Distribution of the retained profits is limited by the prudential capital requirements of Part 5 of the Life Act, the detailed provisions of which are specified by Actuarial Standards. The Solvency Standard prescribes a minimum level of assets, known as the solvency requirement, for each Statutory Fund in the life business.

The solvency requirements, and the ratios in respect of those requirements, are as follows:

	Consolidated					
	Statutory Fund No. 1		Statutory Fund No. 2		Total Statutory Funds	
	2003 $m	2002 $m	2003 $m	2002 $m	2003 $m	2002 $m
Solvency requirement						
Minimum termination value	1,671	1,629	839	931	2,510	2,560
Other liabilities	68	77	(4)	-	64	77
Solvency reserve	197	229	7	8	204	237
Solvency requirement	1,936	1,935	842	939	2,778	2,874
Excess of net policy liabilities (includes policy owner bonuses) over minimum termination value	152	229	(15)	(18)	137	211
Net assets	105	84	52	52	157	136
Liability for policy owner retained profits at the end of financial year	319	271	-	-	319	271
	576	584	37	34	613	618
Solvency reserve %	11.3	13.4	0.8	0.8	7.9	9.0
Coverage of solvency reserve	2.9	2.6	5.5	4.4	3.0	2.6

The minimum termination value is determined in accordance with the Solvency Standard and is the base figure upon which reserves against liability and asset risks are layered in determining the solvency requirement. The minimum termination value represents the minimum obligation of the consolidated entity to policy owners at the reporting date.

30. Financing arrangements

	Available 2003 $m	Unused 2003 $m	Available 2002 $m	Unused 2002 $m
	Consolidated			
Unrestricted access was available at balance date to the following:				
Standby facility	-	-	225	225
Group overdraft limit	27	6	60	24
	Company			
Unrestricted access was available at balance date to the following:				
Standby facility	-	-	225	225

During the year, the standby facility matured and was not renewed at the discretion of the Company. The facility was initially put in place as a measure for the turn of the century (Year 2000), and also for liquidity management purposes. The facility was no longer needed for those purposes.

31. Risk management

31(a) General risk management framework

A structured risk management framework has been implemented throughout the consolidated entity in respect of all risks including credit, market, liquidity and operational risks. The framework comprises organisational structure, policies, approved methodologies, processes, delegation of authority to assume and approve risk, monitoring and reporting requirements.

The Board of Directors is responsible for approving the consolidated entity's risk appetite and risk management strategies and policies whilst management has the primary responsibility and accountability for embedding the framework within the business operations of the consolidated entity. The continuing operation of the general framework is monitored by the Executive Risk Committee and the Audit, Business Risk and Compliance Committee.

The general framework provides an ongoing process for recognising and evaluating risks, development and implementation of mitigation strategies and implementation of monitoring tools. All key risks and their mitigators are documented in Risk Registers that are maintained at a business unit level and consolidated on a group level for monitoring by the Executive Risk Committee. Risk Registers are reviewed annually as part of the consolidated entity's business planning process and each Register is signed-off by the head of the business unit and the relevant executive. Consolidated Risk Registers are endorsed by the Executive Risk Committee and submitted to the Audit, Business Risk and Compliance Committee for approval of the risk limits.

Management is required as part of the monthly Due Diligence process to identify and report any risk events which have occurred and any breaches in authorities, policies or legislative requirements. These reports are endorsed through management and executives and included in the Chief Executive Officer's Due Diligence Report to the Audit, Business Risk and Compliance Committee.

The Group Compliance and Assurance division is charged with the responsibility for reviewing and reporting on the risk management process as actually implemented within business units and the effectiveness of the strategies in place to mitigate the recognised risks. Summaries of all audit reports together with details of management's action plans to rectify any noted weaknesses are issued to the Chief Executive Officer and the Audit, Business Risk and Compliance Committee.

In addition to the Group Compliance and Assurance division there are a number of compliance, risk management and review departments within the consolidated entity who are responsible for monitoring, reviewing and reporting on specific areas of the consolidated entity's operations. These departments include Group Compliance, Credit Approval, Investment Compliance and Group Market Risk. These units report to the Board Credit, Investment or Audit, Business Risk and Compliance Committees as appropriate.

The Boards of each of the general insurance entities have approved and issued a Risk Management Strategy that sets out the risk management framework for adoption within the entities. In addition the insurance entities have adopted a Risk Management Statement setting out specific guidelines for the investment of the entities' funds including the use of derivative financial instruments. More detailed discussion on this is contained in note 32.

31(b) Credit risk

Credit risk is the likelihood of future financial loss resulting from the failure of clients or counterparties to meet contractual payment obligations to the consolidated entity as they fall due.

Banking activities

Credit risk is managed through a combination of assessment of individual exposures which are transactionally managed using annual reviews (or more frequently if required) and current financial information to assess repayment capacity, risk grading which is kept current and other exposures which are managed statistically on a portfolio basis.

The Board Credit Committee is the highest credit authority below the Board of Directors. It concentrates on issues such as formulation of credit policy and the review of asset quality. It is also the approval authority for applications above the discretion of the Executive Credit Committee.

Comprehensive policies and standards have been approved by the Board Credit Committee and implemented, ensuring consistency in the identification of asset quality throughout the various banking activities of the consolidated entity.

The Risk division manages the credit risk accepted by the consolidated entity, and is responsible for managing the arrears on all loans and includes Credit Recovery, a specialist unit which manages advanced problem loans. All impaired assets are managed within the Risk division.

Details of credit risk concentrations by industry for each of the major asset types are set out in note 27(d).

The nature of credit risk varies between business and retail loans, and is managed differently.

31. Risk management (continued)

31(b) Credit risk (continued)

Banking activities (continued)

Business loans

The consolidated Credit Policies and Standards are the foundation of credit risk management within Business Banking operations. The credit policies codify the standards for acceptance of new and additional applications.

A structure of industry concentration limits has been developed. These are tactical limits upon which business planning and developmental activity is based but also act as guidelines for portfolio concentration purposes. Each industry has been rated based on the economic and market outlook for the industry as well as the consolidated entity's actual exposure.

The consolidated entity has designed and implemented a loan grading system. The system produces an assessment of credit quality that measures the factors such as industry risk, financial strength and management ability of the client and a security ratio which estimates the deficiency in the security held in the event of default.

For each client, the credit risk grading system uses a weighting of influential industry and business cycle factors, historical and prospective financial performance and level of security. These areas are fundamental components of credit risk and offer the greatest insight into the likelihood that a customer will default and create loss. The analysis also provides a strong basis of credit quality at the portfolio and consolidated entity level.

Retail loans

Separate credit policies for retail loans codify the standards for acceptance of new and additional applications. Credit scoring is used to approve many of the retail banking credit loans within certain thresholds and an end to end automated work flow system enforces certain business rules as well as credit policies.

General insurance activities

Credit risk occurs as a result of reinsurance arrangements and investment in financial instruments. The Board Credit Committee monitors the effectiveness of credit risk management in relation to general insurance activities, including the investments and insurance portfolios, and reviews exposure to reinsurers.

The consolidated entity enters into reinsurance arrangements to reduce potential claims losses. The credit risk associated with these arrangements is monitored and managed by a specialised reinsurance broker operating within the international reinsurance markets. Over-concentration of credit risk is avoided by placement of cover with a substantial number of reinsurers. Over 80 percent of reinsurance is placed with companies with Standard and Poor's credit ratings of "A" or better.

Investments in financial instruments are held in accordance with the investment mandates and the operational guidelines on use of derivatives established in the Risk Management Statement. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings.

The credit risk of financial assets that have been recognised on the statement of financial position is the carrying amount.

Life insurance activities

Credit risk occurs as a result of investments in financial instruments. The life insurance entity has no specific concentration of credit risk with a single counterparty arising from the use of financial instruments in managing the investment portfolio other than that normally arising through dealings on recognised exchanges and off exchange dealings (over the counter contracts). Over the counter contracts are limited to counterparties that have a minimum long term credit rating equivalent to Standard and Poor's "A" from a recognised credit rating agency. These counterparties are normally banks operating in Australia.

Credit risk from the use of financial instruments in investment management is controlled both by credit management (credit rating and credit limit controls), and by counterparty diversification policies to limit exposure to any one counterparty as a proportion of the investment portfolio.

31(c) Market risk

In its operations the consolidated entity is exposed to a variety of market risks. Market risk is the risk of loss of current and future consolidated entity earnings from adverse moves in interest rates, foreign exchange rates, equities prices, property prices and prices of other financial contracts including derivatives.

The consolidated entity has a risk management framework in place for market risk. The framework for each risk is described below.

31(d) Interest rate risk

Interest rate risk is the risk of a loss of current and future consolidated entity earnings from adverse moves in interest rates.

Banking activities

The two major sources of interest rate risk in relation to Banking are non-trading activities (balance sheet) and trading activities. Under authority of the Board of Directors, the Board Credit Committee has responsibility for oversight of interest rate risk for the consolidated entity. The Board Credit Committee approves all interest rate risk policies and reviews relevant risk measures on a monthly basis. Executive management of interest rate risk is delegated to the Asset and Liability Committee who review risk measures and limits, provide guidance, endorse non-traded interest rate risk strategy and monitor execution of strategy.

31. Risk management (continued)

31(d) Interest rate risk (continued)

Banking activities (continued)

Non-traded interest rate risk (balance sheet risk)

Non-traded interest rate risk arises from the structure and characteristics of the banking assets and liabilities and in the mismatch in repricing dates thereof. The principal objective of non-traded interest rate risk management is to minimise the fluctuations in value and net interest income over time, providing secure and sustainable net interest income arising in the long term.

Operational management of non-traded interest rate risk is delegated to the Balance Sheet Management section of the Treasury Services department. Non-traded interest rate risk is independently monitored against approved policies by the Group Market Risk section of the Risk division.

The risk to the net interest earnings over the next 12 months from a change in interest rates is measured on at least a monthly basis. A simulation model is used to combine underlying financial position data with assumptions about business run off, new business and expected repricing behaviour to calculate the banking entities' net interest income at risk. The analysis is based on contractual repricing information.

A one-percent parallel shock in the yield curve is used to determine the potential adverse change in net interest income in the ensuing 12 month period. This is a standard risk quantification tool. A number of supplementary scenarios comprising variations in size and timing of interest rate moves together with changes in the balance sheet size and mix are also used to provide a range of net interest income outcomes.

The figures in the table below indicate the potential adverse change in net interest income for an ensuing 12 month period for current and previous reporting periods. The change is expressed as a percentage of expected net interest earnings based on a one percent parallel shock.

	Consolidated	
	2003 %	2002 %
Average monthly exposure	2.21	2.65
High month exposure	3.20	4.40
Low month exposure	1.54	0.63

As a measure of longer-term sensitivity, the banking entities prepare a value at risk analysis to value asset and liabilities under a range of possible interest rate scenarios. This analysis provides information on the potential change that could occur to the net present value of assets and liabilities where repricing dates do not match. The interest rate scenarios are derived from actual interest rate movements that have occurred over discrete three-month and two-year historical observation periods. A 97.5 percent confidence level and a one-month holding period are used for the simulation. The information is based on contractual repricing information.

	Consolidated	
	2003 $m	2002 $m
Average monthly exposure	20	28
High month exposure	30	53
Low month exposure	12	12

Further details of non-traded interest rate risk in relation to banking activities are set out in note 27(h).

Traded interest rate risk

The banking entities trade a range of on balance sheet and derivative interest rate products. The principal objective of traded interest rate risk management is to generate income through disciplined trading, provide a service to the bank's customers and act as a market maker to the entities' own internal customers. Income is earned from spreads achieved through market making and from managing market risk.

Operational management of traded interest rate risk is delegated to the Trading section of the Treasury Services department. Traded interest rate risk is independently monitored against approved policies on a daily basis by the Group Market Risk section of the Risk Division.

Traded interest rate risk is managed using a framework that includes Value at Risk ("VaR") limits, position limits and stop loss limits. VaR is a statistical estimate of the potential loss that could be incurred if the banking entities' trading positions were maintained for a pre-defined time period. A 99 percent confidence level and a one-day holding period are used for the simulation. In December 2002, the banking entities moved from using a historical simulation VaR methodology and parallel yield curve shift risk model to a VaR model based on a variance-co-variance methodology. The VaR model takes into account correlations between different positions and the potential for movements to offset one another within the individual portfolios. Interest rate risk from proprietary trading activities is independently calculated and monitored on a daily basis. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate extreme market movements. All trading positions are valued daily and taken to the statement of financial performance on a mark-to-market basis.

31. Risk management (continued)

31(d) Interest rate risk (continued)

Banking activities (continued)

Traded interest rate risk (continued)

The VaR for the banking entities' interest rate trading portfolios for the year was as follows (2002 comparatives have not been restated):

	Consolidated	
	2003 $m	2002 $m
Average VaR	0.15	0.13
Maximum VaR	0.51	0.56
Minimum VaR	0.06	0.02

General insurance activities

Interest rate risk arises from the investments in interest bearing securities. Any change in market value of investments in interest bearing securities is immediately recognised in the statements of financial performance.

The investment portfolios hold significant interest bearing securities in support of corresponding insurance provisions, invested in a manner consistent with the expected duration of claims payments. The valuation of the insurance provisions includes the discounting to present value at balance date of expected future claim payments.

Any assessment of the impact of changes in interest rates on investment revenues must include the offsetting adjustment to claims expense for changes in discount rates adopted in outstanding claims valuations. The investment portfolio mandates have been established on the basis of the appropriate matching principles so as to ensure the impact on the operating result of changes in interest rates is minimised.

The discount rates being applied to future claims payments in determining the valuation of outstanding claims is disclosed in note 19. The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out in note 28(c).

Wealth management activities

Interest rate risk in the statements of financial position arises from the potential for a change in interest rates to have an adverse effect on the revenue earnings in the current reporting period and in future years. Any changes in market value of investments in interest bearing securities are immediately reflected in the statements of financial position in accordance with the accounting policies discussed in note 1(c).

31(e) Foreign exchange risk

Foreign exchange risk is the risk of a loss from adverse movements in exchange rates on open foreign currency positions.

Banking activities

The two major sources of foreign exchange risk are non-trading activities (balance sheet) and trading activities. Under authority of the Board of Directors, the Board Credit Committee has responsibility for oversight of foreign exchange risk for the consolidated entity. The Board Credit Committee approves all foreign exchange risk policies and reviews relevant risk measures on a monthly basis. Executive management of foreign exchange risk is delegated to the Asset and Liability Committee who review risk measures and limits, provide guidance, endorse and monitor non-traded foreign exchange risk strategy.

Non-traded foreign exchange risk

Non-traded foreign exchange risk arises where investments in non-Australian operations expose current and future consolidated entity earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management within the consolidated entity is to minimise the impact on earnings of any such movements. The policy is to fully hedge any such exposure and accordingly minimal exposure to non-traded foreign exchange risk exists. All offshore borrowing facilities arranged as part of the overall funding diversification process have been hedged in respect of their potential foreign exchange risk, through the use of derivative financial instruments.

Traded foreign exchange risk

The banking entities trade a range of on balance sheet and derivative foreign exchange products. The principal objective of traded foreign exchange risk management is to generate income through disciplined trading, provide a service to the banking entities' customers and act as a market maker to the consolidated entity's own internal customers. Income is earned from spreads achieved through market making and from managing risk.

Operational management of traded foreign exchange risk is delegated to the Trading section of the Treasury Services department. Traded foreign exchange risk is independently monitored against approved policies on a daily basis by the Group Market Risk section of the Risk Division.

31. Risk management (continued)

31(e) Foreign exchange risk (continued)

Banking activities (continued)

Traded foreign exchange risk (continued)

Traded foreign exchange risk is managed using a framework that includes limits, position limits and stop loss limits. VaR is a statistical estimate of the potential loss that could be incurred if the banking entities' trading positions were maintained for a pre-defined time period. A 99 percent confidence level and a one-day holding period are used for the simulation. In December 2002, the banking entities moved from using a historical simulation VaR methodology to a VaR model based on a variance-co-variance methodology. The VaR model takes into account correlations between different positions and the potential for movements to offset one another within the individual portfolios. Foreign exchange risk from trading activities is independently calculated and monitored on a daily basis. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate extreme market movements. All trading positions are valued daily and taken to the statement of financial performance on a mark-to-market basis.

The VaR for the banking entities' foreign exchange trading portfolios for the year was as follows (2002 comparatives have not been restated):

	Consolidated	
	2003 $m	2002 $m
Average VaR	0.09	0.04
Maximum VaR	0.32	0.15
Minimum VaR	0.01	0.01

General insurance activities

The consolidated entity has ongoing foreign exchange obligations in relation to a number of outstanding claims which have arisen in relation to previously written offshore inwards reinsurance business. The provision for outstanding claims has been established on the basis of assessments in relation to potential exposure.

As this business is no longer being written, the consolidated entity established a special investment portfolio to ensure sufficient funds were set aside to accommodate all final settlements. The claim payments will be predominantly in United States dollars. The investment portfolio consists of cash and short term discount securities with a forward foreign exchange agreement. The details of the forward foreign exchange agreement are contained in note 32.

Life insurance activities

The statutory funds of the consolidated entity invest in overseas assets. These assets back the liabilities within the funds. In the Investment Linked Fund, any investment returns, whether positive or negative, are passed on to the policy owners. In the Capital Guaranteed Fund, capital and declared interest are guaranteed. The Fund maintains reserves in accordance with the standards of the LIASB to meet any risk in diminution of value associated with foreign exchange risk.

31(f) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Under authority of the Board of Directors, the Board Credit Committee has responsibility for oversight of liquidity risk for the consolidated entity.
The Board Credit Committee approves all liquidity policies and reviews relevant risk measures on a monthly basis. Executive management of liquidity risk is delegated to the Asset and Liability Committee who review risk measures and limits, provide guidance, endorse and monitor funding and liquidity strategy.

Banking activities

The primary objective of liquidity policy is to ensure that the consolidated entity has sufficient funds available to meet all its known and potential commitments on a normal, going concern basis and in a crisis situation. Liquidity risk arises from mismatches in the cash flows of financial transactions or the inability of financial markets to absorb the transactions of the consolidated entity.

Liquidity risk is managed using a framework that includes minimum high quality liquid asset ratios, minimum liquid asset ratios, cumulative cash flow mismatch limits and liquidity concentration limits.

Operational management of liquidity risk is delegated to the Balance Sheet Management section of the Treasury Services department. Liquidity risk is independently monitored against approved policies on a daily basis by the Group Market Risk section of the Risk Division.

General insurance activities

The ability to make claims payments in a timely manner is critical to the business of insurance. The investment portfolio mandates ensure that sufficient cash deposits are available to meet day-to-day obligations. Investment funds are set aside within the investment portfolio in support of these reserves, thereby ensuring the adequacy of investment portfolios to accommodate significant claims payments obligations. In addition, under the terms of the consolidated entity's reinsurance arrangements, immediate access to cash is available in the event of a major catastrophe.

31. Risk management (continued)

31(f) Liquidity risk (continued)

General insurance activities (continued)

From 1 July 2002, the general insurance business must comply with the new prudential regulations issued by APRA including the capital adequacy standard that sets a Minimum Capital Requirement for general insurers. APRA have also prescribed a Minimum Capital Requirement of 125 percent of the statutory minimum for the consolidated general insurance activities of the consolidated entity. The Board has adopted a policy to maintain capital of at least 135 percent of the Minimum Capital Requirement set out in the capital adequacy standard.

Life insurance activities

The investment portfolio mandates ensure that sufficient cash deposits are available to meet day-to-day obligations. The consolidated entity maintains a level of capital adequacy in accordance with Actuarial Standards issued by the LIASB.

31(g) Other market risks

General insurance activities

The consolidated entity has two distinct investment portfolios, each with their own investment mandate, to assist in the overall management of the business. The liabilities portfolio supports the insurance provisions of the consolidated entity. The investment mandate for this portfolio requires investments be held in short term securities and fixed interest securities. The portfolio is invested in a manner consistent with the expected duration of claims payments, ensuring any variation from a fully matched position is restrained. It includes assets (including foreign currency) to support the run-off of offshore liabilities in relation to the previous inwards reinsurance activities.

The shareholders' portfolio is tracked in relation to the investment of funds in support of share capital and retained earnings. To provide higher returns on capital maintained, the investment mandate for this portfolio has a more diverse investment strategy, including interests in equities, property and cash. The investment mandate while providing higher returns must also consider the volatility of investment returns and the impact of volatility on both the capital adequacy and profitability of the business. To do this, the investment mandate was developed using a value at risk framework. An acceptable level of risk was agreed and an investment strategy was developed where the likely returns would fall within the agreed risk limits with a high degree of confidence. The performance of the investment mandate is regularly reviewed to ensure the risks are within the predicted limits.

The investments are measured at net market value and changes in market value are recognised in the statements of financial performance. The property investments are subject to regular valuations. This property portfolio is actively managed to ensure that any adverse financial impacts are appropriately monitored.

An overall downturn in the equities markets may impact on the future results of the consolidated entity. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of leading Australian companies and through the limited use of derivative financial instruments, as discussed in note 32.

Life insurance activities

The consolidated entity has a shareholder and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund. Within the Capital Guaranteed Fund there are four sub-funds. Within the Investment Linked Fund there are thirteen sub-funds. Each of these sub-funds has an investment mandate.

31(h) Operational risk

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the consolidated entity conducts its business and includes reputational and legal risks. Operational risk is managed through the adoption of the consolidated entity's risk management framework. Risks which cross all business units such as business continuity and regulatory compliance are coordinated centrally by Business Continuity Management and Group Regulatory Compliance units respectively. These risks are owned and managed by the Executive Risk Committee with monitoring by the Audit, Business Risk and Compliance Committee. The Group Internal Audit function also conducts regular reviews to monitor compliance with policy and regulatory requirements, and examines the general standard of control.

32. Derivative financial instruments

A derivative financial instrument is a financial instrument that provides the holder with the ability to participate in some or all of the price changes of a referenced financial instrument, commodity, index of prices, or the price of any specific item. It usually does not require the holder to own or deliver the referenced item. Derivatives enable holders to modify or eliminate risks by transferring them to other parties willing to assume those risks.

Derivative financial instruments are used by the consolidated entity to manage interest rate, foreign exchange and equity price risk arising from various banking and insurance activities. They are also used to a limited degree within the insurance investment portfolios where it is more efficient to use derivatives rather than physical securities in managing investment portfolios.

The "face value" is the notional or contractual amount of the derivatives. This amount acts as reference value upon which interest payments and net settlements can be calculated and on which revaluation is based.

The "credit equivalent" is a number calculated using a standard APRA formula and is disclosed for each product class. This amount is a measure of the on balance sheet loan equivalent of the derivative contracts, which includes a specified percentage of the face value of each contract plus the market value of all contracts with an unrealised gain at balance date. The credit equivalent does not take into account any benefits of netting exposures to individual counterparties.

The "fair value" of the derivative contract represents the net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time. The fair value of derivative contracts vary over time depending on movements in interest and exchange rates and hedging strategies used.

Banking activities

The banking entity utilises derivative financial instruments predominantly for hedging activities. Details of the outstanding hedging derivative contracts at the end of the financial year are as follows:

	Consolidated		
	Face value $m	Credit equivalent $m	Fair value $m
2003 financial year			
Exchange rate related contracts			
Forward exchange contracts	8,224	145	(173)
Cross currency swaps	4,515	146	(502)
Currency options	82	3	-
	12,821	294	(675)
Interest rate related contracts			
Interest rate swaps	14,392	144	16
Interest rate options	370	7	-
	14,762	151	16
Total derivative exposures	27,583	445	(659)
2002 financial year			
Exchange rate related contracts			
Forward exchange contracts	3,195	77	(51)
Cross currency swaps	4,211	409	96
Currency options	15	-	-
	7,421	486	45
Interest rate related contracts			
Interest rate swaps	9,331	65	(14)
Interest rate options	415	7	-
	9,746	72	(14)
Total derivative exposures	17,167	558	31

32. Derivative financial instruments (continued)

Insurance activities

The consolidated entity sees the use of derivatives as consistent with the objectives of the overall investment strategies of the investment portfolios, and one of the means by which these strategies are implemented. Derivatives will only be used for the reasons of efficiency, arbitrage and risk reduction.

The Risk Management Statements, approved by the Board and issued pursuant to the requirements of APRA, establish the basis on which derivative financial instruments may be used within the investment portfolios. The preparation and enforcement of the statements is a critical requirement for licensed insurers. The Risk Management Statements form the basis of the discussion in this note on derivative financial instruments.

The Risk Management Statements and investment mandates strictly prohibit the use of derivatives for speculative purposes or for leveraged trading. Leverage here is defined as creating a portfolio which would have sensitivity to an underlying economic or financial variable which is greater than could be achieved using only physical securities. Exposure limits have been established with respect to the various asset classes for each client portfolio. Within each asset class, derivative exposure limits are identified in the Risk Management Statements and limits have been established on daily transaction levels. For over the counter (OTC) derivatives authorised counterparties must have a minimum Standard and Poor's rating of "A" or the equivalent credit rating by another recognised credit rating agency.

The investment manager has an independent Risk Manager responsible for monitoring these positions to ensure they do not exceed the authorities established in the investment mandate. Regular monitoring and control of these activities is the responsibility of the Board Investments sub-committee and the Group Internal Audit unit.

The general insurance business has forward foreign exchange contracts in relation to the overseas liabilities portfolio. Under the contracts, the consolidated entity agrees to exchange specified amounts of United States dollars at an agreed future date, at a specified exchange rate.

The use of derivative financial instruments to mitigate market risk, interest rate risk and currency risk includes the use of exchange traded bill and bond futures, equity index futures, OTC forward exchange contracts and interest rate and equity options.

The details of notional principal amounts and remaining duration of these derivative financial instruments at balance date are as follows:

	Consolidated			
	Average interest rate 2003 %	Notional principal amount 2003 $m	Average interest rate 2002 %	Notional principal amount 2002 $m
General insurance				
Less than one year	4.5	700	5.6	1,415
Life insurance				
Less than one year	3.8	492	4.7	758

32. Derivative financial instruments (continued)

Insurance activities (continued)

Derivative financial instruments are investments integral to insurance activities and are measured at net market value. Changes in net market value are reflected daily in the statement of financial performance. The net fair values of the derivative financial instruments at balance date are as follows:

	Consolidated			
	Face value 2003 $m	Fair value 2003 $m	Face value 2002 $m	Fair value 2002 $m
General insurance				
Forward exchange contracts	33	(1)	38	-
Interest rate swaps	-	-	50	-
Interest rate futures	528	(2)	864	-
Equity futures	139	2	463	5
	700	(1)	1,415	5
Life insurance				
Forward exchange contracts	89	(1)	219	1
Interest rate futures	144	1	181	(1)
Equity futures	259	-	358	(3)
	492	-	758	(3)

Where the probability of exercising an option is less than one, a difference arises between notional principal and face value. In the current year, notional principal amounts are equal to face value due to the absence of options in the investment portfolio. However, in future periods options may form part of the investment portfolio resulting in a difference between notional principal and face value amounts.

33. Disclosures about fair value of financial instruments

These amounts represent estimates of net fair values at a point in time and require assumptions and matters of judgement regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments and other factors. Therefore, they cannot be determined with precision and changes in the assumptions could have a material impact on the amount estimated. Fair values of financial instruments at balance date are as follows:

	Consolidated			
	Carrying value 2003 $m	Net Fair value 2003 $m	Carrying value 2002 $m	Net Fair value 2002 $m
Financial assets				
Cash and liquid assets	846	846	1,194	1,194
Receivables due from other financial institutions	68	68	57	57
Trading securities	3,174	3,174	1,498	1,498
Investment securities	7,890	7,890	7,544	7,544
Loans, advances and other receivables	24,459	24,470	22,955	22,992
Other financial assets	488	488	633	633
Financial liabilities				
Deposits and short term borrowings	21,579	21,585	18,176	18,243
Payables due to other financial institutions	26	26	70	70
Payables	1,272	1,272	858	858
Bonds, notes and long term borrowings	2,710	2,718	3,952	3,971
Subordinated notes	815	818	802	807
Asset and liability hedges – unrealised gains	-	-	-	12

The fair value of derivative financial instruments can be found in note 32.

33. Disclosures about fair value of financial instruments (continued)

The estimated net fair values disclosed do not include the value of assets and liabilities that are not considered financial instruments. In addition, the value of long-term relationships with depositors and other customers are not reflected. The value of these items is significant, and the aggregate net fair value amount should in no way be construed as representative of the underlying value of the consolidated entity.

The following methodologies and assumptions were used to determine the net fair value estimates:

Financial assets

As cash and liquid assets and receivables due from other financial institutions are short term in nature or are receivable on demand, their carrying value approximates their net fair value. Trading and investment securities are carried at net market value which equates to net fair value.

The carrying value of loans, advances and other receivables is net of general and specific provisions for impairment and interest reserved. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied were based on the rates offered by the banking entities on current products with similar maturity dates.

For all other financial assets, the carrying value is considered to be a reasonable estimate of net fair value.

Financial liabilities

The carrying value at balance date of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the net fair value. Discounted cash flow models are used to calculate the net fair value of other term deposits based upon deposit type and related maturities. As the payables due to other financial institutions are short term in nature, their carrying value approximates their net fair value.

The net fair value of bonds, long term borrowings and subordinated notes, are calculated based on either the quoted market prices at balance date or, where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument.

For all other financial liabilities which are short term in nature, the carrying value is considered to be a reasonable estimate of net fair value. For longer term liabilities, net fair values have been estimated using the rates currently offered by the banking entity for similar liabilities with similar remaining maturities.

Contingent financial liabilities and credit commitments

The consolidated entity has potential financial liabilities that may arise from certain contingencies disclosed in note 42. As explained in that note, no material losses are anticipated in respect of any of those contingencies.

The net fair value of commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not sold or traded by the consolidated entity. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. The net fair value may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

Other unrecognised financial instruments

Net fair value of asset and liability hedges is based on quoted market prices, or broker and dealer price quotations. The net fair value of trading and investment derivative contracts was obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

34. Controlled entities

Suncorp-Metway Ltd
Controlled entities of Suncorp-Metway Ltd

Metway Credit Corporation Limited
Suncorp Metway Staff Pty Ltd
Metway Leasing Limited
Excelle Pty Ltd
SIS Super Pty Ltd (1)
SME Management Pty Ltd
QIDC Limited
Suncorp Metway Equipment Leasing Pty Ltd
Suncorp Metway Advances Corporation Pty Ltd

Suncorp Finance Limited
Controlled entities of Suncorp Finance Limited

Permanent Holdings Pty Ltd
Permanent Finance Corporation (Aust) Pty Ltd
PFC Finance Pty Ltd
Medical and Commercial Finance Corporation Limited

Graham & Company Limited
Controlled entities of Graham & Company Limited

Graham & Company Securities Limited

Hooker Corporation Limited
Controlled entities of Hooker Corporation Limited

L J Hooker Limited
Hooker Corporate (ACT) Pty Ltd (1)
Hooker Corporate (QLD) Pty Ltd (1)
Hooker Corporate (SA) Pty Ltd (1)
Hooker Corporate (TAS) Pty Ltd (1)
Hooker Corporate (VIC) Pty Ltd (1)
Hooker Corporate (WA) Pty Ltd (1)
Hooker (Superannuation) Pty Ltd (1)
LJ Hooker Limited (incorporated in United Kingdom) (2)
LJ Hooker Limited (incorporated in Hong Kong) (2)
LJ Hooker (Singapore) Pte Ltd (incorporated in Singapore) (2)
LJ Hooker (NZ) Limited (2)
Controlled entities of L J Hooker (NZ) Limited
L J Hooker Group Ltd (incorporated in New Zealand) (2)
Challenge Realty Group Ltd (incorporated in New Zealand) (2)
LJ Hooker Limited (incorporated in New Zealand) (2)

Metfin Capital Pty Ltd
Controlled entities of Metfin Capital Pty Ltd

Shelbourne Investments Pty Ltd (1)

Suncorp Metway Insurance Ltd
Controlled entities of Suncorp Metway Insurance Ltd

First National Financial Solutions Limited
(formerly LJ Hooker Financial Services Limited)
The Park Road Property Trust (65% interest)
Suncorp Metway Risk Management Pte Limited
(incorporated in Singapore) (2)
GIO Insurance Investment Holdings A Pty Ltd
Controlled entities of GIO Insurance Investment Holdings A Pty Ltd
GIO Australia Limited
Controlled entities of GIO Australia Limited
GIO Technical Services Pty Ltd (1)
GIO General Limited
Controlled entities of GIO General Limited
GIO Workers Compensation (VIC) Limited
GIO Workers Compensation (NSW) Limited

Suncorp Metway Investment Management Limited
Controlled entities of Suncorp Metway Investment Management Limited

SUNCORP Custodian Services Pty Ltd
Hedge Funds Limited (57.1% interest)
SUNCORP Property Management Limited

Suncorp Life and Superannuation Limited
Controlled entities of Suncorp Life and Superannuation Limited

SIP Super Pty Ltd
SUNCORP Superannuation Pty Ltd
SUNCORP Financial Planning Pty Ltd

Except as otherwise noted, the Company's beneficial interest in all controlled entities is 100 percent and they are incorporated in Australia.

(1) A number of controlled entities are small proprietary companies. Accordingly, they are not required to produce, and have not produced, audited financial statements.
(2) Audited by another member firm of KPMG International.

35. Acquisition and disposal of controlled entities

(a) Acquisition

During the prior financial year the consolidated entity completed the acquisition of 100 percent of GIO Insurance Investment Holdings A Pty Limited ("GIOIIHA") and its wholly-owned controlled entities. The business acquired included the Australian general insurance business of AMP and GIO, but excluded the GIO inwards reinsurance business, GIO Australia Holdings Limited (the former listed company) and GIO's run-off-book of its former large scale Commercial and Special Risks Insurance Business.

For the purposes of preparing the financial report of the consolidated entity, control of the AMP and GIO general insurance business was effective from 1 July 2001. The financial report includes the financial position, the results from operations and cash flows from that date. The assets, liabilities, rights and licences necessary to undertake the business acquired are held in GIOIIHA and its wholly-owned controlled entities. GIOIIHA was aquired by Suncorp Metway Insurance Ltd ("SMIL").

The principal costs associated with the restructuring provision of $112 million (now fully utilised) included staff redundancy payments, termination of lease or service contracts, information systems integration, and costs involved in centralising processing activities. Details of the acquisition are as follows:

	Consolidated 2003 $m	2002 $m
Consideration		
paid on 28 September 2001	-	1,263
paid on 11 January 2002	-	135
Transaction costs	-	13
Cost of acquisition	-	1,411
Fair value of net assets		
Assets		
Cash and liquid assets	-	47
Investment securities	-	1,793
Receivables	-	335
Reinsurance and other recoveries receivable	-	228
Property, plant and equipment	-	25
Deferred tax assets	-	79
Investments in associates	-	80
Other financial assets	-	143
Total assets	-	2,730
Liabilities		
Deposits and short term borrowings	-	26
Payables	-	93
Provisions	-	82
Restructuring provision	-	112
Outstanding claims and unearned premiums provisions	-	2,010
Total liabilities	-	2,323
Fair value of net assets of entities acquired	-	407
Goodwill on acquisition	-	1,004
Cash consideration	-	1,411

35. Acquisition and disposal of controlled entities (continued)

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
(a) Acquisition (continued)				
Outflow of cash to acquire controlled entity, net of cash acquired				
Cash consideration	-	1,411	-	1,411
Less: Balances acquired				
Cash	-	47	-	47
Outflow of cash	-	1,364	-	1,364

The Company provided the funding for SMIL to complete the acquisition.

During the prior period, Suncorp Metway Investment Management Limited ("SMIML") acquired 50.1 percent of the Class A ("voting") shares and 57.1 percent of the Class B ("economic") shares of Hedge Funds Limited. The operating results of this controlled entity have been included in the consolidated group results since 21 December 2001, being the date of acquisition. SMIML acts as responsible entity for the Hedge Funds of Australia Unit Trusts. Details of the acquisition are as follows:

	Consolidated 2003 $m	Consolidated 2002 $m
Cost of Acquisition	-	2
Fair value of identifiable net assets of controlled entity acquired	-	3
Outside equity interests	-	(2)
Goodwill on acquisition	-	1
Cash consideration	-	2
Outflow of cash to acquire controlled entity, net of cash acquired		
Cash consideration	-	2
Less: Balances acquired		
Cash	-	1
Outflow of cash	-	1

(b) Disposal

During the financial year the consolidated entity deregistered the following controlled entities:

Abbott & Willliams Pty Ltd	1 July 2002
Carindale Management Limited	1 October 2002
Derringhurst Pty Ltd	5 May 2003
Metway Star Limited	6 May 2003

No gain or loss on sale arose on deregistration of these controlled entities.

During the prior financial year, the Company disposed of its investment in Metway Nominees Pty Limited. The aggregate cash consideration received (net of stamp duty and legal fees payable) was $11,020,201 and the aggregate net assets disposed of was $7,232,095. The aggregate gain on disposal of Metway Nominees Pty Limited was $3,788,106.

36. Related party information

Directors and director related entities

The names of persons who were directors of the Company at any time during the financial year were as follows:

John D Story
John F Mulcahy
Dr Ian D Blackburne
Rodney F Cormie
Dr Cherrell Hirst
James J Kennedy
Martin D E Kriewaldt
Christopher Skilton
R John Lamble
R Patrick Handley
W Steven Jones

Mr John F Mulcahy was appointed managing director on 6 January 2003, Christopher Skilton was appointed executive director on 13 November 2002, W Steven Jones held office as a director until his resignation on 23 September 2002, R John Lamble held office as a director until his retirement on 7 March 2003, and R Patrick Handley held office as a director until his resignation on 7 March 2003.

Details of directors' remuneration and retirement benefits are set out in note 39.

The Australian Securities and Investments Commission issued class order 98/0110 on 10 July 1998 which relieves Australian banks from disclosure of bank loans and other financial instrument transactions made to related parties in the ordinary course of business, other than loans and financial instrument transactions to a director of the Company. This relief does not extend to shares and share options.

The Company is required under the terms of the class order to lodge a statutory declaration, signed by two directors, with the Australian Securities and Investments Commission. The declaration must provide confirmation that the Company has instigated systems of internal control and procedures, which provide assurance that any loans or other financial instrument transactions of a bank which are not entered into on normal terms and conditions are drawn to the attention of the directors, so that they may be disclosed in the financial statements. The Company will lodge such a declaration with its annual return to the Australian Securities and Investments Commission.

Loans to directors and director related entities

Loan facilities to directors of the Company, from the Company and its controlled entities, are extended under the normal terms and conditions applicable to customers, or in respect of loans to executive directors, on the same terms and conditions as apply to other employees of the consolidated entity in accordance with established policy.

	Consolidated 2003 $'000	Consolidated 2002 $'000	Company 2003 $'000	Company 2002 $'000
36. Related party information (continued)				
Loans to directors and director related entities (continued)				
Secured loans to directors				
WS Jones	-	400	-	400
JD Story	79	89	79	89
	79	489	79	489

Loan to WS Jones: The loan was repaid on 6 December 2002 subsequent to the resignation of Mr Jones. The loan was on normal terms and conditions, which included an offset facility. Interest received on the loan after the offset during the year was $3.31 (2002: $11,595). No advances were made during the financial year.

Loan to JD Story: The principal amount is repayable at any time before 14 June 2007. Interest received on the loan was $6,257 (2002: $Nil). The loan was advanced on 14 June 2002 and is on normal terms and conditions. Repayments of $15,521 (2002: $1,293) were made during the financial year.

Shareholdings

The number of shares and exchanging instalment notes held by directors of the Company and director related entities in the Company are set out below:

	Ordinary Shares 2003	Ordinary Shares 2002
Balance at the beginning of the financial year	607,666	325,248
Directors no longer in office	(501,739)	(154,673)
Directors appointed during the year	601,021	3,383
Series 2 EIN's converted to shares	-	114,000
Net purchases on market	79,313	318,063
Shares issued under Share Purchase Plan	-	1,645
Balance at the end of the financial year	786,261	607,666

Directors of the Company and director related entities received normal distributions on these shares. Details of the directors' shareholdings in the Company at the date of signing these financial statements are set out in the Directors' Report.

Other transactions with directors and director related entities

Financial instrument transactions

Financial instrument transactions between the Company and directors and director related entities during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on commercial terms and conditions no more favourable than those given to other employees or customers.

36. Related party information (continued)

Other transactions with directors and director related entities (continued)

Transactions other than financial instrument transactions

The Company has agreements with non-executive directors providing for benefits to be paid on their retirement or death. The maximum benefit payable to a director is the total of annual fees paid by the Company to the director in respect of the last three years of service.

Mr J D Story is a partner in the firm of Corrs Chambers Westgarth, Solicitors, which from time to time rendered legal services to the Company in the ordinary course of business. Fees paid to the firm during the financial year amounted to $1,033,695 (2002: $2,243,229).

Mr MDE Kriewaldt is a consultant to Aon Corporation. Aon Corporation provides management services to a controlled entity. These services are provided under normal terms and conditions.

Other transactions with directors and director related entities are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

Apart from the details disclosed in this note, no director or director related entity has entered into a material contract with the consolidated entity during the reporting period, and there were no material contracts involving directors or a director related entity existing at the end of the reporting period.

Transactions with entities in the wholly owned group and other related parties

The wholly owned group consists of Suncorp-Metway Ltd and its wholly owned and controlled entities disclosed in note 34.

Transactions between the Company and related parties in the wholly owned group consisted of advances made and repaid, dividends received and paid, insurance premiums received and paid, fees received and paid for administrative, property and portfolio management services, and interest received and paid. All these transactions were on a normal commercial basis.

Aggregate amounts resulting from transactions with members of the wholly owned group that have been included in the profit from ordinary activities before tax are disclosed in Notes 3 and 4.

	Company 2003 $m	Company 2002 $m
Current amounts receivable		
Controlled entities	2,339	1,255
Current amounts payable		
Controlled entities	1,433	227

Ultimate parent entity

The ultimate parent entity in the wholly owned group is Suncorp-Metway Ltd.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(a) controlled entities – note 34
(b) associates – note 38

37. Fiduciary activities

The consolidated entity conducts investment management and other fiduciary activities as trustee, custodian or manager for various investment funds and trusts, Suncorp Metway approved deposit funds, Superannuation funds, and wholesale and retail unit trusts. These activities result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not the property of the consolidated entity and are not included in the consolidated financial statements.

Where controlled entities, as single responsible entities or trustees, incur liabilities in respect of these activities, a right of indemnity exists against these assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is not probable that the controlled entities will be required to settle them, the liabilities are not included in the consolidated financial statements. At 30 June 2003 the value of assets under management was $1,232 million (2002: $1,172 million).

38. Investments in associates

The financial report of the consolidated entity includes the financial position, the results from operations and cash flows of the following joint venture operations in accordance with the accounting policy described in note 1(w). The investments are held by GIOIIHA. Information relating to the associates is set out below:

Name of Company	Principal Activity	Ownership interest		Consolidated carrying amount	
		2003 %	2002 %	2003 $m	2002 $m
Other (non-traded)					
RACQ General Insurance Ltd	Insurance	50	50	70	71
RAA – GIO Insurance Holdings Limited	Insurance	50	50	12	14
Workplace Injury Management Services Pty Ltd	Injury management	50	50	1	1

	Consolidated 2003 $m	Consolidated 2002 $m
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	86	-
Share of profits from ordinary activities after income tax	11	6
Dividends received/receivable	(12)	-
Notional goodwill amortisation	(2)	(1)
Investment through acquisition of entity	-	1
Acquisition of investments in associates	-	80
Carrying amount at the end of the financial year	83	86
Results attributable to associates		
Profits from ordinary activities before income tax	15	8
Income tax expense	(4)	(2)
Profits from ordinary activities after income tax	11	6
Less: Dividends received/receivable	(11)	-
	-	6
Retained profits attributable to associates at the beginning of the financial year	6	-
Retained profits attributable to associates at the end of the financial year	6	6
Summary of the performance and financial position of associates		
The aggregate profits, assets and liabilities of associates are:		
Profits from ordinary activities after income tax expense	22	12
Assets	588	472
Liabilities	482	360

39. Remuneration of directors and executive officers

39(a) Directors' remuneration

Total amount received or due and receivable by directors of the Company for the year ended 30 June 2003 was:

	Base emolument [1]	Bonus [2]	Shares issued [3]	Other compensation [4]	Termination payment	Total compensation	Retirement benefits [5]	Options [6]	Total
	$	$	$	$	$	$	$	$	$
Executive Directors									
J F Mulcahy [7]	544,334	450,000	2,702,175	72,352	-	3,768,861	-	-	3,768,861
C Skilton [8]	349,497	409,589	58,178	31,455	-	848,719	-	121,154	969,873
W S Jones [9]	247,370	-	2,054,738	173,608	2,052,000	4,527,716	-	2,170,359	6,698,075
Non-Executive Directors									
J D Story	194,333	-	-	17,514	-	211,847	78,415	-	290,262
I D Blackburne	106,000	-	-	9,540	-	115,540	88,810	-	204,350
R F Cormie	104,667	-	-	9,420	-	114,087	2,333	-	116,420
C Hirst	91,000	-	-	8,190	-	99,190	30,732	-	129,922
J J Kennedy	89,666	-	-	8,070	-	97,736	50,915	-	148,651
M D E Kriewaldt	101,583	-	-	9,143	-	110,726	2,542	-	113,268
R J Lamble [10]	139,592	-	33,264	-	-	172,856	59,824	-	232,680
R P Handley	75,000	-	-	6,750	-	81,750	37,111	-	118,861

(1) Executive Directors' remuneration consists of both basic and packaged benefit components. Non-Executive Directors' remuneration represents fees in connection with attending main Board, Board committees and controlled entities' Board meetings.

(2) Reflects amounts accrued but not yet paid in respect of the year ended 30 June 2003.

(3) Reflects shares issued as part of remuneration benefits. Shares issued under the Executive Performance Share Plan are expensed to the statement of financial performance over the period from allocation date to vesting date.

(4) Reflects non-salary package remuneration and includes Company contributions to superannuation.

(5) Represents the increase in the Provision for Retirement Benefits. Mr Lamble retired during the financial year and received a payout from the provision of $671,004. Mr Handley retired during the financial year and received a payout from the provison of $52,841. These amounts are not shown in retirement benefits.

(6) The amounts disclosed for options are based on the assessed fair value of options at the date they were granted. All options were granted in previous financial years. Fair values have been determined using an option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value has been allocated to financial years over the period from grant date to the date options are first exercisable. Accordingly disclosure includes options granted in previous financial years which have been disclosed in previous financial years. These amounts have not been recorded in the statement of financial performance.

(7) Of the shares issued to Mr Mulcahy, $2,259,450 relates to a one-off upfront compensation of benefits foregone from change of employment.

(8) Mr Skilton was an executive for the whole of the financial year and was appointed a director on 13 November 2002. Remuneration shown here represents remuneration over the period during which he was a director. His remuneration for the period from the beginning of the financial year until the date of appointment as a director is shown in executives' remuneration.

(9) The shares issued represent the amount taken to the statement of financial performance as a result of the vesting of shares issued in a prior period which vested as a result of the cessation of employment of Mr Jones.

(10) The shares issued relate to a "salary sacrifice" rather than an issue of incentive shares.

Directors' remuneration excludes insurance premiums paid by the Company in respect of the Directors' and Officers' Liability insurance contract as such disclosure is prohibited under the terms of the contract.

39. Remuneration of directors and executive officers (continued)

39(a) Directors' remuneration (continued)

The numbers of directors of the Company whose income from the Company or any related party falls within the following bands are:

	Company 2003 number	Company 2002 number
Amount		
$30,000 to $39,999	-	1
$50,000 to $59,999	-	1
$80,000 to $89,999	1	-
$90,000 to $99,999	2	4
$100,000 to $109,999	-	1
$110,000 to $119,999	3	-
$130,000 to $139,999	-	1
$170,000 to $179,999	1	-
$210,000 to $219,999	1	-
$230,000 to $239,999	-	1
$840,000 to $849,999	1	-
$2,440,000 to $2,449,999	-	1
$3,760,000 to $3,769,999	1	-
$4,520,000 to $4,529,999	1	-

The remuneration bands are based on the total compensation amount above as required by the Accounting Standards.

	Directors of entities in the Consolidated Entity		Directors of the Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities	10,313	3,656	10,149	3,385

Income received by non-executive directors of the Company and its controlled entities during the financial year amounted to $1,003,732 (2002: $1,211,430). At the Extraordinary General Meeting of Suncorp-Metway Ltd held on 14 March 1997, shareholders approved a maximum amount of income payable to such directors of $1,500,000.

39(b) Directors' retirement benefits

	Consolidated		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Amounts provided during the current financial year in respect of non-executive directors of the Company and controlled entities in connection with retirement from office, being amounts previously approved by shareholders in a general meeting	351	247	351	247
Amounts paid or payable during the current financial year in respect of non-executive directors of the Company and controlled entities in connection with their retirement from office, being amounts previously approved by shareholders in a general meeting	723	398	723	398

39. Remuneration of directors and executive officers (continued)

39(c) Executive officers' remuneration

The following table shows the remuneration of all of the executives of the Company and the consolidated entity who were officers during the year ended 30 June 2003. The executives are those individuals responsible for strategic direction and management during the year. The table includes Mr Moynihan who ceased employment with the Company during the financial year. Mr Skilton was an executive for the whole of the financial year and was appointed a director on 13 November 2002. Remuneration shown in the table below represents remuneration over the period during the financial year before he was appointed a director. His remuneration for the period from the date of appointment as a director is shown in directors' remuneration.

	Base emolument [1] $	Bonus [2] $	Shares issued [3] $	Other compensation [4] $	Termination payment $	Total compensation $	Options [5] $	Total $
Greg Moynihan (Former Group Executive Banking and Wealth Management)	341,922	208,500	34,980	22,616	888,462	1,496,480	181,858	1,678,338
John Trowbridge (Group Executive Suncorp Insurance) [6]	522,752	405,000	289,230	49,748	-	1,266,730	249,585	1,516,315
Peter Johnstone (Group Executive HR, Projects and Central Services)	404,481	600,000	39,329	10,519	-	1,054,329	108,671	1,163,000
Mark Blucher (Group Executive Retail Banking Customers)	462,268	425,000	52,356	31,482	-	971,106	108,671	1,079,777
Carmel Gray (Group Executive Information Technology)	404,481	356,000	39,329	10,519	-	810,329	101,625	911,954
Ray Reimer (Group Executive Business Banking Customers)	339,450	225,000	44,525	72,713	-	681,688	39,419	721,107
Chris Skilton (Chief Financial Officer)	180,210	240,411	-	79,309	-	499,930	71,112	571,042
Bernadette Fifield (Group Executive Wealth Management, Group Strategy and Group Marketing)	95,879	55,000	21,685	73,629	-	246,193	-	246,193

(1) Reflects the total remuneration package consisting of both basic salary and packaged benefit components.
(2) Reflects amounts accrued but not yet paid in respect of the year ended 30 June 2003 or paid in respect of services to date of termination.
(3) Reflects shares issued as part of remuneration benefits. Shares issued under the Executive Performance Share Plan are expensed to the statement of financial performance over the period from allocation date to vesting date.
(4) Reflects non-salary package remuneration and includes Company contributions to superannuation.
(5) The amounts disclosed for options for executives are based on the assessed fair value of options at the date they were granted. All options were granted in previous financial years. Fair values have been determined using an option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value has been allocated to financial years over the period from grant date to date options are first exercisable. Accordingly disclosure includes options granted in previous financial years which have been disclosed in previous financial years. These amounts have not been recorded in the statement of financial performance.
(6) The shares issued to Mr Trowbridge relate to a one-off upfront compensation of benefits foregone from change of employment.

Note: Individuals other than executives who are rewarded under incentive-based systems according to results, consistent with market practice within the industry, may within any given year receive remuneration at a level in excess of that received by some executives shown above.

39. Remuneration of directors and executive officers (continued)

39(c) Executive officers' remuneration (continued)

The numbers of executive officers (including the executive directors included in note 39(a)) whose income from the Company or controlled entities falls within the following bands are:

	Consolidated		Company	
	2003 number	2002 number	2003 number	2002 number
Amount				
$240,000 to $249,999	1	-	1	-
$350,000 to $359,999	-	1	-	1
$480,000 to $489,999	-	1	-	1
$510,000 to $519,999	-	1	-	1
$620,000 to $629,999	-	1	-	1
$680,000 to $689,999	1	-	1	-
$730,000 to $739,999	-	1	-	1
$790,000 to $799,999	-	1	-	1
$810,000 to $819,999	1	-	1	-
$830,000 to $839,999	-	1	-	1
$970,000 to $979,999	1	-	1	-
$1,050,000 to $1,059,999	1	-	1	-
$1,260,000 to $1,269,999	1	-	1	-
$1,340,000 to $1,349,999	1	-	1	-
$1,490,000 to $1,499,999	1	-	1	-
$2,440,000 to $2,449,999	-	1	-	1
$3,760,000 to $3,769,999	1	-	1	-
$4,520,000 to $4,529,999	1	-	1	-

The remuneration bands are based on the total compensation amount above as required by the Accounting Standards.

	Consolidated		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Total remuneration in respect of the financial year received or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers (including the executive directors) of the Company and of controlled entities whose income is $100,000 or more	16,172	6,793	16,172	6,793

40. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Profit from ordinary activities after income tax	384	311	318	411
Classified as investing activities				
Income tax paid – investing activities	31	42	-	-
Non-cash items				
Amortisation of goodwill	62	60	-	-
Change in net market value of trading securities	(17)	(21)	(3)	(5)
Change in net market value of investments	31	181	-	-
Bad and doubtful debts expense	49	39	49	37
Depreciation of property, plant and equipment	80	50	1	2
Loss on disposal of property, plant and equipment	6	2	-	-
Share of net profits of associates accounted for using the equity method	3	(5)	-	-
Change in assets and liabilities				
Gross up of GST on lease instalments included in operating payments	9	8	25	10
Net movement in tax balances	13	13	(15)	30
Increase in accrued interest receivable	(9)	(14)	(1)	(2)
(Increase)/decrease in prepayments and deferred expenses	64	(9)	40	59
(Increase)/decrease in excess of net market value of interests in subsidiaries	4	(3)	-	-
(Increase)/decrease in receivables and other financial assets	(151)	(362)	12	88
Decrease in accrued interest payable	(8)	(3)	(8)	(2)
Increase in sundry creditors and accrued expenses	94	151	76	66
Increase in outstanding claims provisions	357	108	-	-
Increase in unearned premiums provisions	104	130	-	-
Increase/(decrease) in life insurance gross policy liabilities	(119)	129	-	-
Increase in policy owner retained profits	48	24	-	-
Decrease in provisions	(73)	(116)	(1)	(4)
Net cash inflow from operating activities	962	715	493	690

41. Auditors' remuneration

During the year the auditor of the Company and its related practices earned the following remuneration:

	Consolidated 2003 $'000	Consolidated 2002 $'000	Company 2003 $'000	Company 2002 $'000
Audit services:				
Auditors of the Company – KPMG				
Audit and review of the financial reports	2,308	1,489	730	960
Other regulatory audit services	451	431	290	118
	2,759	1,920	1,020	1,078
Other auditors – Ernst & Young				
Audit and review of the financial reports	140	1,402	-	-
	2,899	3,322	1,020	1,078
Other services:				
Auditors of the Company – KPMG				
Other assurance services (1)	669	644	315	557
Other auditors – Ernst & Young				
Other assurance services (2)	42	941	-	-
	711	1,585	315	557

(1) Other assurance services provided by KPMG primarily relate to credit and other benchmarking services, agreed upon due diligence procedures, agreed upon procedures engagements and accounting related services.
(2) Other assurance services provided by Ernst & Young primarily relate to accounting related services, advisory and compliance taxation services, corporate finance advisory, risk review services and legislative advice.

42. Contingent liabilities and contingent assets

Contingent liabilities

There are outstanding court proceedings, claims and possible claims against the consolidated entity, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Details of contingent liabilities for which no provisions are included in these financial statements are as follows:

- The consolidated entity has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 43 sets out details of these guarantees.
- Certain controlled entities act as trustee for various trusts. In this capacity, the controlled entities are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business the consolidated entity enters into various types of investment contracts, including derivative positions, that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.
- As part of the consolidated entity's acquisition of 100 percent of GIOIHA and its wholly-owned controlled entities during the prior financial period, 15,028,800 cash settleable warrants were issued to AMP Life Limited. The exercise price is $16.38 per warrant at any time during the period 28 September 2004 to 28 September 2006. Should the cash settleable warrants be settled in cash, the amount payable by the consolidated entity is the volume weighted average price of the consolidated entity's share price over the 10 business days prior to the exercise date, less the exercise price.
- A controlled entity, Suncorp Metway Insurance Ltd, entered into lease securitisation and defeasance transactions in May 1993 under which Suncorp Metway Insurance Ltd is required to reassume the liability for instalment payments due under certain circumstances, such as default under its obligations as lessor or an unremedied breach of warranty, representation or covenant in relation to the original documents. The net present value of the total amount of principal and interest instalments outstanding as at 30 June 2003 is approximately $66 million (2002: $65 million). In the event of crystallisation of this liability, that entity would reassume the interest in the leasehold over the two properties.

Contingent assets

There are claims and possible claims made by the consolidated entity against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that receivables are not required in respect of these matters, as it is not probable that future economic benefits will eventuate or the amount is not capable of reliable measurement.

43. Commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers, including commitments to extend credit, letters of credit and financial guarantees. The consolidated entity uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

Credit commitments

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA:

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
Notional amounts				
Guarantees entered into in the normal course of business	124	131	124	131
Commitments to provide loans and advances	4,192	3,390	4,192	3,390
	4,316	3,521	4,316	3,521
Credit equivalent amounts				
Guarantees entered into in the normal course of business	65	66	65	66
Commitments to provide loans and advances	1,030	810	1,030	810
	1,095	876	1,095	876
Operating lease commitments				
Aggregate future non-cancellable operating lease rentals contracted for but not provided in the financial statements are payable as follows:				
Within one year	50	51	32	28
Later than one year but not later than five years	114	102	70	49
Later than five years	74	12	73	10
	238	165	175	87

The consolidated entity leases property under operating leases expiring from 3-10 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

	Consolidated		Company	
	2003 $m	2002 $m	2003 $m	2002 $m
Expenditure commitments				
Expenditure for the acquisition of plant and equipment contracted for but not provided in the financial statements is payable as follows:				
Not later than one year	4	21	-	1

43. Commitments (continued)

Superannuation commitments

On 1 October 1998 the then SUNCORP Staff (Closed) Superannuation Plan was re-named the Suncorp Metway Staff Superannuation Plan and contributions from that date no longer purchased defined benefits, but accumulation benefits. Both the former Suncorp Metway QIDC Staff Superannuation Fund and the QIDC Superannuation Scheme transferred into the Suncorp Metway Staff Superannuation Plan at that same date. Some members of the former SUNCORP Staff (Closed) Superannuation Plan and the QIDC Superannuation Scheme elected to retain their benefits accrued to 30 September 1998 in defined benefit form. Further, some members of the AMP Officers' Provident Fund have transferred into the Staff Plan, following the GIO acquisition, with a defined benefit attaching. Accordingly, the Suncorp Metway Staff Superannuation Plan is still technically a defined benefit plan, although no contributions since October 1998 other than the transfer from the AMP Officers' Provident Fund have actually purchased defined benefits.

In the case of defined benefit funds, an actuarial assessment of the fund is made not less than every three years. At the date of the last review of the Suncorp Metway Staff Superannuation Plan (effective 30 June 2002), the actuary (Mr N G Spencer, BSc., FIAA), in his report dated 5 February 2003, concluded that the assets of the funds are sufficient to meet all the benefits payable in the event of the funds' termination, or the voluntary or compulsory termination of employment of each employee.

Employer contributions to the Suncorp Metway Staff Superannuation Plan during the year ended 30 June 2003 were $44 million (2002: $36 million).

Defined benefit assets at net market value and vested defined benefits of the Plan based on the most recent actuarial review are as follows:

	Consolidated	
	2003 $m	2002 $m
Suncorp Metway Staff Superannuation Plan (formerly SUNCORP Staff (Closed) Superannuation Plan)		
Details of last review as at 30 June 2002 (2002: 30 June 1999)		
Plan defined assets at net market value	8	16
Total accrued defined benefits	(7)	(12)
Excess of the present value of employees' accrued benefits over assets held to meet future benefit payments	1	4
Total vested benefits	8	13

The amounts relate to the actuarial report for the period ended 30 June 2002. The next review is due for completion in 2005/06 and will relate to the period ended 30 June 2005.

44. Employee benefits

At an Extraordinary General Meeting of the Company held on 14 March 1997, shareholders approved an Exempt Employee Share Plan (EESP), a Deferred Employee Share Plan (DESP), and an Executive Option Plan (EOP).

In accordance with resolutions passed at a Board meeting held on 21 October 2002 and announced to shareholders on that day, it was resolved to discontinue the issue of options to Executive Officers under the EOP and establish an Executive Performance Share Plan (EPSP).

At the Annual General Meeting on 1 November 2000, shareholders approved the establishment of the Non-Executive Directors' Share Plan (NEDSP).

In accordance with the Rules of the above Share Plans, unrelated special purpose trustee and/or custodial companies acquire shares either in ordinary trading on the Australian Stock Exchange or from a new issue of ordinary shares by the Company.

44. Employee benefits (continued)

Features of the Plans, currently in operation, are as follows:

Feature	EESP	DESP	EPSP	NEDSP
Eligibility	Employees having completed 12 months' service (or less at discretion of the Board).	Employees having completed 12 months' service (or less at discretion of the Board).	Executive Officers	Non-Executive directors or their associates as approved by the Board.
Share allocation	Equal value per eligible employee on conditions as determined by the Board.	On conditions as determined by the Board.	On conditions as determined by the Board.	Participation at the discretion of Board members.
Price	Nil or as part remuneration. Number of Shares issued based on market value at date of issue.	Shares funded from or as part of remuneration or terms of employment. Number of shares issued based on market value at date of issue.	Nil. Number of shares issued based on market value at date of issue.	Part of gross remuneration. Number of shares based on market value at date of issue.
Vesting	Fully vested, not subjected to forfeiture.	If provided as part of remuneration: fully vested. If subject to performance: will vest when criteria satisfied.	Allocation and vesting of shares subject to performance criteria (Total Shareholder Return) over three year performance period unless otherwise determined by the Board.	Fully vested.
Minimum holding period	3 years from date of allocation, or upon cessation of employment.	None.	3 years from date of allocation unless determined by Board.	None.
Plan maximum limit	5% of total shares on issue.	5% of total shares on issue.	5% of total shares on issue.	5% of total shares on issue.
Dividend entitlements	Full entitlement from date of issue.	Full entitlement from date of issue.	Full entitlement from date of vesting.	Full entitlement from date of issue.
Voting rights	Full entitlement from date of issue.	Full entitlement from date of issue.	Full entitlement from date of vesting.	Full entitlement from date of issue.

Details of the shares issued under the EESP, DESP, EPSP and NEDSP are as follows:

	Dates on which shares were issued	Total number of shares issued/allocated	Issue/allocation prices	Fair value (market value at dates of issue/allocation)	Amount received from employees
2003 Financial Year	Various dates	1,244,995	Various, based on market value at date of issue	$14,044,537	$5,335,537
2002 Financial Year	Various dates	946,042	Various, based on market value at date of issue	$11,864,818	$7,951,680

The amounts recognised in the statement of financial performance of the Company and the consolidated entity during the year in relation to the issue of shares under the EESP, DESP, EPSP and NEDSP was $4,038,368 (2002: $3,913,138).

During the financial year $1,308,146 (2002: $1,589,250) was provided to acquire shares to the value of $250 (2002: $250) for each employee eligible under the EESP. These shares will be issued in October 2003.

In addition, the Company provided shares to the value of $2,101,159 (2002: $684,912) to eligible employees.

Notes to the financial statements

for the year ended 30 June 2003

44. Employee benefits (continued)

At 30 June 2003 unissued fully paid ordinary shares of the Company under the Executive Option Plan are:

Issue date of option	Start date	Expiry date	Exercise price of option [1] $	Strike Price $	No. of options held at 30 June 2003 [2]	No. of options held at 30 June 2002
10 Sept 1997	31 Mar 2000	10 Sept 2002	6.79	7.00	-	102,000
10 Sept 1997	31 Mar 2001	10 Sept 2002	6.79	7.50	-	102,000
10 Sept 1997	31 Mar 2002	10 Sept 2002	6.79	8.00	-	157,000
17 Dec 1997	31 Mar 2001	17 Dec 2002	7.19	7.50	-	40,000
17 Dec 1997	31 Mar 2002	17 Dec 2002	7.19	8.00	-	40,000
15 Jan 1998	15 Jul 2000	15 Jan 2003	7.56	7.56	-	100,000
16 Dec 1998	16 Jun 2001	16 Dec 2003	7.96	9.00	92,500	92,500
16 Dec 1998	16 Jun 2002	16 Dec 2003	7.96	9.50	121,000	121,000
16 Dec 1998	16 Jun 2003	16 Dec 2003	7.96	10.00	122,000	122,000
3 Jun 1999	3 Nov 2002	3 Jun 2004	8.81	10.25	-	116,667
3 Jun 1999	3 Nov 2003	3 Jun 2004	8.81	10.75	116,666	116,666
3 Jun 1999	17 Nov 2002	3 Jun 2004	8.81	10.25	-	13,333
3 Jun 1999	17 Nov 2003	3 Jun 2004	8.81	10.75	13,333	13,333
6 Oct 1999	31 Mar 2002	6 Oct 2004	8.11	9.12	76,350	116,250
6 Oct 1999	31 Mar 2003	6 Oct 2004	8.11	9.56	116,750	116,750
6 Oct 1999	31 Mar 2004	6 Oct 2004	8.11	10.05	115,750	115,750
6 Oct 1999	31 Mar 2002	6 Oct 2004	8.11	9.12	134,100	134,100
6 Oct 1999	31 Mar 2003	6 Oct 2004	8.11	9.56	137,400	137,400
6 Oct 1999	31 Mar 2004	6 Oct 2004	8.11	10.05	140,200	140,200
1 Oct 2000	31 Mar 2003	1 Oct 2005	8.89	9.78	82,200	199,000
1 Oct 2000	31 Mar 2004	1 Oct 2005	8.89	10.31	203,000	203,000
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	10.85	203,000	203,000
1 Oct 2000	31 Mar 2003	1 Oct 2005	8.89	10.00	150,000	150,000
1 Oct 2000	31 Mar 2004	1 Oct 2005	8.89	10.49	151,200	151,200
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	11.02	153,800	153,800
20 Sept 2001	31 Mar 2004	20 Sept 2006	11.62	12.20	303,333	303,333
20 Sept 2001	31 Mar 2005	20 Sept 2006	11.62	13.13	303,333	303,333
20 Sept 2001	31 Mar 2006	20 Sept 2006	11.62	13.94	303,334	303,334
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	13.24	700,000	700,000
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	14.25	700,000	700,000
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	15.13	600,000	600,000
22 April 2002	31 Oct 2004	22 April 2007	12.30	[3]	116,667	116,667
22 April 2002	31 Oct 2005	22 April 2007	12.30	[3]	116,667	116,667
22 April 2002	31 Oct 2006	22 April 2007	12.30	[3]	116,666	116,666
					5,389,249	6,216,949

(1) The exercise price of options granted is the weighted average market price of the Company's shares in the week preceding the issue date of the option.

(2) During the year 759,000 options (2002: 2,269,301) were exercised under the Executive Option Plan. All options expire on the earlier of their expiry date or termination of the employee's employment unless otherwise approved by the board. In addition to those options shown above, 68,700 (2002: 65,000) options expired in respect of employees who resigned and Nil (2002: 25,000) previously granted were cancelled.

(3) The Company has adopted Total Shareholder Return (TSR) as the performance measure on which option vesting is based and the Top 50 Companies in the ASX All Industrials Index has been adopted as the comparator group. Currently the following vesting schedule applies:

- If the Company's TSR growth over a relevant evaluation period is equal to the median TSR performance for the comparator group, then 50 percent of those options available to be exercised at that time will vest.
- For each additional percentile increase in the Company's ranking above the median, a further 2 percent of the relevant tranche of options will vest.
- If the Company's TSR growth over the relevant evaluation period reaches the 75th percentile, 100 percent of the options will vest.

(4) Options granted under the Executive Option Plan carry no dividend or voting rights.

(5) There were no options granted during the financial year as the Company ceased to issue options under the Executive Option Plan. As previously disclosed the Company now issues shares to certain executives under the Executive Performance Share Plan.

44. Employee benefits (continued)

Options may only be exercised within the limitations imposed by the *Corporations Act 2001* and the Australian Stock Exchange Listing Rules. Under the Australian Stock Exchange Listing Rules, options may not be issued to Company Directors under an employee incentive scheme without specific shareholder approval. Shareholders approved the issue of options (and shares resulting from exercise of those options) to the former Managing Director at the Annual General Meeting on 16 October 2001.

The market price of the Company's shares at 30 June 2003 was $11.60 (2002: $12.31).

At the date of this report unissued fully paid ordinary shares of the Company under the Executive Option Plan decreased to 5,241,349 from 30 June 2003 due to options being exercised or lapsing due to the resignation of employees since the end of the financial year:

Issue date of option	Start date	Expiry date	Exercise price of option $	Strike price $	No. of options
6 Oct 1999	31 Mar 2002	6 Oct 2004	8.11	9.12	34,800
6 Oct 1999	31 Mar 2003	6 Oct 2004	8.11	9.56	38,100
6 Oct 1999	31 Mar 2004	6 Oct 2004	8.11	10.05	16,800
1 Oct 2000	31 Mar 2003	1 Oct 2005	8.89	10.00	31,300
1 Oct 2000	31 Mar 2004	1 Oct 2005	8.89	10.49	10,000
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	11.02	16,900

44. Employee benefits (continued)

	Consolidated 2003 $m	Consolidated 2002 $m	Company 2003 $m	Company 2002 $m
Employee benefits and related on-costs liabilities				
Included in Payables and other liabilities (note 17)	20	12	-	-
Provision for employee benefits – current	81	81	2	2
Provision for employee benefits – non-current	9	13	-	-
	110	106	2	2

As explained in note 1(ad), the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values:

	Consolidated 2003	Consolidated 2002
Weighted average interest rate of increases in annual employee benefits to settlement of the liabilities	3.5%	4%
Weighted average discount rate	4.99%	5.99%
Weighted average term to settlement of liabilities	7 years	7 years

45. Matters subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Directors' declaration

for the year ended 30 June 2003

The directors declare that the financial statements and notes set out on pages 39 to 133:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and

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

This declaration is made in accordance with a resolution of the directors.

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
29 August 2003

Independent Audit Report to the members

for the year ended 30 June 2003

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Suncorp-Metway Ltd (the "Company") and Suncorp-Metway Ltd and its controlled entities (the "Consolidated Entity"), for the year ended 30 June 2003. The Consolidated Entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with the Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed an audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

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

Audit Opinion

In our opinion, the financial report of Suncorp-Metway Ltd is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Brian Greig
Partner

Brisbane
29 August 2003

Ratio definitions

Item	Definition
Basic shares	Ordinary shares on issue.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Diluted shares	Comprises ordinary shares, including partly paid shares, subordinated dividend ordinary shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares in the first five years. For the purposes of weighted average shares, excludes options where the exercise price exceeds the market price.
Earnings per share	Basic earnings per share is calculated by dividing the earnings of the Company for the financial year less dividends on preference shares by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Calculated in accordance with AASB 1027 "Earnings per Share".
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding general insurance shareholder funds' investment income and excluding the impact of life insurance Accounting Standard AASB 1038 "Life Insurance Business".
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing (basic)	Shareholders' equity attributable to members of the Company less preference shares and intangibles, divided by ordinary shares at the end of the period adjusted for partly paid shares.
Payout ratio (basic)	Total dividends and distributions which relate to the financial year divided by operating profit after tax.
Return on average shareholders' equity (basic)	Operating profit after tax less preference dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares. Averages are based on beginning and end of period balances.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of AASB 1038 "Life Insurance Business". Averages are based on beginning and end of period balances.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Underlying profit	Profit before income tax, goodwill, one-off items and investment income on shareholders' funds and excluding the impact of life insurance Accounting Standard AASB 1038 "Life Insurance Business".

Shareholder information

Major Shareholders

(i) Ordinary Shares

At 15 August 2003, the 20 largest holders of fully paid Ordinary Shares held 163,757,782 shares, equal to 30.85 percent of the total fully paid shares on issue.

	Number of Shares	%
J P Morgan Nominees Australia Limited	33,752,921	6.36
National Nominees Limited	22,366,233	4.21
Westpac Custodian Nominees Limited	18,813,949	3.55
AMP Life Limited	11,736,543	2.21
Queensland Investment Corporation	10,707,731	2.02
Citicorp Nominees Pty Limited	9,844,995	1.86
ANZ Nominees Limited	8,728,397	1.64
Citicorp Nominees Pty Limited (CFS Wholesale Imputation Fund A/C)	7,833,120	1.48
Citicorp Nominees Pty Limited (CFS Wholesale Geared Share Fund A/C)	5,764,678	1.09
Commonwealth Custodial Services Limited	5,305,767	1.00
Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	4,523,129	0.85
Citicorp Nominees Pty Limited (CFS Wholesale Australian Share Fund A/C)	3,437,217	0.65
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	3,355,692	0.63
Westpac Financial Services Limited	2,868,426	0.54
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	2,863,831	0.53
Cogent Nominees Pty Limited	2,565,311	0.48
Citicorp Nominees Pty Limited (CFS Wholesale Industrial Share A/C)	2,421,767	0.46
Australian Foundation Investment Company Limited	2,356,462	0.44
Cogent Nominees Pty Limited (SMP Accounts)	2,258,352	0.43
IOOF Investment Management Limited	2,253,261	0.42
	163,757,782	30.85

Major Shareholders (continued)

(ii) Reset Preference Shares

At 15 August 2003, the 20 largest holders of fully paid Reset Preference Shares held 1,226,713 shares, equal to 49.07 percent of the total fully paid shares on issue.

	Number of Shares	%
Westpac Custodian Nominees Limited	241,158	9.65
Commonwealth Custodial Services Limited	165,000	6.60
J P Morgan Nominees Australia Limited	100,343	4.01
AMP Life Limited	95,252	3.81
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	92,000	3.68
RBC Global Services Australia Nominees Pty Limited (JBENIP A/C)	87,565	3.50
Javl Pty Ltd	50,000	2.00
The Australian National University	50,000	2.00
Kaplan Equity Limited	40,000	1.60
UBS Private Clients Australia Nominees Pty Ltd	32,222	1.29
Argo Investments Ltd	32,000	1.28
Permanent Trustee Company Limited (CNA0017 A/C)	31,000	1.24
Australian Industrial Sands Pty Limited	30,000	1.20
Brencorp Securities Pty Ltd	30,000	1.20
Permanent Trustee Company Limited (KAP0002 A/C)	28,000	1.12
ANZ Nominees Limited	27,209	1.09
Permanent Trustee Company Limited (KAP0001 A/C)	26,800	1.07
National Nominees Limited	24,000	0.96
Tower Trust Limited	22,864	0.92
Equity Trustees Limited	21,300	0.85
	1,226,713	49.07

Shareholder information

for the year ended 30 June 2003

Distribution of Shareholdings

(i) Fully paid Ordinary Shares at 15 August 2003:

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	130,993	67.83	64,513,131	12.15
1,001-5,000 shares	50,053	25.92	110,145,339	20.75
5,001-10,000 shares	7,643	3.96	53,191,785	10.02
10,001-100,000 shares	4,266	2.20	87,090,015	16.41
100,001 shares and over	177	0.09	215,874,730	40.67
	193,132	100.00	530,815,000	100.00

(ii) Fully paid Ordinary Shares at 15 August 2003

Location	Number of holders	% of holders	Number of shares	% of shares
Australia				
- Queensland	114,537	58.79	233,738,004	44.03
- New South Wales	34,474	17.69	146,208,759	27.54
- Victoria	28,121	14.43	120,303,296	22.66
- South Australia	5,876	3.01	12,438,809	2.34
- Western Australia	4,912	2.52	7,126,472	1.35
- ACT	3,455	1.77	4,497,063	0.85
- Tasmania	1,683	0.86	2,534,127	0.48
- Northern Territory	381	0.20	984,012	0.19
New Zealand	332	0.17	835,530	0.16
United Kingdom	265	0.14	566,359	0.11
United States	179	0.10	343,051	0.06
Hong Kong	122	0.06	277,413	0.05
Other overseas	497	0.26	962,105	0.18
	194,834	100.00	530,815,000	100.00

Some registered holders own more than one class of security.

(iii) Non-participating shares

All shares of this class are fully paid shares and are held by the Trustee of the Metropolitan Permanent Building Society Trust, Permanent Trustee Australia Limited.

Shareholder information

Distribution of Shareholdings (continued)

(iv) Partly paid Ordinary Shares at 15 August 2003:

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	3	27.27	2,500	9.08
1,001-5,000 shares	7	63.64	19,250	69.87
5,001-10,000 shares	1	9.09	5,800	21.05
	11	100.00	27,550	100.00

(v) Fully paid Reset Preference Shares at 15 August 2003:

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	1,521	87.01	586,896	23.48
1,001-5,000 shares	187	10.70	486,440	19.46
5,001-10,000 shares	13	0.75	99,679	3.99
10,001-100,000 shares	24	1.37	820,484	32.81
100,001 shares and over	3	0.17	506,501	20.26
	1,748	100.00	2,500,000	100.00

Substantial Shareholders

At 15 August 2003, the following entry was contained in the register of substantial shareholdings, based on Substantial Holding Notices received:

	Number of shares
Commonwealth Bank of Australia Group Companies	35,802,745

Voting Rights of Shareholders

(i) Ordinary Shares

The fully paid ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:

- Show of hands - one vote per shareholder; and
- Poll - one vote per fully paid ordinary share

(ii) Non-participating Shares

The non-participating shareholder has an entitlement to vote only in certain circumstances.

(iii) Reset Preference Shares

Reset preference shareholders are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as ordinary shareholders with one vote per Reset Preference Share. The limited circumstances are set out in the Information Memorandum dated 16 August 2001.

Holders of Non-marketable Parcels

At 15 August 2003 the number of shareholders with less than a marketable parcel for fully paid Ordinary Shares (1-41 shares) was 1,456 (0.75 percent of shareholders) representing 26,000 shares.

Shareholder information

Registered Office

Level 18
36 Wickham Terrace
Brisbane Qld 4000
GPO Box 1453
Brisbane Qld 4001
Telephone: (07) 3835 5355
Facsimile: (07) 3836 1190
Internet: www.suncorp.com.au

Company Secretary

Clifford R Chuter

Annual General Meeting

2.30pm Wednesday 29 October 2003
Plaza Ballroom, Brisbane Convention and Exhibition Centre
cnr Merivale and Glenelg Streets, South Brisbane

Share Registry

Shareholders can obtain information about their shareholdings by contacting the Company's share registry:

Douglas Heck & Burrell Registries
Level 22
300 Queen Street
Brisbane Qld 4000
Mailing address: Locked Bag 568, Brisbane, Qld. 4001
Telephone: 1300 882 012
Facsimile: (07) 3221 3149
Email: registries@dhb.com.au
Website: http://shares.dhb.com.au

When seeking information shareholders must provide their Security Reference Number (SRN) or their Holder Identification Number (HIN) which are recorded on their shareholder statements or dividend advices.

Change of Address

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

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

Payment of Dividends

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

Dividend Reinvestment Plan

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

Removal from Annual Report mailing list

Shareholders no longer wishing to receive a Concise Report or a full Annual Report should advise the share registry in writing, by fax, telephone or by email, quoting their SRN/HIN. A form is available via the Suncorp or share registry websites.

Register your email address

Now you can register your email address for dividend advices, notices of meeting, notification of availability of annual reports and other shareholder communications. To register your details, go to Share Registry Services on the Suncorp website www.suncorp.com.au which provides a link to the share registry, or directly to the share registry website http://shares.dhb.com.au where, by using your SRN/HIN and other requested details, you will be able to view details of your shareholding, obtain registry forms and record your own email address.

Stock Exchange Listed Securities

Suncorp Metway's securities listed on the Australian Stock Exchange are:

Ordinary shares (code SUN)

Floating Rate Capital Notes (SUNHB)

Reset Preference shares (SUNPA)

Key dates

Ordinary Shares (SUN)

2003	
Final Dividend	
Ex dividend date	3 September
Record date	9 September
Dividend paid	3 October
2004	
Interim Dividend	
Ex dividend date	3 March
Record date	9 March
Dividend paid	2 April
Final Dividend	
Ex dividend date	1 September
Record date	7 September
Dividend paid	1 October

Floating Rate Capital Notes (SUNHB)

2003	
Ex interest date	11 November
Record date	17 November
Interest paid	2 December
2004	
Ex interest date	10 February
Record date	16 February
Interest paid	2 March
Ex interest date	11 May
Record date	17 May
Interest paid	1 June
Ex interest date	10 August
Record date	16 August
Interest paid	31 August
Ex interest date	9 November
Record date	15 November
Interest paid	30 November

Reset Preference Shares (SUNPA)

2003	
Ex dividend date	3 September
Record date	9 September
Dividend paid	15 September
2004	
Ex dividend date	3 March
Record date	9 March
Dividend paid	15 March
Ex dividend date	1 September
Record date	7 September
Dividend paid	14 September

Dates may be subject to change

Statement of financial position
As at 30 June 2003

	2003 $	2002 $
Assets		
Investments at cost (unquoted)		
2,000 non-participating shares each fully paid in Suncorp-Metway Ltd	1,000	1,000
Equity		
Initial sum	1,000	1,000

Notes to the financial statements
For the year ended 30 June 2003

1. Significant accounting policies

The financial report of the Trust is a general purpose financial report which has been drawn up in accordance with the requirements of Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the provisions of the Trust Deed dated 23 March 1988 and the *Corporations Act 2001*. It is prepared in accordance with the historical cost convention and does not take into account changing money values. These accounting policies have been consistently applied.

The carrying amounts of all non-current assets are reviewed at balance date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present values.

2. Statement of financial performance and statement of cash flows

The Trust did not undertake any financial transactions during the year and as a result, no statement of financial performance or statement of cash flows has been prepared.

Trustee's report

For the year ended 30 June 2003

As Trustee of the above Trust we report for the year ended 30 June 2003 that:

- we hold in trust on behalf of the pre-incorporation members, 2,000 non-participating shares each fully paid in Suncorp-Metway Ltd;
- no dividends were received in relation to the 2,000 non-participating shares; and
- the Trust Property was held and administered in accordance with the Trust Deed dated 23 March 1988.

Mike Britton
General Manager Corporate Services
Permanent Trustee Australia Limited

Sydney
29 August 2003

Independent Audit Report to the Beneficiaries of Metropolitan Permanent Building Society Trust

Scope

We have audited the financial report of the Metropolitan Permanent Building Society Trust for the financial year ended 30 June 2003, consisting of the statement of financial position, accompanying notes, and the Trustee's report attached. The Trustee is responsible for the financial report. We have conducted an independent audit of the financial report in accordance with Australian Auditing Standards in order to express an opinion on it to the beneficiaries of the Trust.

Audit Opinion

In our opinion, the financial report of the Metropolitan Permanent Building Society Trust is properly drawn up:

(a) so as to give a true and fair view of the state of affairs of the Trust at 30 June 2003, and the results and cash flows of the Trust for the financial year ended on that date;
(b) in accordance with the provisions of the Trust Deed dated 23 March 1988; and
(c) in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Brian Greig
Partner

Brisbane
29 August 2003

Contact details

Suncorp

General enquiries	**13 11 55**
Quickcall phone banking	**13 11 25**
Insurance sales and enquiries	**13 11 55**
Insurance claims	**13 25 24**
Loan hotline	**13 11 34**
Lost or stolen cards and passbooks	**1800 775 020**
Life Insurance, Superannuation, Financial Planning	**1800 451 223**
Investment Funds enquiries centre	**1800 067 732**
Business Banking	**1300 651 125**
Small Business Banking	**1300 651 125**
Share Trade	**1300 135 190**
New sales enquiries/new customers for Margin Lending	**1800 115 211**
Existing customer enquiries for Margin Lending	**1800 805 972**

GIO

General enquiries	**13 10 10**
Personal and Business Insurance	**13 10 10**
Personal Insurance claims	**13 14 46**
Workers' Compensation policies and claims	**13 10 10**

Internet Sites

www.suncorp.com.au
www.gio.com.au

Suncorp's internet site, www.suncorp.com.au provides information on banking, insurance and investment products and services, sponsorships, financial results, company and shareholder information. Applications can be made online for a transaction account, credit card, home or investment property loan, small business loan, or personal finance loan. Or customers can get a quote and purchase home or car insurance.

The site also offers internet banking, share trading, and the ability to manage a margin lending facility and manage superannuation accounts.

GIO's internet site, www.gio.com.au provides customers with information about our insurance products, details on how to obtain quotes, online quoting for CTP/Green Slip insurance, the ability to make payments and submit home or motor insurance claims. There are also direct links to the Suncorp suite of products.

Annual Report

Copies of both the 2003 Concise Report and the Annual Report, which includes the consolidated financial statements, are available from Investor Relations (07) 3835 5797 or on the Suncorp internet site.

Credit Ratings	Short term	Long term	Insurer financial strength general insurance	Insurer financial strength life and super
Standard & Poor's (Stable outlook - November 2002)	A-2	A-	A-	A-
Moody's				
Bank Deposits	P-1	A2	n/a	n/a
Senior Debt	P-1	A2	n/a	n/a
(Upgraded June 2002)				
Fitch Ratings	F1	A	A+*	A*

(Long term outlook – Stable – April 2001. * Confirmed March 2003)

BANKING INSURANCE INVESTMENT

SUNCORP

Consolidated 05299 (09/03)