Suncorp-Metway Ltd

Concise Report 1999

A New Day

Who we are

The current Suncorp Metway Group was formed on 1 December 1996 from the merger of three of Queensland's largest financial institutions – Suncorp, Metway and QIDC (Queensland Industry Development Corporation).

We are Australia's seventh-largest bank and sixth-largest general insurance company, with total assets of $21.5 billion.

As an Allfinanz group, we are one of Australia's most diversified financial services providers, offering insurance, investment and banking products to 2.5 million customers through an extensive distribution network.

We are market leaders in home insurance, motor insurance, compulsory third party insurance (CTP) and retail deposits in Queensland. As experienced agribusiness finance providers we understand the needs of the rural community.

Our general insurance business, which includes personal insurance products such as home and contents cover, motor and boat and personal effects, and a range of commercial products including property, rural and liability, contributes 47.5 per cent of our total profit before tax, goodwill and abnormal items.

Income is principally derived from premiums, fees and charges, and investment income.

Our retail banking products include home and personal loans, margin lending, savings accounts, term deposits and credit/debit accounts, with leasing, property and development finance, agribusiness, export finance and risk management being some of the products available to our business banking customers. During 1998/99, our banking business contributed 44.1 per cent of our total profit before tax, abnormal items and goodwill. Banking income is mainly derived from interest, fees and commissions, investment income and profits on sale of assets.

Our Life Insurance, Superannuation and Managed Investments division produces and distributes a range of products, which also includes rollovers, allocated pensions, annuities, and unit trust investments. It contributed $25 million to our profit before income tax, amortisation of goodwill and abnormal items. Income is derived from investment returns on shareholder's funds, superannuation administration fees, insurance premiums, and other fees.

Suncorp Metway is owned by approximately 40,000 shareholders of which the Queensland Government is the largest. However the government's holding of 100 million subordinated shares and 142.5 million converting capital notes has effectively been transferred to new investors through the issue of Exchanging Instalment Notes to the public in 1997 and 1998. There are 67,670 Exchanging Instalment Noteholders – Series 1, whose notes convert to ordinary shares on 1 November 1999 and 165,394 Exchanging Instalment Noteholders – Series 2, who do not become ordinary shareholders until 31 October 2001, after they have paid a final instalment on their notes to the government on 6 November 2000.

Our Vision

Suncorp Metway is a manufacturer and retailer of services for insurance, investment and banking products to consumers and small business.

We aim:

- to have the highest level of customer satisfaction and products per household of any Australian competitor;
- to deliver total returns to shareholders that place us consistently in the top third of financial services companies in Australia;
- to have enthusiastic staff who are recognised and rewarded for their contributions towards achieving the company's goals.

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The start of a new era is an exciting time whether it be the birth of a baby, like Matthew Scott, or the launch of a company's new brand and logo, such as Suncorp Metway's..

New Beginnings

As Lawrence and Andrea Scott, of Springfield, plan their baby's future, so too will Suncorp Metway move forward with the products and services that will enable the Company to strengthen and grow.

Annual Report

For a copy of the full annual report (which comprises this concise version plus separate consolidated financial statements) call Investor Relations (07) 3835 5797.
A copy of this Concise Report can be found on our internet site:
http://www.suncorpmetway.com.au

Suncorp-Metway Ltd
ACN 010 831 722

Group Highlights

October1998
Queensland Government announces $1 billion public sale of its remaining stake in the company through a further issue of exchanging instalment notes (142.5 million). The offer was oversubscribed four times.

December 1998
Ordinary shareholders take up 93.6 per cent of the 68.5 million shares put up for sale by the Queensland Government through its one for two share offer at $5 per share. The government disposed of the remainder of the share parcel early in 1999, while retaining sufficient securities to meet its obligations to EIN holders.

February 1999
We successfully entered the mortgage securitisation market with a $220 million program.

Small Business Call Centre opened.

Our first capital issuance for the year, a $250 million fixed rate Transferable Certificate of Deposit, attracted strong investor support.

February 1999
Agreement with American Express to offer an interest free period credit card, with loyalty program.

February/March 1999
Financial services centres opened in Coles-Myer supermarkets in Nerang and Toowoomba.

April 1999
Suncorp and Metway banking systems united under Hogan computer system.

May 1999
One Brand launched, Suncorp Metway.

Alliance announced with Pivot agribusiness group in Victoria.

We win "Best Regional Bank' in the Australian Banking and Finance Awards for the second consecutive year.

June 1999
Home lending services expanded though our subsidiary LJ Hooker.

Gold Coast resident Gula Roberts takes advantage of the ATM facility in the new financial services centre located in the Coles-Myer supermarket in Nerang. A long-standing Suncorp Metway customer, Gula has adapted well to the "new technology" and finds she no longer needs to use branch facilities.

New Challenges

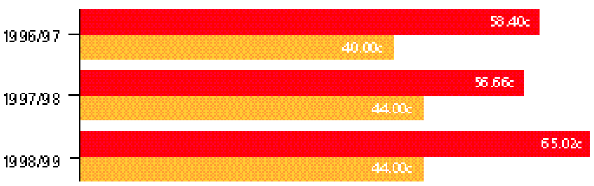
She likes the convenience but also knows that friendly staff are on hand if she ever needs assistance. The busy supermarket location provides convenient financial services to customers like Gula, with extended trading hours, seven days a week.

1998/99 Financial Highlights

Financial Highlights	1999	1998	% change
Operating profit after tax, before abnormal items	$259m	$233m	11
Operating profit after tax and abnormal items	$247m	$233m	6
Shareholders' equity	$1.9b	$1.8b	4
Total assets	$21.5b	$21.4b	.3

Dividends/Earnings per share

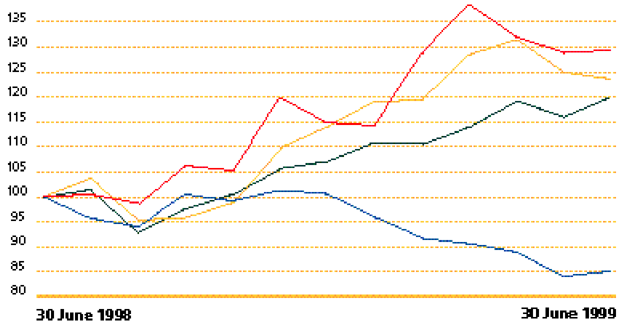
(since the merger December 1996)



■ Earnings per share before abnormals (since the merger December 1996)

■ Dividends per share

Share price indices



■ All Ordinaries ■ Suncorp-Metway

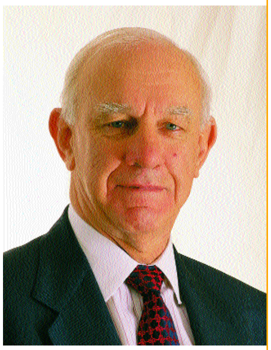
■ Banks and Finance Index ■ Insurance Index

Key Ratios			1999	1998	% change
Return on average shareholders' equity before abnormal items (undiluted):			17.6%	16.6%	6.0
Return on average shareholders' equity before abnormal items (diluted):			12.7%	11.8%	7.6
Basic earnings per ordinary share (before abnormals):			65.0c	56.7c	14.6
Diluted earnings per ordinary share (before abnormals):			51.8c	45.8c	13.1
Dividend per:	ordinary share		44.0c	44.0c	0
	subordinated share		19.8c	0	-
	preference share - Series 2		110.5c	110.5c	0
Net tangible assets per share:		Basic	3.27	2.93	11.6
		Diluted	3.8	3.6	5.6
Number of employees			4708	4762	(1.1)
Number of shareholders:	Ordinary		37,662	32,699	
	Preference		11,279	11,505	
Number of noteholders:	EIN – series 1		67,670	75,330	
	EIN – series 2		165,394	-	

Credit Ratings	Short Term	Long Term	Claims Paying General Insurance	Claims Paying Life & Super
Standard & Poor's	A-2	A-	A-	A-
Moody's				
Bank Deposits	P-2	Baa1	n/a	n/a
Senior Debt	P-2	Baa2	n/a	n/a
Fitch IBCA	F1	A	A+	A

Moody's placed the Company's rating on positive outlook in July 1999.

Dear Shareholder



Suncorp Metway has concluded a year of challenges and changes with a pleasing result. On behalf of the board, I am happy to report that your company has made a net profit after tax but before abnormals of $259 million compared to $233 million in the previous year. A number of abnormal items netted to a negative $12 million so that our net profit after tax and abnormals is $247 million.

In my letter, I will try to give a high level analysis of this profit and discuss a number of matters which have received attention from the board during the year. Of course, the day to day work of the company is carried out by management and I will leave the major discussion of the operational results to the report from the managing director, Steve Jones.

Analysis of Profit

The table below provides a more detailed breakdown of our profits but it does not tell the whole story because there are some significant pluses and minuses that will need to be taken into consideration in judging the success of the group.

	June 1999 $m	June 1998 $m
Banking	157	157
General Insurance	169	120
Life insurance	25	23
Other activities	5	4
Operating profit before tax, goodwill & abnormals	356	304
Less goodwill amortisation	(10)	(10)
Operating profit before tax & abnormals	346	294
Less tax on operating profit	(87)	(61)
Profit after tax and goodwill and before abnormals	259	233
Less abnormal items after tax ($26 million before tax)	(12)	-
Profit after tax, goodwill and abnormals	247	233

Firstly, all our business units maintained their profits despite strong competition. More information on this is provided in Steve Jones report and the attached business reviews.

An important factor was the huge amount of work that has gone into reshaping the company both as regards Transformation (the major re-engineering of our systems and processes), preparing for Y2K, and our move to One Brand.

Frequently one has to spend money to make major changes that will improve profits in future years. This year we estimate that we have had $82 million of one-off expenses charged against our profit to effect Transformation, Y2K remediation and the establishment of the One Brand. Not much of the benefit of this expenditure shows up in this year's result but next year should benefit firstly because we will spend far less than $82 million to complete the change programs and secondly because we will be operating as a leaner and more efficient outfit.

One very positive factor has been the success of our investment program where the income on the shareholder's funds of our general insurance subsidiary went up from $45 million to $99 million. Of this, about half of the improvement could be ascribed to the general lift in the share prices and about half to the excellent performance of our investment management staff. On behalf of the Board, I would compliment that team for their top class efforts for the year.

However, investment markets are fickle and we cannot forecast what stock market prices will do in the coming 12 months, so we cannot rely on the same level of returns from investments in the present financial year.

The abnormal loss of $26 million before tax ($12 million after tax) again hides the detail. It is made up of several items – some gains and some losses. The main items, before tax, were:

- A special provision of $25 million for the increased cost of compulsory third party insurance claims due to the effect of the GST package.
- A $12 million refund of stamp duty on a transaction which occurred prior to the merger.
- $13 million of newly identified pre-merger expenses.

Dividends and Distribution

Your directors have declared a fully franked final dividend of 22 cents per ordinary share bringing the total for 1998–99 to 44 cents per share.

As part of the agreement between Metway Bank and the State Government at the time of the merger, the Merger Planning Group, which became the incoming Board, had adopted a policy of paying out 65 percent of profits after tax after abnormals but after adding back goodwill. This was adopted so that ordinary shareholders would have first preference in receiving 44 cents of dividends before the 100 million subordinated shares issued to the Government received anything.

Last year, using that formula, we actually paid out 62 percent of profits. Your Board did not pay a dividend on the subordinated dividend shares because of our concern at the time about our ability to maintain fully franked dividends.

The subordinated shares convert to ordinary shares shortly and the Board has given careful consideration to the payment of a dividend on them this year. The Board has declared a dividend of $19.8 million on these shares that will bring the relevant payout ratio this year to 68 percent. Taking into account last year's 62 percent that will average out at 65 percent for the 2 years.

Franking credits are 'tight'. One of the aspects of merging state and government enterprises, such as Suncorp and QIDC into a privately owned group is that any accumulated franking credits which may have been earned by the state enterprises are not carried over into the private enterprise which is subject to Federal income tax laws. Thus we have had to rely on what franking credits Metway had plus what we generate as we go along.

The Board estimates that we will be able to fully frank dividends during the current financial year subject of course to there being no major changes to our economy, taxation policies or usual patterns of insurance claims, or conversion of convertible notes held by the Government.

In considering our dividends we have had to take into account the above mentioned conversion of 100 million subordinated shares which would require $44 million worth of fully franked dividends if we are to continue the past pattern of 44 cents annual dividend.

Further down the track, there are 142.5 million capital notes on issue which convert to ordinary shares. You will remember that these notes have been 'pre-sold' by the Queensland Government to the general public in the form of the Exchanging Instalment Notes Series 2 issue. Each EIN holder will receive one ordinary share for each note held on 31 October 2001.

Distributions have been made totalling $58 million to the Queensland Government as holder of the capital notes.

The Queensland Government has also paid appropriate interest to EIN Series 1 and Series 2 holders at the agreed rates.

Capital Management

This brings me to a very important issue. At 30 June 1999, there were 205 million ordinary shares in existence but after all the subordinated shares, capital notes and other smaller issues convert to ordinary shares, we will have a total of 461 million shares on issue. We call this a diluted number which explains the significant difference between our basic earnings per share (on the capital we have now) of 60.9 cents and the diluted earnings per share of 49.2 cents (which also takes into account the full effect of paying tax deductible distributions to capital notes until they convert.)

One way to improve earnings per share is to reduce the number of shares. This sounds easy but in a banking and insurance group it is essential to have a prudential capital structure as well as an efficient one.

However, the Board believes that it may appropriately use some cost-effective hybrid capital securities that qualify as risk capital as well as some surplus capital to buy back up to $300 million worth of shares during the current financial year.

The impact of this is to lift our return on equity depending on the price we ultimately pay for the stock.

Last December, we raised $170 million through a perpetual floating rate capital note issue. If the full $300 million program is to be completed other securities will be issued—all subject to our continuing to meet the guidelines issued by the Australian Prudential Regulation Authority.

GST

The new GST legislation is of interest to every Australian and conceptually it should be part of a better tax system.

What is not widely understood is that it is in three forms. (Note: I've simplified things a bit, otherwise it gets too complicated.)

- Taxable supply means that companies add 10 percent to their selling prices and collect this from their customers but they have to pay out 10 percent extra on everything they purchase. The net difference is paid to the Government. So as long as competition allows the company to pass on the additional 10 percent in the selling price, the company's profits should not be greatly affected.
- GST free organisations are those such as hospitals which are exempt from GST so that they will neither pay out GST on things they purchase nor charge their customers.
- Input taxed organisations have the worst of both worlds. Organisations such as banks will pay GST on goods they purchase but as GST is not added to interest charges they will be unable to recover much of the GST they pay. Subject to competitive forces, this may result in a minor increase in interest margins to make up the difference.

General insurance companies come somewhere between the first and third categories. GST will be added to premiums and where the insurer buys in, say the cost of repairing a car, the GST paid will be deductible. However, significant insurance claims are paid to private people such as the claimants under CTP insurance who are unable to provide a GST certificate which is needed to support the tax deduction for GST costs. Thus, there will be a net increase in the costs of CTP insurance. Furthermore, there are a number of swings and roundabouts. Generally the labour component of repairs will have GST added. The prices of cars and their spare parts are planned to come down which will lessen that part of the cost of car claims. But wages after tax, which are an important factor in settling CTP claims, will go up and hence the cost of CTP claims should also go up.

I hope this short explanation of a very complicated subject will help to explain why GST has a special impact in banking and insurance companies. It will require special adjustments in prices but I can assure you that there are plenty of competitors in these fields and that should ensure appropriate pricing. Nevertheless, there are one-off costs which may or may not be recovered but which are reflected, for example, in the one-off $25 million abnormal provision that I mentioned above concerning CTP claims. This arises because we must provide, now, for the higher cost of all the present unpaid claims which will remain outstanding at June 30, 2000.

There are some transitional costs for insurers, such as the requirement that GST will be paid on unearned premiums at 30 June 2000, and that GST will be paid on any outstanding claims finalised after 30 June 2000 even though the premiums were collected in the non-GST era.

The industry has been discussing these transitional problems with the Federal Treasurer but to date no relief is in sight.

Last but not least the obligations of GST will require altering a fair proportion of our computer programs which have just undergone alterations to overcome the Y2K problem. This will be quite costly and will also delay a number of other improvements that we would like to make in our systems simply because the GST work just has to be done before 30 June 2000.

The Board

There has been one change to the Board this year when Mr Barry Thornton resigned so as to devote more time to his private business interest. Barry Thornton has made a tremendous contribution to the successful integration of the three companies since the merger and I thank him for his effort and support.

Geoff Tomlinson, former managing director of National Mutual Holdings, has stepped into the vacancy. His extensive experience in financial services has already been of value to us in considering the expansion and extension of our Allfinanz operations.

Your directors have worked hard and well together both as a Board and in providing leadership to management. I am personally grateful for their dedication and wise counsel.

Outlook

A big challenge for the year will be to enter the new millennium without any problems arising from Y2K. This is discussed in the managing director's report but I can only say that extensive time spent by our staff should ensure that all goes smoothly.

We also face the challenges mentioned above arising from GST.

We are not budgeting for a repeat of the last year's excellent returns on our equity investments, where the market went up by an above-average amount. However, this should be more than made up by our improved efficiency arising from Transformation and One Brand mentioned above.

Thus we plan for an increase in earnings in the current year subject to continuing stable results for the economy and reasonable conditions in the insurance industry.

In Conclusion

The continuing progress of the Group is a reflection of the efforts of many people. I thank my fellow directors for their support and contribution and on their behalf I also would like to congratulate the Managing Director, Steve Jones, and all our staff for their excellent performance during the year. Finally,
I would like to express my gratitude to shareholders and noteholders for their continuing interest in the company; the State Government for its co-operation; and customers for their loyal support.

John Lamble

R John Lamble, AO
Chairman
August 1999

To survive in business these days, David Crothers, Director of Cheapa Auto Spares on the Gold Coast, knows he has to continue to look at ways to expand his business. From humble beginnings in Ashmore 10 years ago, David has an impressive store on the same site today, plus others at Oxenford and Mudgeeraba.

New Business

Suncorp Metway's Gold Coast and Northern Rivers Area Manager John McGrath takes care of David's financial needs and keeps a supportive eye on David's business growth plans.

Overview

We began this financial year with an ambitious plan aimed at achieving five objectives. These were to:

- Finish merging the operations of Suncorp, Metway and QIDC and create a more efficient and competitive group through the Transformation and One Brand programs.
- Carefully manage the changes so that – unlike in most mergers – the customer franchise is maintained and grows.
- Achieve a profit equal to or better than last year's, despite planning to spend $75 million in one-time expenses for Transformation, One Brand and fixing the Y2K problem.
- Begin to vigorously pursue the Allfinanz strategy with our 2.5 million retail and business customers.
- Restructure our capital mix to make it more efficient and minimise dilution to shareholder earnings.

Progress against these objectives has been very good and I am pleased to report that:

- The company launched its new brand – Suncorp Metway – in April and $90 million worth of additional Transformation ideas were implemented.
- Both market share and the customer franchise remained stable during the year.
- Profit after tax, excluding abnormal items, increased 11 percent to $259 million.
- An independent survey shows Suncorp Metway leads its Allfinanz competitors in products per customer and has increased the lead over the last year.
- A share buy-back of up to $300 million is planned which will improve the Group's earnings per share as well as its return on equity.

These results reflect the hard work and dedication of staff and managers in all parts of the company. They worked tirelessly to keep serving customers well while managing the changes of Transformation and One Brand. The result is a stronger and more efficient company that is now very well placed to focus on its Allfinanz strategy and earnings growth.

The Employee Share Plan was set up to recognise such effort and allow employees to share in the company's success. I am delighted that permanent employees who were with the company for at least twelve will receive a grant of $750 worth of shares to recognise their contribution to the 1998/99 result. This follows similar grants in the last two years and means that more than 70 percent of permanent staff now have an 'owners' interest in the company's performance.

Group Profit

Divisional contributions to profit before goodwill, abnormal items and tax

	June 99 $m	June 98 $m	Change %
Banking	157	157	-
General Insurance	169	120	40.8
Life and Super	25	23	8.7
Other	5	4	25
Operating profit before goodwill, abnormals and tax	**356**	**304**	**17.1**
Goodwill	(10)	(10)	
Income Tax	(87)	(61)	
Abnormal items (after tax)	(12)	-	
Operating profit after tax and abnormals	**247**	**233**	**6.0**
One-off expenses (before tax)	82	12	

Profit after tax, excluding abnormals, was $259 million, or $247 million after abnormals are taken into account. There were several abnormal items – some gains and some losses – that resulted in a net abnormal loss of $12 million after tax.

Abnormal items are 'one-off' events that do not reflect on the company's ongoing ability to grow earnings.

For that reason, in evaluating the results it is generally most useful to concentrate on profit after tax and before abnormals.

On that basis, the profit of $259 million represents a return on shareholders' equity (ROE) of 17.6 percent, up from 16.6 percent last year. This is a very good return in a low inflation economy. Basic earnings per share (EPS) increased by 14.6 percent to 65 cents. We focus on ROE and EPS because, more than any other accounting measures, they are the best indicators of whether value is being created for shareholders. Our aim over time is to achieve and exceed 15 percent ROE and 8 percent growth in EPS.

The company's capital structure includes 142.5 million capital notes that will convert to ordinary shares by 30 June 2001 and these additional shares will reduce or 'dilute' ROE and EPS. If we look at the profit for this year and last on that fully diluted basis, ROE increased from 11.8 percent to 12.7 percent and EPS increased by 13.1 percent to 51.8 cents. The increases are pleasing and tracking towards our targets. It is worth noting that this year's profit before abnormals – on a fully diluted basis – would be sufficient to support the current dividend of 44 cents.

The result included excellent investment returns on the General Insurance shareholder's funds, as noted by the Chairman in his letter. The investments team did a terrific job.

While investment results were higher than normal and aided the profit, this was more than offset by one-time expenses associated with Transformation, One Brand and Y2K. These totalled $82 million for the year, some 10 percent higher than the $75 million that had been budgeted. This spending will improve earnings in the long run, but is a drain in the year the changes are made.

I would now like to turn from the Group-level profit and comment on the key initiatives and results in the main lines of business.

Transformation

Transformation is a program of 1450 ideas – all suggested by managers and staff – for making the company as efficient as possible and maintaining or improving service to customers. Implementation began in April 1998 and will run through September 1999. Transformation was launched to make savings and improvements worth $137 million before tax. This is in addition to $43 million of improvements made immediately after the merger, before Transformation, for a total of $180 million.

Making these changes has been a primary focus of managers and staff throughout the year. It is pleasing to report the program is on schedule and most of the hard work is behind us. At year-end 1304 of the 1450 ideas had been implemented and improvements worth $165 million on an annualised basis have now been made since the merger. Seventy-five percent of these benefits are in reduced expenses, 15 percent are in reduced claims costs and 10 percent are in revenue.

It is important to bear in mind how these improvements benefit the company. It would be erroneous to assume that all the $165 million in benefits will flow directly to profit. Some savings are offset by inflation in the remaining cost base and some savings are re-invested in making the business grow, like expanding the number of financial advisers. That said, a significant portion of the benefits will flow to profits. An example can be seen in this year's claims expense, where improvements in claims management enabled a significant release of provisions for claims liabilities.

Our Queensland rural customers have come to rely on our agribusiness expertise. Through our new alliance with the agribusiness group Pivot, a range of our lending, leasing and insurance products will now be available to Pivot's 50,000 rural customers in south eastern Australia.

New Alliances

The alliance marks the first major interstate expansion for Suncorp Metway since the merger in 1996. Suncorp Metway's General Manager Agribusiness Steve Morrow met with Pivot's Northern Zone Sales Manager Leanne Brammer at their Prescription Farming Centre in Brisbane.

The New Brand

The launch of our new brand and logo in May was the culmination of over a year of detailed planning to transform three separate operating brands into one unified Allfinanz offering. It was a major task to merge the computer systems, customer accounts, branch networks, staffing requirements and product range of the three separate brands.

This occurred initially over the Easter weekend in April and promotion of the new look and logo began in May, to allow a few weeks for solving the teething problems that accompany such conversions. The overall conversion was quite successful but there were more teething problems than expected. These caused poor service in some branches and for users of some products, and we sincerely regret the inconvenience caused to our customers.

I am very proud of the way our staff has responded and have worked tirelessly to return service levels to their traditionally high levels. Of the 14 'hot' service issues identified, eight have been fixed and remedies for the rest are in train as a matter of urgency. Service levels in the call centre, for example, are now above their pre-conversion levels and are at an all time high.

Over the long run the move to One Brand will deliver very substantial and tangible benefits to both customers and shareholders.

Customers now have access to the full product line of insurance, banking and investment products offered across the Suncorp Metway group. While the choices increase for customers, shareholders benefit because over 500 duplications in the product offering were eliminated.

With the merger of the networks, Suncorp Metway has 151 retail branches to serve customers. This is considerably more than the 103 Suncorp and 98 Metway branches that had been available separately to their customers. While customers have more branches, the cost of the branch network has been lowered considerably by merging in 50 locations where there was a branch of each brand in the same neighbourhood or shopping centre. Further branch amalgamations will be completed through September.

Staffing Levels

The company began the year with 4762 staff (full-time equivalent) and extra staff and contractors were added during the year for work on the conversion to One Brand, making Transformation changes and fixing the Y2K problem. This reached a peak of 4978 in February, had reduced to 4708 at the end of the financial year and was at 4598 at the end of July. This includes an additional 246 positions created for re-investments, like expanding the capacity of the call centre.

While staffing levels will continue to decline in the coming months, staffing will be above 'business as usual' requirements for matters such as following Y2K through to year-end and changing systems to accommodate GST. Wherever possible, contractors and temps are employed to meet these peaks and special needs, saving the staff and the company the pain and cost of redundancies.

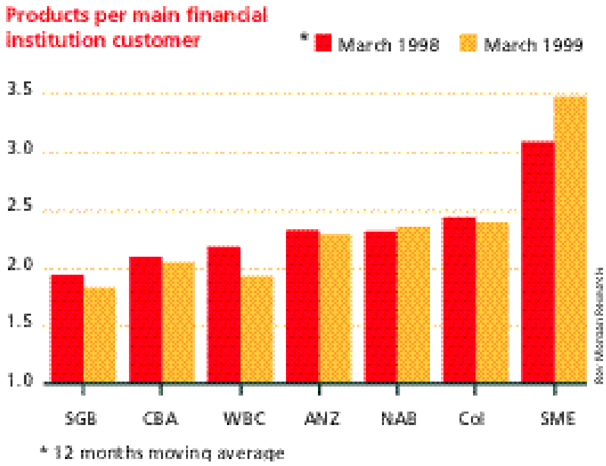
Y2K

Suncorp Metway, like all Australian financial institutions, has put a tremendous effort into fixing the 'Y2K bug'. All of our business critical systems have been tested and proven Y2K compliant and contingency plans developed to deal with any outages such as electricity or telephones, should they occur. Customers can be assured their accounts are secure and no data will be lost. It has always been the company's practice to keep back-up records of customer accounts each day. Those standard procedures plus the extra precautions being taken for the Y2K bug mean customers can focus on welcoming in the new millennium and not worry about the security of their accounts.

Allfinanz Progress

Moving to the one Suncorp Metway brand 'fired the starter's pistol' to begin pursuing the Group's Allfinanz strategy in earnest. The expanded product range of the merged Suncorp Metway is among the broadest in Australia and the franchise of 2.5 million customers created by the merger offers great potential for further sales.

The Group had already established a significant lead over its domestic competitors in delivering a wide range of financial products and services. An independent survey in March confirmed the Group still has the highest cross-sell rate of any financial institution in Australia and has increased that lead over last year. Those customers who rated us as their main financial institution bought an average of 3.4 products from us – 32 percent more than our nearest competitor - and up from 3.1 products at March 1998. This is a very pleasing progress considering the distractions of Transformation changes and the conversion to One Brand.



Analysing our customer base has confirmed the benefits of a properly executed Allfinanz strategy. The more products a customer has with us, the more likely they are to buy more from us and the longer they are likely to remain with us. The better we know our customers, the more effectively we can tailor our products and services to meet their needs. As it's less costly to supply five products to one customer, than five products to five different customers, we can pass on some of those savings to the consumer.

Our Allfinanz strategy is focused on middle income groups who have the capacity to buy more products and who value efficient, friendly and personal service from their financial institution. Each of the three merger partners traditionally maintained higher levels of customer satisfaction than the big institutions and striving for this remains a key part of the Group's strategy.

Ahead of us, we see a very exciting time for the company as we develop this Allfinanz strategy and expand into new areas. For example, during the year to June we struck an important new alliance with the Pivot agribusiness group to offer financial services in rural Victoria and New South Wales. We also expanded our mortgage business by offering home loans through our LJ Hooker real estate division.

General Insurance Results

General Insurance profit contribution	June 99 $m	June 98 $m	change %
Net premium revenue	685	664	3.2
Claims expense	(655)	(674)	2.8
Reinsurance and recoveries	115	68	69.0
Net incurred claims	(540)	(606)	10.9
Operating expenses	(176)	(148)	(18.9)
Underwriting result	(31)	(90)	65.6
Investment revenue (technical reserves)	101	165	(38.8)
Insurance trading result	70	75	(6.7)
Investment revenue (shareholder's funds)	99	45	120.0
Contribution to profit from General Insurance	**169**	**120**	**40.8**

The Group's general insurance division was the stand-out performer during the year, lifting annual profit before abnormal items, goodwill and tax from $120 million to $169 million.

Our insurance result essentially has two components: the investment return on shareholder's funds, which is dependent on market returns and the success of our investment strategies, and the insurance trading result, which is the clearest indicator of underlying performance in general insurance.

Taking them one at a time, the insurance trading result was $70 million, down slightly compared with $75 million in 1998. Significantly improved claims handling procedures and an excellent reinsurance program enabled us to maintain reasonable profitability despite increased competition.

The business base enjoyed a solid increase, achieving a 3.2 percent rise in net earned premium. This included a major re-positioning to reduce the exposure to certain risk categories and improve the profitability of new business. We also implemented new claims management strategies that reduced claims handling and supplier costs. That, together with the risk re-positioning and higher reinsurance recoveries, enabled net incurred claims expense to be reduced by 11 percent and average claims cost by some 4 percent.

Higher interest rates caused a reduction in the value of fixed interest securities which underpin our claims liabilities. But that was offset by a decrease in our claims expenses because the discount rate used to calculate our claims liabilities went up when interest rates went up. The end result was that we were able to ensure that increases in interest rates didn't have a major negative impact on our profits.

The investment returns on shareholders' funds more than doubled, from $45 million to $99 million. This was partly because of strong equity markets generally, but also because our investments team achieved much better than market return.

The fact that general insurance enjoyed a 41 percent increase in profit during a period when many in Australia's insurance industry struggled to stay profitable is indicative of the underlying strength of that business.

Queensland's Compulsory Third Party insurance scheme is being reviewed pursuant to the National Competition Policy guidelines and as part of a general scheme review. The review committee released a draft report on 5 August canvassing a wide range of issues and sought submissions from interested parties. Following this, the committee will make its recommendations to the State Government. We are actively involved in this process and seeking to encourage an efficient scheme that will keep Queensland CTP rates lower than in most other schemes in Australia.

Banking Results

Banking profit contribution	June 99 $m	June 98 $m	change %
Net interest income	470	472	(0.4)
Other operating income	120	141	(14.9)
Total operating income	590	613	(3.8)
Operating expenses	413	396	(4.0)
Net operating profit	177	217	(18.0)
Bad and doubtful debts	(20)	(60)	65.0
Contribution to profit from Banking	**157**	**157**	**0**

The banking profit was steady compared to last year at $157 million before goodwill, abnormal items and tax. Bad debts improved greatly, from $60 million to $20 million, because all of the bad loans from the discontinued QIDC investment banking unit were successfully managed. Offsetting this improvement were the one-time expenses related to Y2K, One Brand and Transformation. Once again, had the impact of those costs ($57 million) been removed, the profit would have been over 30 percent higher.

Costs as a percent of average assets – the best pure measure of efficiency – improved from 2.2 percent to 2.1 percent, including the one-off expenses and to 1.8 percent if the one-off expenses are excluded. However, competitive pressure reduced interest margins from 2.8 percent to 2.6 percent. While there is no prospect of an easing in competitive pressure in the near future, we are confident that our Transformation initiatives will reduce our cost base and enable banking to reach a cost-to-income ratio in the mid 50's.

Loans outstanding, including loans securitised, grew by 7 percent for the year. This kept pace with market growth and maintained our market share. It was a good performance in a year of major internal change and we look forward to giving greater focus to profitable growth now that the bulk of the changes have been made.

Life, Super and Managed Investments Results

Life, Super and Managed Investments profit contribution	June 99	June 98	change
	$m	$m	%
Premiums net of reinsurance	560	387	45
Investment income	209	173	21
Total income	769	560	37
Policy payments net of reinsurance recoveries	(587)	(459)	(28)
Decrease in policy liabilities	1	79	(99)
Expenses	(50)	(52)	4
	(636)	(432)	(47)
Operating profit before income tax	133	128	4
Income tax expense attributable to operating profit	(33)	(23)	(43)
Operating profit after income tax	100	105	(5)
less policy holders' interest in operating profit after tax	(75)	(80)	(6)
Shareholder's interest in operating profit	**25**	**25**	**0**
Other revenue (management fees and commissions)	21	20	5
Other expenses	(21)	(22)	5
Contribution to profit from life insurance activities, after tax	**25**	**23**	**9**

Life, Superannuation and Managed Investments achieved a profit of $25.3 million after tax for the year to June 30, up 9 percent on the previous year. The result includes some $7 million of the Group's one-time expenses associated with the major change programs during the year. Holding this aside, the underlying performance of the business improved considerably.

Profitability improved due to higher investment income, improved performance of the statutory funds and reduced losses in the small business superannuation line. Earnings on profitable existing and new life policies declined by $2.2 million because sales were somewhat below budget and because new business has lower profitability than the long-standing policies it is gradually replacing. This is a problem for all life insurers as customers switch from the old 'whole of life' policies that combined life insurance and long-term investments to products that more clearly separate life risk from retirement savings.

To compensate for this trend we are fundamentally reshaping the business to revitalise the product range, restructure the distribution network, and focus on the financial adviser network. These changes are already producing significant results, with sales of unit trust products starting from a small base but increasing by 166 percent over the six months to June. The Company's managed funds performed well with 24 of 30 funds performing better than the median in their individual categories. This ranked Suncorp Metway fourth out of 60 managers according to the Morningstar research service.

Summary and Outlook

Overall, we are very pleased with the great progress made to position Suncorp Metway for continuing earnings growth. A new company has been built from the strengths of Suncorp, Metway and QIDC and staff have done it with a minimum of fuss, while maintaining our profitability and customer franchise. But we are not resting on our laurels, as there is still much to be done.

In the year ahead we will greet the new millennium and put the Y2K threat behind us. We are confident the company's computer systems will come through that change in fine shape, because of the excellent preparatory work that has been done. Customers and shareholders can rest assured on that count.

Y2K preparedness includes an industry-wide freeze that limits computer system changes and improvements. Unfortunately, this will delay implementation of some our remaining Transformation ideas and other ideas that are heavily systems dependent. This is necessary to maintain the integrity of all the remedial work that has been done to date and it is a constraint we are managing.

Preparing for the introduction of GST will be a big challenge, as GST will have a major impact on our business and our customers. This can already be seen in the result for the year that included a $25 million pre-tax abnormal expense for the effect of GST on our insurance claims liabilities. Extensive plans are in place to ensure that the further effects from GST are dealt with in a manner that both protects our profitability and minimises price increases to customers.

While there will continue to be a level of expenditure to finish the change programs, like Y2K and GST, it will be approximately $45 million less than the past year. We are confident that the many improvements this expenditure has funded over the last two years will start to be seen in improved earnings. In light of that, and presuming the investment markets behave in the normal range, I look forward to reporting increased earnings to you in the year ahead.

W Steve Jones
Managing Director
August 1999

When Suncorp Metway took the opportunity to expand its mortgage business by offering home loans through its real estate division LJ Hooker, Helen Morgan, an employee of nine years, saw career opportunities too and became a Business Development Manager for LJ Hooker Home Loans.

New Opportunities

The Australia-wide company will also provide home and contents insurance and home buyers' protection plans through a mobile sales force and call centre consultants. Helen met with one of her clients, Jan Cooke of Shailer Park, to discuss her future financial needs.

Board of Directors

Back row from left to right:

Rodney Cormie, James Kennedy,

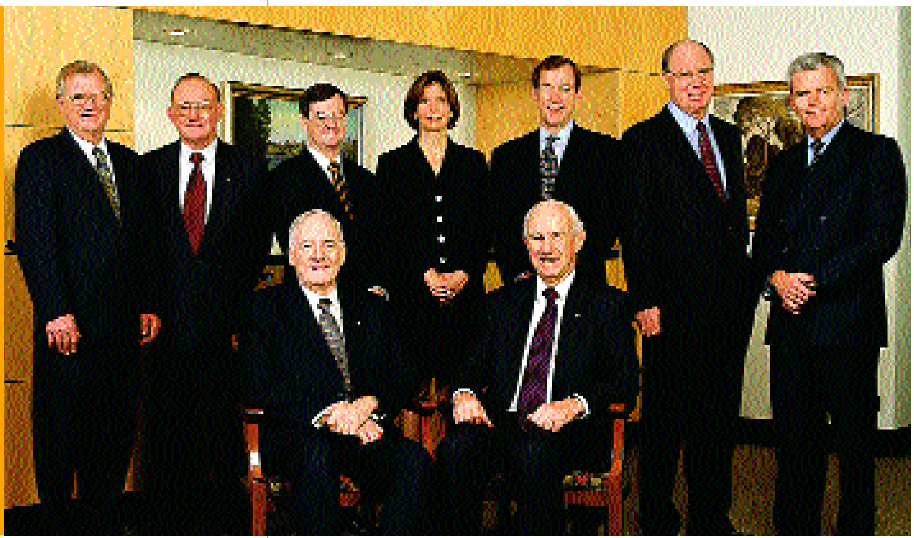
Martin Kriewaldt, Patricia Cross,

Steve Jones, John Story,

Geoff Tomlinson.

Front row from left to right:

Frank Haly, John Lamble.



R John Lamble AO BSc(Hons), Hon D Univ(UNSW), FAII
Chairman, Non-executive Director

Mr Lamble, 68, has been a director and Chairman since 1 December 1996. His principal career was as Chief Executive Officer of NRMA Insurance Limited from 1968 to 1992. Mr Lamble is Chairman of Perpetual Trustees Australia Limited and a director of Email Limited.

Martin D E Kriewaldt BA, LLB(Hons), FAICD
Deputy Chairman, Non-executive Director

Mr Kriewaldt, 49, has been a director and Deputy Chairman since 1 December 1996. Mr Kriewaldt was formerly a partner in the law firm Allen Allen & Hemsley. He is Chairman of Infratil Australia Limited and Opera Queensland Limited and a director of GWA International Limited and St Peters Lutheran College Foundation Limited.

W Steven Jones MBA (Hons), BEcon
Managing Director

Mr Jones, 47, has been a director since 6 January 1997. Mr Jones was Managing Director of the ANZ Banking Group (New Zealand) Limited from 1995 through 1996. Prior to this, as Senior General Manager with ANZ in Melbourne, from 1993 to 1995, he was responsible for Australian Retail Banking and ANZ Funds Management. Previously with McKinsey and Co, he has significant experience consulting on competitive strategy, growth opportunities and merger management to banks, insurers and industrial companies.

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

Mr Cormie, 66, has been a director since 1 December 1996. Mr Cormie is also a director of Bligh Oil and Minerals NL, Bligh Ventures Limited, Buderim Ginger Limited, Magellan Petroleum Australia Limited and Techniche Limited.

Patricia A Cross BSc (Hons), FAICD
Non-executive Director

Mrs Cross, 40, has been a director since 1 December 1996. Mrs Cross was General Manager, Wholesale Banking and Finance for National Australia Bank Limited until her retirement in June 1996. She is a director of the Transport Accident Commission of Victoria, and a member of the Financial Sector Advisory Council, the Companies and Securities Advisory Committee and a member of Merrill Lynch Australasia Advisory Board.

Frank C B Haly AO FCA, AAUQ
Non-executive Director

Mr Haly, 66, has been a director since 1 July 1988. Mr Haly is a Company Director and Chartered Accountant. He has practised in Townsville and Brisbane and is now a consultant to the Queensland office of Deloitte Touche Tohmatsu. He is a member of the Council of the Queensland University of Technology.

James J Kennedy AO CBE FCA, D Univ (QUT)
Non-executive Director

Mr Kennedy, 65, has been a director since 1 August 1997. Mr Kennedy is a Chartered Accountant and is Chairman of Queensland Investment Corporation, Deputy Chairman of GWA International Limited and a director of Qantas Airways Limited, Australian Stock Exchange Ltd and Industrial Property Management Ltd.

John D Story BA, LLB
Non-executive Director

Mr Story, 53, has been a director since 24 January 1995. Mr Story is the Queensland Chairman of Partners of the law firm Corrs Chambers Westgarth. He is a director of Grow Force Australia Limited, Jupiters Limited and Breakwater Island Limited and a member of the Companies and Securities Advisory Committee.

Geoffrey A Tomlinson BEcon
Non-executive Director

Mr Tomlinson, 52, has been a director since 26 May 1999. Mr Tomlinson is Chairman of Reckon Ltd, Programmed Maintenance Services Ltd and Deputy Chairman of Neverfail Springwater Ltd. He is also a director of Mayne Nickless Limited, AAPT Limited, Mirrabooka Investments Limited, Alpha Investment Management Ltd, Amcor Ltd and President of the Victorian Government Superannuation Office. He is a member of the Financial Sector Advisory Council and a non-executive consultant with PricewaterhouseCoopers. Resides Melbourne.

Executive Committee

Back row from left to right:

Andy Hogendijk, Peter Johnstone,

Daniel Wilkie,

Ray Reimer, Mark Blucher.

Front row from left to right:

Greg Moynihan, Steve Jones.

W Steven Jones MBA (Hons), BEcon
Managing Director

Mr Jones was appointed Managing Director of the merged company in December 1996. He was previously Managing Director of the ANZ Banking Group (New Zealand) Limited. Prior to his New Zealand appointment he was Senior General Manager with the ANZ in Melbourne, responsible for the Australian Retail Bank, ANZ Funds Management and Town and Country Bank in Western Australia.

Mark Blucher ABINZ(Banking)
Group General Manager Distribution and HR

Mr Blucher spent 19 years with the ANZ Bank's operation in New Zealand before joining the Group in September 1997 as General Manager Human Resources. He was appointed to his present position in December 1998. During his time with ANZ he held a number of senior positions in human resources, retail banking, marketing and strategy. Mr Blucher was also involved in the integration of New Zealand's PostBank with ANZ.

Andy J Hogendijk AAUQ, FCPA
Chief Financial Officer

Mr Hogendijk joined the Group in November 1997 as Chief Financial Officer. He had previously been with the Commonwealth Bank as CFO since 1991. He has experience in senior financial roles in other industries including media, mining and building materials.

Greg Moynihan BCom, ASA, ASIA
Group General Manager Business Lines

Mr Moynihan was appointed to his current role following the merger in 1996. In 1998 he added general insurance and life, super and managed investments to his responsibilities. He had previously been CEO of Metway Bank after having held the role of General Manager Personal Banking as well as a number of senior positions in the bank.

Peter Johnstone LLB
Group General Manager Operations and IT

Mr Johnstone was Integration Project Manager for the Group merger in 1996 and was appointed to the role of Group General Manager Operations in March 1997. He added IT to his portfolio in November 1998. Before joining the Group, he was previously General Manager Operational Support and General Counsel for the Bank of South Australia and headed the corporatisation of the State Bank of South Australia. He has 28 years' experience in finance, business and law.

Ray Reimer
Group General Manager Business Banking

Mr Reimer has been with the Group for over 20 years having commenced his banking career with the Agricultural Bank. After 14 years in a number of positions in Metway Bank's retail banking, he held the role of Queensland Manager and National Manager in Commercial Banking, and General Manager Commercial Banking.

Daniel Wilkie BA(Econ & Accounting), ACA, CPA, ACIS
Group General Manager Corporate Strategy

Mr Wilkie joined the Group in April 1999. He previously held the position of Managing Director – Insurances, HIH Insurance Ltd where he was responsible for the combined IT functions of HIH and FAI Insurance following their merger. Prior to that he was Chief Operating Officer of FAI. Before 1995, he held a number of senior management positions with NRMA, including Chief Financial Officer and Chief Information Officer.

Staff and The Community

The Royal Flying Doctor Service is dedicated to the task of providing an essential service to the bush. People like RFDS pilot Graham Vonhoff and Senior Nurse Maree Cummins know that it takes a team effort to deliver their patients safely to hospital and that a Queensland Ambulance team will be waiting on the tarmac to do just that.

New Sponsorship

Ambulance offices Barton McLeod and Marie Tatters were on hand on this occasion. Suncorp Metway is proud to be part of the team in providing the sponsorship support for RFDS, reinforcing our commitment to the people of rural and regional Queensland.

Our Staff

No company can achieve its goals without the skills and dedication of its staff. The efforts of staff over the year have produced some great results through the implementation of 1200 Transformation ideas now in action across the group which are improving the way we do business.

These improvements will result in reduced staff numbers but we are continuing to maximise natural attrition in reducing the size of our workforce and therefore keeping redundancies to a minimum. Our full time equivalent work force stayed almost level over the year at 4708, down 54. This was mainly due to additional IT contractors involved in the Y2K, One Brand and Transformation programs and temporary staff employed in branches in the lead up to branch amalgamation. Also included are an additional 246 staff allocated to key strategic growth areas.

The performance management systems have been changed to include a performance related pay component. The first bonuses of the new remuneration scheme were paid in October.

An Employee Share Plan is also an important part of performance recognition. Approximately 74 per cent of staff are shareholders.

A new Employment Agreement, one of the most flexible and competitive employment structures in the financial services industry, has been put in place for all our Call Centre staff, recognising the flexible needs of a 24 hours a day, seven days a week operation.

The current Certified Agreement for the rest of the company expires in December 1999. A new agreement will be negotiated after wide consultation with management and staff.

The Community

As one of Queensland's largest listed companies we have an important role to play in the wellbeing of the community. We recognise that parts of the community have special funding needs and we have extensive sponsorship and charitable programs in place to assist those needs. Our staff support many of our sponsorships through additional fund raising activities and keenly participate in a wide range of community events.

During 1999 we committed $450,000 over three years to the Youth Enterprise Trust, which runs unique wilderness-based, self-awareness courses for disadvantaged young people. We also became principal sponsor throughout Queensland for the Royal Flying Doctor Service, reinforcing our close affinity with regional Queensland.

Since 1988 we have been acknowledging young achievers through the Young Queenslander of the Year Award.

In the sporting arena we also support Queensland Cricket, while our sponsorship of the Suncorp Metway Stadium helps to provide a first class venue for a variety of sports. Our sponsorship of the North Queensland Games brings together thousands of competitors and spectators of all ages from throughout Queensland to compete in this regional event.

Our ongoing support for the Hear and Say Centre, which is highly respected for its work with cochlear implant children, will provide, among other things, scholarship assistance for two children in regional Queensland for the next three years and seed funding to set up a new Hear and Say Centre on the Gold Coast.

Other sponsorships and funding activities include the Australian Cotton Awards, Toowoomba Ag Show, Brisbane's Bridge to Bay Fun Run, the Urban Development Institute of Australia Awards, the Mater Hospital Trust, Salvation Army Red Shield Appeal, the Royal Children's Hospital B105 Christmas Appeal and the Queensland Cancer Fund's Daffodil Day.

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, customers and staff are protected.

Board of Directors

The Board of Directors has overall responsibility for the operations of Suncorp-Metway Ltd and its controlled entities. The 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. To this end the Board members of Suncorp-Metway Ltd are also required to undertake roles as directors of Suncorp Metway Insurance Limited and Suncorp Life and Superannuation Limited.

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives for the Group and monitoring management performance in the achievement of these objectives.
- Adopting an annual budget and monitoring the financial performance of the Group.
- Selecting, appointing, setting targets for and reviewing the performance of the Managing Director.
- Overseeing the establishment of adequate internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

Board composition

At the date of this statement, the Board comprises eight non-executive directors and the Managing Director. Whilst the non-executive directors of the Board have no other material relationship or association with the company or its subsidiaries (other than their directorships) and therefore are regarded as independent of the company and management, two directors, Messrs Kriewaldt and Story are members of legal firms which may provide services to the Group from time to time. The names of directors of the Company in office at the date of this statement, including details of director's qualifications and experience, are set out in the director's profile section of the Concise Report.

The composition/membership of the Board is subject to review in a number of ways:

The Company's Articles of Association provide 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. The Articles also provide that once a director reaches 72 years of age, that director must stand for re-appointment at each subsequent Annual General Meeting.

Board composition is also reviewed periodically by the Non-Executive Directors 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 which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search is undertaken. Nominations are subsequently received and reviewed by the Non-Executive Directors Committee before the details of final candidates are submitted to the full Board for consideration.

The Queensland Government is currently a major shareholder of the Company and has the right to appoint a maximum of four directors out of a nine director Board. Pursuant to a Deed of Covenant between the Company, the State of Queensland and the Commonwealth, the State has agreed that it will not, whether through its appointees to the Board or in any other way, conduct or attempt to conduct the operations of the Suncorp Metway Group.

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 collectively and directors individually in performing their duties more effectively. The issues examined include Board interaction with management, the type of information provided to the Board by management and overall management performance in helping the Board meet its objectives.

Compensation Arrangements

As indicated elsewhere in this statement, the Remuneration Committee has responsibility for recommending appropriate remuneration arrangements for directors. Recommendations are based on a number of factors, including the overall performance of the company, comparisons with the remuneration levels of other companies of similar size in the financial services industry, and the demands placed on directors in performing their role.

The total remuneration available for distribution to directors is determined by shareholders at the Annual General Meeting. Also, in accordance with approvals granted by shareholders, retirement benefits are paid to non-executive directors. Details of directors' benefits and interests are set out in the Directors' Report and the Related Party section of the notes to the 1999 Consolidated Financial Report.

Board Committees

So as 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 five 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 is reviewed annually.

Non-Executive Directors Committee

The non-executive directors meet from time to time to review the Managing Director's performance and to discuss other matters.

Audit, Business Risk and Compliance Committee

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

Specific issues addressed throughout the year included:

- Year 2000 Progress Reports
- Evaluation of the Group's Reinsurance Program
- Business Continuity Planning
- Management Delegations
- Audit Planning
- Half-year and annual financial statements and reports

The committee is also responsible for recommending to the Board the appointment and removal of the external auditors and for determining the terms of arrangement.

To enhance the independence of the audit functions (both internal and external) there are no management representatives on the committee, however the Managing Director, the 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.

Membership:
FCB Haly (Chairman), MDE Kriewaldt (appointed 16 June 1999), JD Story, B Thornton (resigned 25 May 1999).

Board Credit Committee

The primary role of this committee is to monitor the effectiveness of the credit function of the Group to control and manage the credit risks within the Group, including the loan, investments and insurance portfolios.

Membership:
RF Cormie (Chairman), PA Cross, JJ Kennedy, JD Story, WS Jones (Managing Director), B Thornton (resigned 25 May 1999)

Investment Committee

The primary role of this committee is to monitor, the effectiveness of the investment processes of the Group in achieving optimum return relative to risk and to identify and monitor the Group balance sheet risk (interest rate risk and liquidity risk) within limits set by the Board.

Membership:
MDE Kriewaldt (Chairman), PA Cross, RJ Lamble, RF Cormie, WS Jones (Managing Director), GA Tomlinson (appointed 16 June 1999)

Remuneration Committee

This committee was established in April 1999, following a review of board committee structures. The primary functions of this committee were previously undertaken by other committees.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of directors and the remuneration and performance targets of the Managing Director. The committee also reviews the remuneration and performance targets of direct reports to the Managing Director.

Membership:
RJ Lamble (Chairman), FCB Haly, MDE Kriewaldt

Risk Management

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 1999 Consolidated Financial Report.

One major risk that warrants specific mention and which the company has been addressing for some time, is the expected impact of the Year 2000 on our business. Formal work on this issue was initiated by the Company in January 1997. A centralised Year 2000 Program was subsequently established and is responsible for ensuring the Group’s business critical functions are not interrupted by the century date change. The program, which is estimated to cost $26.5 million, involved four main stages; assessment, planning and remediation, testing/risk mitigation, and continuity planning/ongoing compliance.

At the end of this reporting period, the first three stages were completed with stage four well under way. We are now focusing on refining our continuity planning through further testing and ensuring our ongoing compliance is not affected by system upgrades, new suppliers or similar changes.

Code of Ethics

Directors, management and staff are expected to perform their duties for the 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 Group.

The standards adopted by the Group include a policy regarding directors and senior officers buying and selling Suncorp-Metway Ltd shares, which takes into account the responsibility not to trade when in possession of information which, if disclosed publicly, would be likely to materially affect the market price of Suncorp-Metway Ltd shares.

Directors' Report

The directors present their report together with the Concise Financial Report of the consolidated entity, being Suncorp-Metway Ltd (the Company) and its controlled entities, for the year ended 30 June 1999 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the year are:

R John Lamble AO	(Chairman)	director since 1996
Martin D E Kriewaldt	(Deputy Chairman)	director since 1996
W Steven Jones	(Managing Director)	director since 1997
Rodney F Cormie		director since 1996
Patricia A Cross		director since 1996
Frank C B Haly AO		director since 1988
James J Kennedy AO CBE		director since 1997
John D Story		director since 1995
Barry Thornton KSJ	(resigned 25 May 1999)	director since 1996
Geoffrey A Tomlinson	(appointed 26 May 1999)	

Particulars of the directors' qualifications and experience are set out under Board of Directors on page 16.

Principal activities

The principal activities of the consolidated entity during the course of the year were the provision of banking, insurance, superannuation and funds management products and 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 and results

Consolidated operating profit before abnormal items and goodwill amortisation and after income tax for the year ended 30 June 1999 was $269 million (1998: $243 million). Consolidated operating profit after abnormal items, goodwill amortisation and income tax was $247 million (1998: $233 million).

Further information on the operations of the Company, and the results of those operations, can be found in the Chairman's Letter to Shareholders on pages 4 to 7 and the Managing Director's Report on pages 8 to 15 of the Concise Report.

Except where otherwise stated, all figures relate to the year ended 30 June 1999 and comparatives are for the year ended 30 June 1998.

Scheme of Arrangement

On 1 July 1998, the Company entered into a Scheme of Arrangement with QIDC Limited, a wholly owned controlled entity, to facilitate the transfer of all the assets and liabilities of QIDC Limited to the Company from 1 July 1998. There has been no material effect on the affairs of the consolidated entity as a result of the completion of this Scheme.

Dividends

Dividends paid and declared by the Company since the end of the previous financial year were:

Ordinary shares

As noted in last year's report, a fully franked 1998 final dividend of 22 cents per share, amounting to $43 million, was paid on 16 October 1998.

A fully franked 1999 interim dividend of 22 cents per share, amounting to $45 million, was paid on 23 March 1999.

Directors have declared a fully franked 1999 final dividend of 22 cents per share on ordinary shares, amounting to $45 million, and 19.8 cents per share on subordinated dividend shares, amounting to $19.8 million to be paid on 15 October 1999.

Converting preference shares Series 2
As noted in last year's report, a fully franked base dividend of 55.25 cents per share, amounting to $3 million, was paid on 15 September 1998 for the period 16 March 1998 to 15 September 1998.

A fully franked dividend of 55.25 cents per share, amounting to $3 million, for the period 16 September 1998 to 15 March 1999 was paid on 15 March 1999.

A fully franked dividend of 55.25 cents per share, amounting to $3 million, for the period 16 March 1999 to 15 September 1999 is payable on 15 September 1999.

Converting capital notes
As noted in last year's report, a distribution of 39.15 cents per note, amounting to $61 million, was paid on 30 September 1998 for the period 1 July 1997 to 30 June 1998.

A distribution of 39.15 cents per note, amounting to $58 million, for the period 1 July 1998 to 30 June 1999 is payable on 30 September 1999.

State of affairs
During the year under review the Group implemented a new organisational structure that is designed to better support the delivery of Allfinanz. The key feature of the new structure has been the creation of three functional units which operate across traditional product lines to promote the Allfinanz culture.

The three units are (1) Distribution and Human Resources, (2) Business Lines, and (3) Operations. This structure is more aligned to the Allfinanz focus of the Group.

Changes in ownership
On 8 October 1998, the Queensland Government announced the $1 billion public sale of its remaining stake in Suncorp-Metway Ltd through the issue of 142.5 million Exchanging Instalment Notes (EINs) Series 2. Investors were required to pay $7.10 for the notes in two instalments, $4 on application and the second of $3.10, due 6 November 2000. The offer closed substantially oversubscribed. The notes will be exchanged for ordinary shares on 31 October 2001. Suncorp-Metway Ltd welcomed the selldown as it provides certainty for the Group's capital structure, resolves issues related to government ownership, and presents another opportunity for customers to become shareholders.

Holders of the Government's EIN Series 1 paid their second and final instalment on 30 September 1998. These notes will be exchanged for ordinary shares on 1 November 1999.

On 7 December 1998, the Government's offer of one share at $5 for every two held by ordinary shareholders opened. There were 68.5 million shares on offer and shareholders took up 93.6 percent, leaving the Government with the balance of 4.6 million shares which were subsequently sold on the market.

Suncorp-Metway Ltd is now owned by approximately 40,000 shareholders and the Government's stake will be distributed to the public through the EIN issues. There are now 67,670 EIN Series 1 holders and 165,394 EIN Series 2 holders who may ultimately become shareholders when their notes are exchanged for shares.

Events since the end of the year
No matters or circumstances have arisen since the end of the 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 disclosure
The operations of the consolidated entity are not subject to any particular and 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 in 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 on pages 4 to 7 of the Concise Report. Further information as to the likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years could, in the opinion of the directors, unreasonably prejudice the interests of the consolidated entity and therefore has not been included in this report.

Indemnification

Under the Company's Articles of Association, 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 Articles stipulate 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 Law.

Insurance of directors and officers

During the financial year ended 30 June 1999 the Company prepaid 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 Law) 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.

Directors' and senior executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Employees including executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Such bonuses may include options over ordinary shares. The ability to exercise the options is conditional on the Company achieving certain share price levels. Non-executive directors do not receive any performance related remuneration.

Note 9 of the Concise Financial Report sets out the details of the nature and amount of each major element of their respective emolument:

- for each director; and
- for each of the five most highly remunerated officers of the Company and the consolidated entity.

Options

During or since the end of the financial year, the Company granted options over unissued ordinary shares to a number of employees as part of their remuneration and details of these are set out in note 10 of the Concise Financial Report.

Directors' interests

The relevant interest of each director in the share capital of the Company (including interests in Exchanging Instalment Notes and units in the SUNCORP Property Trust) as notified by the directors to the Securities Exchange in accordance with Section 235(1)(a) of the Corporations Law, at the date of this report is as follows:

	Fully Paid Ordinary Shares	Series 2 Preference Shares	SUNCORP Property Trust Units	Exchanging Instalment Note Series 1	Exchanging Instalment Note Series 2	Options over Ordinary Shares
R J Lamble	24,000	Nil	Nil	6,000	6,000	Nil
M D E Kriewaldt	17,850	Nil	15,000	Nil	30,000	Nil
W S Jones	300	Nil	Nil	25,000	25,000	2,000,000
R F Cormie	7,500	Nil	20,000	Nil	Nil	Nil
P A Cross	21,000	Nil	Nil	Nil	Nil	Nil
F C B Haly	121,673	Nil	Nil	20,000	33,000	Nil
J J Kennedy	1,500	Nil	Nil	Nil	35,000	Nil
J D Story	24,889	508	Nil	21,000	20,000	Nil
G A Tomlinson	Nil	Nil	Nil	Nil	Nil	Nil

Exchanging Instalment Notes are securities issued by the State of Queensland which when converted entitle the holder of the notes to an equivalent number of ordinary shares in the Company.

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 year were:

	Board of Directors		Audit, Business Risk and Compliance Committee		Investment Committee		Credit Committee		Chairman's Committee		Non-Executive Directors Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
R J Lamble	16	16	-	-	10	10	-	-	7	7	1	1	1	1
M D E Kriewaldt	16	16	-	-	10	9	-	-	7	7	1	1	1	1
W S Jones	16	16	-	-	10	8	11	8	7	7	-	-	-	-
R F Cormie	16	15	-	-	10	9	11	10	-	-	1	1	-	-
P A Cross	16	14	-	-	10	8	11	9	-	-	1	1	-	-
F C B Haly	16	16	10	10	-	-	-	-	7	7	1	1	1	1
J J Kennedy	16	14	-	-	-	-	11	11	-	-	1	1	-	-
J D Story	16	13	10	10	-	-	11	11	-	-	1	1	-	-
B Thornton	13	11	9	8	-	-	11	6	-	-	1	-	-	-
G A Tomlinson	3	3	-	-	-	-	-	-	-	-	-	-	-	-

(The Chairman's Committee was replaced by the Non-Executive Directors Committee in April 1999 and a separate Remuneration Committee formed.)

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.

Rounding Off

The Company is of a kind referred to in the ASIC Class Order 98/0100 dated 10 July 1998. Consequently, amounts in this report and the accompanying Concise Financial Report have been rounded off to the nearest one million dollars unless otherwise indicated.

Signed on 26 August 1999 in accordance with a resolution of the directors.

John Lamble

R JOHN LAMBLE AO

Chairman

Steve Jones

W STEVEN JONES

Managing Director

Profit and Loss Statement for the year ended 30 June 1999

Discussion and analysis of the profit and loss statement

Suncorp-Metway Ltd achieved an operating profit after tax but before abnormal items of $259 million (1998: $233 million) and after tax and abnormal items of $247 million (1998: $233 million)

The net abnormal items were $12 million after tax (1998: NIL). The abnormal items are explained in note 5 of the Concise Financial Report. The major item is $25 million pre-tax that was provided for the future impact of the Goods and Services Tax and other tax reform measures on compensation liability.

The operating profit after abnormal items and tax increased 6 percent on 1998 to $247 million. The result is from good underwriting performance, sharply reduced bad debts and continued strong investment returns. This was achieved despite incurring significant costs of One Brand, the Group's Transformation restructuring program and Year 2000 remediation.

The business segment operating profit before income tax, amortisation of goodwill and abnormal items is as follows:

	1999 $m	1998 $m
Banking	157	157
Insurance	169	120
Life and Superannuation	25	23
Other	5	4
Total	**356**	**304**

Banking results of $157 million were similar to last year and were achieved after incurring significant costs associated with Year 2000 remediation and costs associated with the Transformation restructuring program and One Brand. Net interest income of $472 million in 1998 was similar to $470 million in 1999. This interest margin whilst from a higher loans base was affected by competition in the banking sector which saw margins slip from 2.8 percent in 1998 to 2.6 percent in 1999.

The bad debts fell from $61 million in 1998 to $20 million in 1999.

General Insurance produced the biggest profit increase within the Group. Its earnings increased 40.8 percent to $169 million before goodwill, abnormal items and tax. This was because of increased premium revenue growth (up 3.1 percent) and reduced net claims incurred (down 10.9 percent), while investment income on both the technical reserves and shareholder's funds of $200 million was similar to last year's $220 million. The improved claims position reflects better claims management which has been carried forward into outstanding claims and sound reinsurance.

The 'Reinsurance and other recoveries revenue' increased from $68 million in June 1998 to $115 million as the Group recovered insurance payments made in respect of catastrophes, including the hailstorms in Brisbane and Sydney.

Life and Superannuation increased profits by 8.7 percent resulting from good investment income and product rationalisation reducing losses in the small business superannuation lines.

Profit from other activities includes funds management and the LJ Hooker operations.

The total other operating expenses, excluding bad debts, increased from $551 million in 1998 to $602 million in 1999. The major components of this are set out in note 3. The major reasons for the increase, including the impact of Year 2000 remediation, costs associated with Transformation restructuring program and move to One Brand, have been discussed in the Managing Director's Report set out on pages 8 to 15.

Profit and Loss Statement for the year ended 30 June 1999

	Note	Consolidated 1999 $m	1998 $m
Interest income	2	1,426	1,449
Interest expense	3	(835)	(854)
		591	595
General insurance premium revenue	2	725	703
Reinsurance and other recoveries revenue	2	115	68
Other operating income	2	242	263
Total operating income		**1,673**	**1,629**
Claims expense		(655)	(674)
Outwards reinsurance expense		(40)	(39)
Other operating expenses	3	(602)	(551)
Total operating expenses		**(1,297)**	**(1,264)**
Operating profit before bad and doubtful debts expense, amortisation of goodwill, abnormal items and income tax		376	365
Bad and doubtful debts expense		(20)	(61)
Operating profit before amortisation of goodwill, abnormal items and income tax		356	304
Amortisation of goodwill		(10)	(10)
Operating profit before abnormal items and income tax		346	294
Abnormal items	5	(26)	-
Operating profit before income tax		**320**	**294**
Income tax (expense)/benefit associated with:			
Operating profit before abnormal items		(87)	(61)
Abnormal items	5	14	-
Income tax attributable to operating profit		**(73)**	**(61)**
Operating profit after income tax attributable to the members of the Company		247	233
Retained profits at the beginning of the financial year		171	90
Total available for appropriation		**418**	**323**
Dividends paid or provided		(174)	(152)
Retained profits at the end of the financial year		**244**	**171**
		Cents	Cents
Basic earnings per share after abnormal items		60.92	56.66
Diluted earnings per share after abnormal items		49.16	45.83
		Percent	Percent
Payout ratio after abnormal items		70.45	65.24

The Profit and Loss Statement should be read in conjunction with the discussion and analysis on page 26 and the accompanying notes to and forming part of the concise financial statements set out on pages 32 to 42.

Balance Sheet as at 30 June 1999

Discussion and analysis of the balance sheet

The assets of the Group remained steady at $21.5 billion (1998: $21.4 billion). Significantly, however, loans and advances increased by 6 percent from $15.8 billion to $16.8 billion. This increase in loans was after loans of $220 million were sold in the first securitisation program undertaken by the Group.

The 'Loans, advances and other receivables' comprise the following major items:

	Consolidated	
	1999	1998
	$m	$m
Housing loans	8,633	8,287
Commercial loans	5,539	5,261
Lease finance	1,652	1,532
Consumer receivables	819	645
Other	265	241
	16,908	15,966
Provision for impairment and lapses	(139)	(154)
Total	**16,769**	**15,812**

The Company Law Review Act 1998 which came into effect on 1 July 1998 abolished par value shares and the balance in the share premium reserve became part of the Company's share capital. As a result share capital increased by $770 million as set out in note 7.

In November 1998 the Government converted 12.5 million converting capital notes into shares which were required to fulfil its obligation of offering to ordinary shareholders one share for every two held on 1 December 1998 at $5 per share.

Banking capital adequacy has increased to 11.78 percent from 10.46 percent. This increase was largely the result of:

- the Australian Prudential Regulation Authority initiated reduction in risk weighting on loans with a Loan to Valuation Ratio greater than 80 percent which have mortgage insurance; and
- an issue of $170 million in perpetual capital notes (part of which was used to repay more expensive debt).

Net assets increased by $73 million as a result of the operating profit after tax of $247 million less the dividends paid/payable of $174 million.

Net tangible assets per share increased from $2.93 at 30 June 1998 to $3.27 at 30 June 1999. Net tangible assets for purposes of this calculation is made up of shareholders' equity of $1,882 million less converting capital notes of $641 million, preference shares of $71 million and intangibles of $174 million.

Balance Sheet as at 30 June 1999

	Note	Consolidated 1999 $m	Consolidated 1998 $m
Assets			
Cash and short term liquid assets		186	424
Receivables due from other financial institutions		2	53
Trading securities		1,149	1,819
Investment securities		2,390	2,183
Loans, advances and other receivables		16,769	15,812
Statutory deposit with Reserve Bank of Australia		170	163
Property, plant and equipment		148	134
Unlisted investment in life insurance statutory funds		97	90
Intangible assets		174	184
Other assets		411	562
Total assets		**21,496**	**21,424**
Liabilities			
Deposits and short term borrowings		11,671	11,846
Payables due to other financial institutions		21	56
Accounts payable and other liabilities		364	449
Provisions		326	308
Outstanding claims and unearned premium provisions		2,097	2,038
Bonds, notes and long term borrowings		4,553	4,449
Subordinated notes		576	463
Total liabilities		**19,608**	**19,609**
Net assets		**1,888**	**1,815**
Shareholders' equity			
Share capital	7	975	149
Converting capital notes	8	641	697
Reserves	7	22	791
Retained profits		244	171
Shareholders' equity attributable to members of the Company		1,882	1,808
Outside equity interests in controlled entities		6	7
Total shareholders' equity		**1,888**	**1,815**
		$	$
Net tangible asset backing per share		3.27	2.93

The Balance Sheet should be read in conjunction with the discussion and analysis on page 28 and the accompanying notes to and forming part of the concise financial statements set out on pages 32 to 42.

Statement of Cash Flows for the year ended 30 June 1999

Discussion and analysis of the statement of cash flows

The cash position decreased from $421 million at 30 June 1998 to $167 million at 30 June 1999. This decrease of $254 million was due to an outflow in investing activities of $688 million (1998: $1,689 million) and cash inflows from operating activities of $346 million (1998: $415 million) and financing activities of $88 million (1998: $1,167 million).

The net cash position comprises the following:

	Consolidated	
	1999	**1998**
	$m	$m
Cash and short term liquids	186	424
Receivables due from other financial institutions	2	53
Payables due to other financial institutions	(21)	(56)
Total	**167**	**421**

The decrease in cashflows provided by investing activities is due to the decrease in trading securities which saw the holdings in government securities decrease from $1.8 billion at 30 June 1998 to $1.3 billion at 30 June 1999. This was facilitated by establishing a $602 million inter group funding facility.

The increase in the level of purchases and proceeds from insurance investments in the current year compared to the previous, reflects the increased activity in trading.

During the year $1.7 billion in debt from Queensland Treasury Corporation (QTC) was repaid. The debt originally arose from the Queensland Government's ownership of QIDC and Suncorp and directed debt issuance policies. The Group has repaid these borrowings in advance of the scheduled final payment date of November 1999.

As a result of repaying the QTC facility the Group has extended its wholesale funding program through its existing Asian Debt Instrument Program and Euro Medium Term Note Program. Overseas funding increased from $2.1 billion at 30 June 1998 to $2.7 billion at 30 June 1999.

The Group completed its first securitisation transaction in February 1999 when it sold a pool of residential mortgage loans totalling $220 million to the Series 1999-1 APOLLO Trust.

Statement of Cash Flows for the year ended 30 June 1999

	Consolidated 1999 $m	Consolidated 1998 $m
Cash flows from operating activities		
Interest received	1,395	1,456
Dividends received	24	18
Premiums received	743	710
Reinsurance and other recoveries received	82	72
Other operating income received	261	285
Interest paid	(826)	(831)
Outwards reinsurance premiums paid	(40)	(39)
Claims paid	(635)	(538)
Operating expenses paid	(655)	(675)
Income taxes paid - operating activities	(3)	(43)
Net cash inflow from operating activities	**346**	**415**
Cash flows from investing activities		
Capital redemption from life insurance statutory funds	-	28
Payments for plant and equipment	(67)	(24)
Net (purchase)/disposal of banking securities	670	(696)
Net increase in loans, advances and other receivables	(1,169)	(1,229)
Proceeds from securitisation of loans	220	-
Lodgement of deposits with Reserve Bank of Australia	(7)	(10)
Purchase of investments integral to insurance activities	(11,980)	(4,187)
Proceeds from disposal of insurance investments	11,676	4,443
Income taxes paid - investing activities	(31)	(14)
Net cash outflow from investing activities	**(688)**	**(1,689)**
Cash flows from financing activities		
Proceeds from subordinated notes	170	-
Repayment of subordinated notes	(60)	-
Net increase in deposits and other borrowings	133	1,292
Dividends paid	(155)	(125)
Net cash inflow from financing activities	**88**	**1,167**
Net decrease in cash and cash equivalents	**(254)**	**(107)**
Cash at the beginning of the financial year	421	528
Cash at the end of the financial year	**167**	**421**

The Statement of Cash Flows should be read in conjunction with the discussion and analysis on page 30 and the accompanying notes to and forming part of the concise financial statements set out on pages 32 to 42.

1 BASIS OF PREPARATION

The Concise Financial Report has been prepared in accordance with the Corporations Law, Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The Concise Financial Report incorporating the financial statements and specific disclosures required by AASB 1039 has been derived from the consolidated entity's consolidated financial report for the financial year. Other information included in the Concise Financial Report is consistent with the consolidated entity's consolidated financial report. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as does the consolidated financial report.

Except where otherwise stated, the Concise Financial Report has been prepared on the basis of historical costs and does not take into account changing money values.

The accounting policies adopted have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The carrying amounts of all non-current assets are reviewed at least annually 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 amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present values.

2 OPERATING REVENUE

	Consolidated 1999 $m	Consolidated 1998 $m
Interest received or due and receivable		
other persons	1,426	1,449
Dividends received or due and receivable		
other persons	24	18
Property income received or due and receivable	4	4
General insurance premium revenue		
direct	724	700
inwards reinsurance	1	3
Reinsurance and other recoveries revenue	115	68
Consolidated entity's interest in earnings of life insurance statutory funds	25	25
Changes in net market value of investments integral to insurance activities		
realised	(17)	24
unrealised	56	38
Trust distributions received or due and receivable	20	11
Net profits/(losses) on trading securities	(4)	5
Net profits/(losses) on derivative and other financial instruments		
realised	(10)	5
unrealised	17	(2)
Fees and commissions received or due and receivable		
other persons	116	127
Write-back of provision for diminution in investment	6	-
Other income	5	8
Total operating revenue	**2,508**	**2,483**

	Consolidated 1999 $m	Consolidated 1998 $m
Disclosed in the profit and loss statement as:		
Interest income	1,426	1,449
General insurance premium revenue	725	703
Reinsurance and other recoveries revenue	115	68
Other operating income	242	263
Total operating revenue	**2,508**	**2,483**
Interest expense	(835)	(854)
Total operating income	**1,673**	**1,629**

	Consolidated 1999 $m	Consolidated 1998 $m
3 OPERATING EXPENSES		
Operating profit before abnormals and income tax for the year has been determined after charging the following items:		
Interest Expense		
Interest paid or due and payable		
other persons	835	854
Total interest expense	**835**	**854**
Other Operating Expenses		
Staff Expenses		
Provision for employee entitlements	(3)	10
Salaries and wages	203	193
Temporary staff	23	11
Other	95	88
Total staff expenses	**318**	**302**
Equipment and Occupancy Costs		
Depreciation		
buildings	2	2
plant and equipment	37	36
leasehold improvements	4	3
Loss on disposal of property, plant and equipment	5	1
Operating lease rentals	34	42
Other	19	11
Total equipment and occupancy costs	**101**	**95**
Other		
Technology	30	23
Marketing	34	35
Communications	47	40
Amortisation of franchise systems	1	-
Provision for directors' retirement benefits	-	1
Other	71	55
Total other expenses	**183**	**154**
Total other operating expenses	**602**	**551**

4 SEGMENT INFORMATION

(a) Industry segments

	Banking	General Insurance	Life Insurance	Other	Eliminations	Consolidated Total
	$m	$m	$m	$m	$m	$m
1999 Financial Year						
Revenue outside the consolidated entity	1,417	1,035	34	22	-	2,508
Inter-segment revenue	24	13	12	13	(62)	-
Total revenue	1,441	1,048	46	35	(62)	2,508
Segment operating result before income tax, amortisation of goodwill and abnormal items	157	169	25	5	-	356
Segment assets	19,821	3,406	127	24	(1,882)	21,496
1998 Financial Year						
Revenue outside the consolidated entity	1,450	976	34	23	-	2,483
Inter-segment revenue	29	12	11	12	(64)	-
Total revenue	1,479	988	45	35	(64)	2,483
Segment operating result before income tax, amortisation of goodwill and abnormal items	157	120	23	4	-	304
Segment assets	19,284	2,793	133	28	(814)	21,424

The above industry segments derive revenue from the following activities:

Banking	Banking, finance, merchant banking and other services.
General insurance	General insurance.
Life insurance	Consolidated entity's interest in life insurance statutory funds, investment of the shareholder's funds and superannuation administration services.
Other	Funds management, financial planning, funds administration, and property management services.

(b) Geographic segments

The consolidated entity operates predominantly within Queensland, New South Wales and Victoria.

	Consolidated	
	1999	**1998**
	$m	$m
5 ABNORMAL ITEMS		
Stamp Duty refund received relating to pre-merger transaction	12	-
Income tax effect	-	-
Expenses relating to pre-merger, including payout of management fee, claim relating to disposed property, and stamp duty on lease portfolio acquired	(13)	-
Income tax effect	5	-
Future GST and compensation liability provided within net claims provision	(25)	-
Income tax effect	9	-
	(12)	**-**
Summary		
Total abnormals	(26)	-
Total income tax effect	14	-
Total	**(12)**	**-**

The abnormal items relate to matters that either can be linked to transactions that occurred prior to the merger of Metway, Suncorp and QIDC in December 1996 or to GST and other tax reform and their consequential impact. The GST abnormal item is the increase required in the liability for outstanding claims at 30 June 1999, and comprises three components:

(1) Outcome of the transitional rules for the introduction of the tax where insurance companies will pay GST on claims settled after 1 July 2000, even if the accidents which gave rise to the claims occurred before that date. However, insurers will not be allowed to claim input tax credits associated with those claims;

(2) Increased claims liabilities for loss of after tax earnings due to the scheduled fall in personal tax rates; and

(3) Other consequential effects.

	Consolidated 1999 $m	Consolidated 1998 $m
6 DIVIDENDS		
Ordinary shares		
Fully franked interim dividend paid	45	42
Fully franked final dividend provided	45	43
Subordinated dividend ordinary shares		
Fully franked final dividend provided	20	-
Converting preference shares Series 2		
Current year charge in respect of fully franked base dividend paid	2	2
Fully franked base dividend paid	3	3
Current year charge in respect of fully franked base dividend provided	1	1
Converting capital notes		
Distribution provided	58	61
	174	**152**

The converting capital note distribution is deductible for taxation purposes. It carries no imputation credits.

	1999 $m	1998 $m
Franking credits		
The amount of dividends that would be fully franked at the 36 percent corporate tax rate after allowing for all tax payable in respect of the current year's profits and the payment of the proposed dividends	**0**	**56**

At balance date neither the Company nor any of its controlled entities had a franking account deficit as defined in the Income Tax Assessment Act 1997. There are franking credits available for the subsequent financial year in the Company's controlled entities. These credits are available to frank dividends which upon receipt by the Company will increase its franking account balance to equal the amount shown above as the consolidated balance. There are franking credits available in Suncorp Metway Insurance Ltd, the Group's general insurance company. However, no dividends are planned to be paid by this company to its parent company, Suncorp-Metway Ltd, until the Mercantile Mutual tax case in relation to the basis of taxation of general insurers is resolved. The Commissioner has sought special leave to appeal to the High Court of Australia. If this case changes the basis of taxation of general insurers, the franking position of the Company may change adversely.

The franked portions of the dividends proposed as at 30 June 1999 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 2000.

Based on current estimates and assumptions (including no changes flowing from the Mercantile Mutual tax case), the Company expects to pay fully franked dividends at current levels for the next 12 months. This is subject to there being no further conversion of capital notes to ordinary shares. Such dividends 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 2000.

	Consolidated 1999 $m	Consolidated 1998 $m
7 SHARE CAPITAL		
Issued and Paid-up		
205,051,887 ordinary shares each fully paid (1998: 192,280,137 of 50 cents par value each fully paid)	522	96
7,200 ordinary shares each 45 cents partly paid (1998: 36,600 of 50 cents par value each 45 cents partly paid)	-	-
NIL ordinary shares each 44 cents partly paid (1998: 169,950 of 50 cents par value each 44 cents partly paid)	-	-
51,650 ordinary shares each 5 cents partly paid (1998:124,050 of 50 cents par value each 5 cents partly paid)	-	-
100,000,000 subordinated dividend ordinary shares each fully paid (1998: 100,000,000 of 50 cents par value each fully paid)	382	50
5,455,140 non-redeemable non-cumulative converting preference shares (Series 2) each fully paid (1998: 5,455,140 of 50 cents par value each fully paid)	71	3
2,000 non-participating shares each fully paid (1998: 2,000 of 50 cents par value each fully paid)	-	-
	975	**149**
Movements During the Year		
Balance at the beginning of the financial year	149	149
Conversion of converting capital notes to ordinary shares	56	-
Transfer from share premium reserve	770	-
Balance at the end of the financial year	**975**	**149**

The Company Law Review Act 1998 ("the Act") came into effect on 1 July 1998. The Act abolished par value shares, and any amount standing to the credit of the share premium reserve became part of the Company's share capital on 1 July 1998. As a result, the balance of the share premium reserve amounting to $770 million was transferred to the share capital account on 1 July 1998, increasing the share capital to $919 million. From 1 July 1998 share capital does not have a nominal (par) value.

The issue of shares to the State of Queensland occurred pursuant to the State Financial Institutions and Metway Merger Facilitation Act 1996 and merger agreements between the Company and the State in relation to the merger of the Company and its former Metway entities with the SUNCORP Insurance and Finance and QIDC Limited entities.

7 SHARE CAPITAL (Continued)

The subordinated dividend ordinary shares rank behind other ordinary shares in respect of dividends declared by the Board for the financial years ended 30 June 1998 and 1999. Any dividends declared by the Board will first be applied to ordinary shares to the extent of 44 cents. Any dividends declared above these levels will be applied firstly to the subordinated dividend shares, to the extent of 44 cents, and then equally to all ordinary shares. After payment of the final dividend for the 1999 financial year, the subordinated dividend ordinary shares will rank equally for dividends with all other ordinary shares on issue.

The calls on, and conversion of, partly paid shares were in accordance with the employee share acquisition scheme under which they were issued.

	Consolidated	
	1999	**1998**
	$m	$m
8 CONVERTING CAPITAL NOTES		
142,500,000 converting capital notes of $4.50 each fully paid (1998: 155,000,000)	**641**	**697**

On 1 December 1996, the Company issued converting capital notes to Queensland Treasury Holdings Pty Ltd. The notes carry a fixed distribution of 8.7 percent per annum and they mature on 30 November 2006. Subject to certain conditions, the notes can be converted into fully paid ordinary shares, on the basis of one ordinary share for each note, at any point in time until maturity. The State has agreed to convert all outstanding notes should its shareholding of the Company's ordinary share capital fall below 15 percent. Following the Government's sale of exchanging notes the Government will convert all of the notes by 30 June 2001. This is in line with the undertaking given by the Government in respect of the EINs Series 2 where an exchange of one note for one ordinary share will occur on 31 October 2001.

9 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' remuneration

Total amount received or due and receivable by directors of the Company for the year ended 30 June 1999 was:

	Base Emolument (1)	Bonus (2)	Shares Issued (3)	Other Compensation (4)	Total Compensation	Retirement Benefits (5)	Total
	$	$	$	$	$	$	$
Executive Director							
W S Jones	892,932	243,000	750	58,239	1,194,921	-	1,194,921
Non-Executive Directors							
R J Lamble	156,500	-	-	10,955	167,455	156,500	323,955
M D E Kriewaldt	133,125	-	-	9,319	142,444	124,125	266,569
R F Cormie	88,625	-	-	6,204	94,829	88,625	183,454
P A Cross	74,000	-	-	5,180	79,180	74,000	153,180
F C B Haly	89,417	-	-	6,259	95,676	(22,083)	73,593
J J Kennedy	68,000	-	-	4,760	72,760	68,000	140,760
J D Story	76,250	-	-	5,338	81,588	18,250	99,838
B Thornton	68,917	-	-	4,824	73,741	68,917	142,658
G A Tomlinson	6,318	-	-	-	6,318	3,200	9,518

1 Executive Director's remuneration consists of both basic and packaged benefit components. Non-executive Directors' remuneration represents fees in connection with attending Board, Board committee and subsidiary companies' board meetings.

2 Reflects amounts accrued but not yet paid in respect of the year ended 30 June 1999.

3 Reflects shares to be issued to employees to the value of $750 in respect of the year ended 30 June 1999.

4 Reflects non-salary package remuneration and includes company contributions to superannuation.

5 The retirement benefit represents the movement in the Provision for Retirement Benefits.

9 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

Executive Officers' Remuneration

The following table shows the remuneration of the five most highly remunerated officers of the Company and the consolidated entity who were officers at 30 June 1999.

Name (1)	Base Emolument (2)	Bonus (3)	Shares Issued (4)	Fair Value of Options granted during the year	Other Compen-sation (5)	Total Compen-sation	Options Granted during the Year (6)	Exercise Price	Strike Price (7)	Date First Exercis-able
	$	$	$	$	$	$		$	$	
G J Moynihan	420,561	100,000	750	267,240	29,439	817,990	51,000	7.96	9.00	16 June 2001
							51,000	7.96	9.50	16 June 2002
							51,000	7.96	10.00	16 June 2003
A J Hogendijk	453,300	100,000	750	-	-	554,050	-			
P S Johnstone	352,933	55,000	750	143,170	7,067	558,920	27,000	7.96	9.00	16 June 2001
							27,000	7.96	9.50	16 June 2002
							28,000	7.96	10.00	16 June 2003
M W Blucher	352,933	72,000	750	113,480	7,067	546,230	21,000	7.96	9.00	16 June 2001
							22,000	7.96	9.50	16 June 2002
							22,000	7.96	10.00	16 June 2003
D Wilkie (8)	76,026	-	-	515,667	1,177	592,870	116,667	8.81	9.75	3 Nov 2001
							116,667	8.81	10.25	3 Nov 2002
							116,666	8.81	10.75	3 Nov 2003

1 The senior executives are those executives responsible for the strategic direction and management during the year.

2 Reflects the total remuneration package consisting of both basic salary and packaged benefit components.

3 Reflects amounts accrued but not yet paid in respect of the year ended 30 June 1999.

4 Reflects shares to be issued to employees to the value of $750 in respect of the year ended 30 June 1999.

5 Reflects non-salary package remuneration and includes company contributions to superannuation.

6 Refer to note 10 for details of the valuation of options granted and an explanation of the performance hurdles that must be achieved before the options can be exercised. The fair value of options granted during the year has been determined using the industry standard Black-Scholes option-pricing model. This is not a market price but an estimate of the fair value as these options are not traded. This valuation takes into account the price at grant date, the exercise price, the expected life of the option, the volatility in price of the underlying stock and expected dividends.

7 The options are exercisable only if the weighted average price of the Company's shares as quoted on the Australian Stock Exchange exceeds the prices specified on each of five consecutive trading days between the issue date of the option and the respective exercise dates.

8 From commencement of employment in April 1999.

Note: Other individuals 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.

10 OPTIONS

At the date of this report unissued 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 on issue at 30 June 1999 (2) (3)	Fair Value of Options Granted During the Year (4) $
26 March 1997	6 July 1999	26 March 2002	5.51	6.00	650,000	N/A
26 March 1997	6 July 2000	26 March 2002	5.51	6.50	700,000	N/A
26 March 1997	6 July 2001	26 March 2002	5.51	7.00	650,000	N/A
10 September 1997	31 March 2000	10 September 2002	6.79	7.00	196,000	N/A
10 September 1997	31 March 2001	10 September 2002	6.79	7.50	197,000	N/A
10 September 1997	31 March 2002	10 September 2002	6.79	8.00	197,000	N/A
17 December 1997	31 March 2000	17 December 2002	7.19	7.00	40,000	N/A
17 December 1997	31 March 2001	17 December 2002	7.19	7.50	40,000	N/A
17 December 1997	31 March 2002	17 December 2002	7.19	8.00	40,000	N/A
15 January 1998	15 July 2000	15 January 2003	7.56	7.56	250,000	N/A
16 December 1998	16 June 2001	16 December 2003	7.96	9.00	119,500	215,100
16 December 1998	16 June 2002	16 December 2003	7.96	9.50	121,000	211,750
16 December 1998	16 June 2003	16 December 2003	7.96	10.00	122,000	206,180
3 June 1999	3 November 2001	3 June 2004	8.81	9.75	116,667	176,167
3 June 1999	3 November 2002	3 June 2004	8.81	10.25	116,667	172,667
3 June 1999	3 November 2003	3 June 2004	8.81	10.75	116,666	166,832
3 June 1999	3 November 2001	3 June 2004	8.81	9.75	13,334	20,134
3 June 1999	3 November 2002	3 June 2004	8.81	10.25	13,333	19,733
3 June 1999	3 November 2003	3 June 2004	8.81	10.75	13,333	19,066
					3,712,500	

1 The exercise price of options was the weighted average market price of the Company's shares in the week preceding the dispatch of the offer.

2 Subsequent to balance date no options were exercised.

3 Comparative information for 1998 option issues is not available.

4 The fair value of options granted during the year has been determined using the industry standard Black-Scholes option-pricing model. This is not a market price but an estimate of the fair value as these options are not traded. This valuation takes into account the price at grant date, the exercise price, the expected life of the option, the volatility in price of the underlying stock and expected dividends.

There were no options exercised during the year. No options have been granted since the end of the financial year.

All options expire on the earlier of their expiry date or termination of the employee's employment. Other than 409,000 options in respect of employees who resigned, no options expired during the year ended 30 June 1999.

The market price of the Company's shares at 30 June 1999 was $9.00.

Directors' Declaration

In the opinion of the directors of Suncorp-Metway Ltd the accompanying Concise Financial Report of the consolidated entity, comprising Suncorp-Metway Ltd and its controlled entities, for the year ended 30 June 1999 set out on pages 26 to 42:

a) has been derived from or is consistent with the Consolidated Financial Report for the financial year; and

b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Dated at Brisbane this 26th day of August 1999

Signed in accordance with a resolution of the directors:

R John Lamble AO
Chairman

W Steven Jones
Managing Director

Independent Audit Report on Concise Financial Report

To the Members of Suncorp-Metway Ltd

Scope

We have audited the Concise Financial Report of Suncorp-Metway Ltd and its controlled entities for the financial year ended 30 June 1999 as set out on pages 26 to 43 in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the Concise Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Consolidated Financial Report of Suncorp-Metway Ltd and its controlled entities for the year ended 30 June 1999. Our audit report on the Consolidated Financial Report was signed on 26 August 1999, and was not subject to any qualification.

Our procedures in respect of the audit of the Concise Financial Report included testing that the information in the Concise Financial Report is consistent with the Consolidated Financial Report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the Consolidated Financial Report. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion the Concise Financial Report of Suncorp-Metway Ltd and its controlled entities for the year ended 30 June 1999 complies with AASB 1039 "Concise Financial Reports".

K P M G

KPMG

Chartered Accountants

Brisbane 26 August 1999

Ian H Fraser

Partner

Shareholder Information

MAJOR SHAREHOLDERS

(i) Ordinary Shares

At 16 August 1999, the 20 largest holders of fully paid Ordinary Shares held 146,630,188 shares, equal to 48.06 percent of the total.

	Number of Shares	%
Queensland Treasury Holdings	100,000,000	32.78
Chase Manhattan Nominees Limited	14,733,817	4.83
Permanent Trustee Australia Limited	5,848,207	1.92
Permanent Trustee Australia Limited	5,828,595	1.91
National Nominees Limited	2,816,650	0.92
Australian Foundation Investment Company Limited	2,646,197	0.87
Westpac Custodian Nominees Limited	2,501,932	0.82
Salomon Smith Barney Australia Nominees No 2 Pty Ltd	1,400,000	0.46
LGSS Pty Limited	1,274,849	0.42
BT Custodial Services Pty Ltd	1,265,563	0.41
AMP Life Limited	1,126,436	0.37
National Australia Financial Management Limited	1,111,623	0.36
Labor Holdings Pty Ltd	1,080,000	0.35
CSS Board	858,506	0.28
Citicorp Nominees Pty Limited	804,530	0.26
Questor Financial Services Limited	778,717	0.26
BT Custodial Services Pty Limited	688,754	0.23
Permanent Trustee Australia Limited	676,815	0.22
Commonwealth Life Limited	599,397	0.20
Colonial Portfolio Services Limited	589,600	0.19
	146,630,188	**48.06**

(ii) Preference Shares Series 2

At 16 August 1999, the 20 largest holders of Preference Shares Series 2 held 1,040,561 shares, equal to 19.09 percent of the total.

	Number of Shares	%
Caltex Nominees Pty Limited	208,205	3.82
Westpac Financial Services Limited	126,453	2.32
Perpetual Trustees Nominees Limited	107,900	1.98
Idameneo (No 79) Nominees Pty Limited	97,064	1.78
Tower Trust Limited	76,008	1.39
Perpetual Trustees Victoria Limited	62,778	1.15
Brencorp Securities Pty Limited	47,524	0.87
Bond Street Custodians Limited	47,321	0.87
Permanent Trustee Company Limited	41,194	0.76
Mariposa Management Pty Limited	35,000	0.64
Labor Holding Pty Ltd	25,000	0.46
IOOF Australia Trustees Ltd	24,000	0.44
A W Byrne Equity Pty Ltd	20,000	0.37
HCF Life Insurance Company Pty Limited	20,000	0.37
Kingsley Developments Pty Ltd	20,000	0.37
National Mutual Trustees Ltd	19,457	0.36
Perpetual Trustees WA Ltd	16,910	0.31
Mr Lawrence James Rose & Mrs Althea Helen Rose	15,460	0.28
Hastell Holdings Pty Ltd	15,287	0.28
Neolite Neon Co Pty Limited	15,000	0.27
	1,040,561	**19.09**

Shareholder Information

SUBSTANTIAL SHAREHOLDERS

At 16 August 1999, the following entries were contained in the register of substantial shareholdings:

(i) Ordinary Shares

	Number of Shares
The State of Queensland	100,000,613
Colonial Limited	14,438,651
Deutsche Australia Limited	13,797,302
Permanent Trustee Company Limited	12,834,688
SAS Trustee Corporation	11,757,804

(ii) Preference Shares Series 2

Nil

DISTRIBUTION OF SHAREHOLDINGS

(i) Ordinary Shares At 16 August 1999:

Range	Number of Holders	% of Holders	Number of Shares	% of Shares
1-1,000 shares	13,746	36.50	6,527,534	2.14
1,001-5,000 shares	17,059	45.30	41,979,841	13.76
5,001-10,000 shares	4,054	10.76	28,577,618	9.37
10,001-100,000 shares	2,674	7.10	58,211,772	19.08
100,001-shares and over	129	0.34	169,760,122	55.65
	37,662	**100.00**	**305,056,887**	**100.00**

(ii) 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.

(iii) Preference Shares Series 2 At 16 August 1999:

1-1,000 shares	10,326	91.55	2,044,935	37.49
1,001-5,000 shares	858	7.61	1,730,495	31.72
5,001-10,000 shares	58	0.51	424,378	7.78
10,001-100,000 shares	34	0.30	812,774	14.90
100,001-shares and over	3	0.03	442,558	8.11
	11,279	**100.00**	**5,455,140**	**100.00**

(iv) Partly Paid Shares At 16 August 1999:

1-1,000 shares	11	40.75	6,900	12.81
1,001- 5,000 shares	14	51.85	34,150	63.42
5,001- 10,000 shares	2	7.40	12,800	23.77
10,001-100,000 shares	-	-	-	-
100,001- shares and over	-	-	-	-
	27	**100.00**	**53,850**	**100.00**

Shareholder Information

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) Preference Shares Series 2

The holders of Converting Preference Shares Series 2 shall have one vote for each converting preference share but shall not be entitled to vote except:

- at any meeting convened for the purpose of reducing the capital of the Company;
- at any meeting convened for the purpose of winding up the Company or for sanctioning a sale of the main undertaking of the Company;
- on any resolution to be submitted to a general meeting that directly affects the rights and privileges of the holders of Converting Preference Shares Series 2; or
- at any meeting when the dividend to be paid on the converting preference shares is in arrears more than 6 months.

HOLDERS OF NON-MARKETABLE PARCELS

(i) Ordinary Shares

At 16 August 1999 the number of holders with less than a marketable parcel (1-63 shares) was 277 (0.73 percent of holders) representing 8,816 shares.

(ii) Preference Shares Series 2

At 16 August 1999 the number of holders with less than a marketable parcel (1 – 30 shares) was 365 (3.23 percent of holders) representing 5,679 shares.

Noteholder Information

MAJOR NOTEHOLDERS

Exchanging Instalment Notes Series 1

At 16 August 1999, the 20 largest holders of Exchanging Instalment Notes held 24,331,272 notes, equal to 24.33 per cent of the total.

	Number of Notes	%
Permanent Trustee Australia Limited	3,191,776	3.20
Chase Manhattan Nominees Limited	2,212,293	2.22
Brispot Nominees Pty Ltd	1,760,798	1.77
MLC Limited	1,757,866	1.76
Idameneo (No 79) Nominees Pty Limited	1,694,769	1.69
Westpac Custodian Nominees Limited	1,643,090	1.64
National Nominees Limited	1,443,586	1.44
AMP Life Limited	1,352,691	1.35
BT Custodial Services Pty Ltd	1,344,358	1.34
Permanent Trustee Australia Limited	1,204,732	1.20
National Mutual Trustees Ltd	1,075,963	1.08
BT Custodial Services Pty Limited	983,556	0.98
Queensland Investment Corporation	950,000	0.95
Tower Trust Limited	620,860	0.62
Warbont Nominees Pty Ltd	590,433	0.59
Perpetual Nominees Limited	563,598	0.56
AMP Nominees Pty Limited	548,732	0.55
ANZ Nominees Limited	502,550	0.50
The Australian National University	500,000	0.50
Fleet Nominees Pty Limited	389,621	0.39
	24,331,272	**24.33**

SUBSTANTIAL NOTEHOLDERS

At 16 August 1999, there were no entries contained in the register of substantial unitholdings for Exchanging Instalment Notes Series 1.

DISTRIBUTION OF NOTEHOLDINGS

Exchanging Instalment Notes Series 1 At 16 August 1999:

Range	Number of Holders	% of Holders	Number of Notes	% of Notes
1-1,000 notes	58,065	85.81	31,050,218	31.05
1,001-5,000 notes	8,082	11.94	20,445,139	20.45
5,001-10,000 notes	1,020	1.51	7,575,309	7.57
10,001-100,000 notes	448	0.66	10,054,561	10.06
100,001-notes and over	55	0.08	30,874,773	30.87
	67,670	**100.00**	**100,000,000**	**100.00**

Noteholder Information

VOTING RIGHTS OF NOTEHOLDERS

The legal interest in the Subordinated Dividend Ordinary Shares to which each note corresponds is held by Queensland Treasury Holdings Pty Ltd as trustee under the EIN Trust Deed. As a term of the EIN Trust Deed, each noteholder is entitled to provide voting instructions to the Trustee in respect of each Subordinated Dividend Ordinary Share to which each note of that holder corresponds, except in relation to dividend rights.

HOLDERS OF NON-MARKETABLE PARCELS

At 16 August 1999 the number of holders with less than a marketable parcel (1-64 notes) was 13 (0.01 percent of holders) representing 432 notes.

ADDITIONAL INFORMATION

Pursuant to the Memorandum of Understanding in relation to Exchanging Instalment Notes Series 1, between the Company and the State of Queensland, the company is obliged to disclose the following additional information.

i) Trustee of the Exchanging Instalment Notes Trust is Queensland Treasury Holdings Pty Ltd; Company Secretary. Mr Neil Castles, Level 14, Queensland Mineral & Energy Centre, 61 Mary Street, Brisbane Qld 4000. Telephone 07 3842 4600.

(ii) The rights attaching to the subordinated dividend shares are as follows: (as extracted from the Merger Implementation Agreement dated: 16 October 1996)

1 In the case of the first dividend declared by Metway after 30 June 1997 but before 1 July 1998, of the total amount of the dividend declared, Ordinary Shares will rank in priority to Subordinated Dividend Shares up to an amount equal to the difference between 40 cents per share and the amount of the dividend per share payable on Ordinary Shares in respect of the first dividend declared by Metway after the Metway Amalgamation Day, thereafter Subordinated Dividend Shares will rank in priority to Ordinary Shares up to an amount equal to 40 cents per share and thereafter Ordinary Shares and Subordinated Dividend will rank pari passu.

2 In the case of the second dividend (if any) declared by Metway after 30 June 1997 but before 1 July 1998, of the total amount of the dividend declared, Ordinary Shares will rank in priority to Subordinated Dividend Shares up to the sum of 44 cents per share, thereafter Subordinated Dividend Shares will rank in priority to Ordinary Shares up to the sum of 44 cents per share and thereafter Ordinary Shares and Subordinated Dividend Shares will rank pari passu.

3 In the case of the first dividend declared by Metway after 30 June 1998 but before 1 July 1999, of the total amount of the dividend declared, Ordinary Shares will rank in priority to Subordinated Dividend Shares up to an amount equal to the difference between 44 cents per share and the amount of the dividend per share payable on Ordinary Shares in respect of the dividend referred to in paragraph 2, thereafter Subordinated Dividend Shares will rank in priority to Ordinary Shares up to an amount equal to the difference between 44 cents per share and the amount of the dividend per share payable on Subordinated Dividend Shares in respect of the dividend referred to in paragraph 2 and thereafter Ordinary Shares and Subordinated Dividend Shares will rank pari passu.

4 In the case of the second dividend (if any) declared by Metway after 30 June 1998 but before 1 July 1999, of the total amount of the dividend declared, Ordinary Shares will rank in priority to Subordinated Dividend Shares up to the sum of 44 cents per share, thereafter Subordinated Dividend Shares will rank in priority to Ordinary Shares up to the sum of 44 cents per share and thereafter Ordinary Shares and Subordinated Dividend Shares will rank pari passu.

Noteholder Information

5 In the case of the first dividend declared by Metway after 30 June 1999 but before 1 July 2000, of the total amount of the dividend declared, Ordinary Shares will rank in priority to Subordinated Dividend Shares up to an amount equal to the difference between 44 cents per share and the amount of the dividend per share payable on Ordinary Shares in respect of the dividend referred to in paragraph 4, thereafter Subordinated Dividend Shares will rank in priority to Ordinary Shares up to an amount equal to the difference between 44 cents per share and the amount of the dividend per share payable on Subordinated Dividend Shares in respect of the dividend referred to in paragraph 4 and thereafter Ordinary Shares and Subordinated Dividend Shares will rank pari passu.

6 Except as set out above, Ordinary Shares and Subordinated Dividend Shares will carry the same rights and entitlements.

7 On and from the earlier of the day immediately after declaration of the first dividend declared by Metway after 30 June 1999 and 1 July 2000, there shall be no difference in rights between Ordinary Shares and Subordinated Dividend Shares, and Sunordinated Dividend Shares shall be recognised, designated and treated for all purposes thereafter as Ordinary Shares.

8 For the above purposes, "dividend" means and is limited to a cash dividend payable out of the profits of Metway.

9 In the event that Metway allots either:

a) bonus shares to its shareholders (not being bonus shares allotted following an election by shareholders to take those shares in lieu of a dividend declared upon its shares, being an election pursuant to a provision in Metway's articles of association) credited as fully paid up: or

b) shares issued consequent upon a pro-rata offer to all of its shareholders to subscribe for further shares or other securities of Metway,

then the priority amount referred to in paragraphs 1-5 above will be adjusted by the formula:

$$A = B \times \frac{C}{D}$$

where:

A = the adjusted amount per share referred to in the relevant paragraph;

B = the priority amount per share referred to in the relevant paragraph;

C = the number of Ordinary Shares issued at 1 December 1996; and

D = the sum of the number of Ordinary Shares on issue at 1 December 1996 plus the number of Ordinary Shares subsequently issued as described in paragraphs (a) or (b) above.

10 In the case of partly paid Ordinary Shares, the priority amounts referred to in paragraphs 1-5 (as adjusted under paragraph 10) shall be adjusted so as to be proportionate to the amount paid up on any such shares.

Noteholder Information

MAJOR NOTEHOLDERS

Exchanging Instalment Notes Series 2

At 16 August 1999, the 20 largest holders of Exchanging Instalment Notes held 17,318,603 notes, equal to 12.15 per cent of the total.

	Number of Notes	%
Chase Manhattan Nominees Limited	2,528,542	1.77
Queensland Investment Corporation	2,000,000	1.40
Westpac Custodian Nominees Limited	1,867,991	1.31
Suncorp Life & Superannuation Limited	1,353,715	0.95
Tower Trust Limited	1,277,102	0.90
National Nominees Limited	1,101,807	0.77
AMP Life Limited	907,990	0.64
Milton Corporation Ltd	880,000	0.62
Questor Financial Services Limited	769,375	0.54
BT Custodial Services Pty Limited	659,181	0.46
Permanent Trustee Australia Limited	522,600	0.37
BT Custodial Services Pty Limited	514,043	0.36
Colonial Portfolio Services Limited	428,600	0.30
The Australian National University	400,000	0.28
BT (Queensland) Pty Limited	393,582	0.28
Citicorp Nominees Pty Limited	386,800	0.27
Rubicon Nominees Pty Ltd	362,680	0.25
Transport Accident Commission	349,330	0.25
Argo Investments Limited	315,000	0.22
Australian Foundation Investment Company Limited	300,265	0.21
	17,318,603	**12.15**

SUBSTANTIAL NOTEHOLDERS

At 16 August 1999, there were no entries contained in the register of substantial unitholdings for Exchanging Instalment Notes Series 2.

DISTRIBUTION OF NOTEHOLDINGS

Exchanging Instalment Notes Series 2 At 16 August 1999:

Range	Number of Holders	% of Holders	Number of Notes	% of Notes
1-1,000 notes	146,990	88.87	50,458,734	35.40
1,001-5,000 notes	15,967	9.65	38,301,511	26.88
5,001-10,000 notes	1,600	0.97	12,165,659	8.54
10,001-100,000 notes	779	0.47	18,368,124	12.89
100,001-notes and over	58	0.04	23,205,972	16.29
	165,394	**100.00**	**142,500,000**	**100.00**

VOTING RIGHTS OF NOTEHOLDERS

Noteholders of Exchanging Instalment Notes Series 2 are not entitled to vote at any meeting of the members of the Company as the Notes do not carry any voting rights.

HOLDERS OF NON-MARKETABLE PARCELS

At 16 August 1999 the number of holders with less than a marketable parcel (1-93 notes) was 96 (0.05 percent of holders) representing 2,988 notes.

Shareholder/Noteholder Information

Registered Office

Level 18, 36 Wickham Terrace
Brisbane Qld 4000
Telephone: (07) 3835 5355
Fascimile: (07) 3836 1190

Information about Suncorp Metway is also available on the Internet at http://www.suncorpmetway.com.au

Company Secretary

Clifford R Chuter

Share and Note Registry

Douglas Heck & Burrell
Level 21, 300 Queen Street
Brisbane Qld 4000
Telephone: (07) 3228 4219

Change of Address

Shareholders sponsored by Suncorp Metway (issuer sponsored) must advise Douglas Heck & Burrell in writing of the amended details

Shareholders sponsored by a broker (broker sponsored) must advise their broker in writing of the amended details.

Annual General Meeting

The Annual General Meeting will be held in the Great Hall, Brisbane Convention and Exhibition Centre, corner Merivale and Glenelg Streets, South Brisbane on Wednesday 27 October 1999 at 2.30pm.

Stock Exchange Listed Securities

Suncorp Metway's securities listed on the Australian Stock Exchange are:

Ordinary Shares (code SME)

Converting Preference Shares Series 2 (SMEPB)

Floating Rate Capital Notes (SMEHB)

Exchanging Instalment Notes - Series 1 (SMQGA), issued by the Queensland Government

Exchanging Instalment Notes - Series 2 (SMPG), issued by the Queensland Government

Key Dates*

Ordinary Shares (SME)

Dividend payment (final)	15 October 1999
Record date (interim)	3 March 2000
Dividend payment (interim)	20 March 2000

Converting Preference Shares Series 2 (SMEPB)

Record date	3 March 2000
Dividend payment	15 March 2000

Floating Rate Capital Notes (SMEHB)

Record date	15 November 1999
Interest payment	30 November 1999
Record date	15 February 2000
Interest payment	1 March 2000
Record date	15 May 2000
Interest payment	30 May 2000

Exchanging Instalment Notes Series 1 (SMQGA)

Interest payment (final)	30 September 1999
Notes convert to ordinary shares	1 November 1999

Exchanging Instalment Notes Series 2 (SMPG)

Record date	15 November 1999
Interest payment	30 November 1999
Record date	16 May 2000
Interest payment	31 May 2000

*Dates may be subject to change

Investor Relations Policy

We aim to ensure that shareholders, as the owners of the company, are fully informed of the progress of the group, receiving timely, candid and accurate reports. We shall use the annual report, annual general meeting and profit reports to update shareholders on the performance of their company, and shall endeavour to make the information available to all shareholders simultaneously, and as quickly as possible. We shall treat all shareholders equally, and will not provide confidential or market sensitive information to any shareholders selectively.

We'd like to help you anytime - just call us

General inquiries	13 11 55
Quickcall phone banking	13 11 25
Insurance sales and inquiries	13 11 55
Insurance claims	13 25 24
New loan hotline	13 11 34
New investment account hotline	13 27 44
Lost or stolen cards & passbooks	1800 775 020
Life insurance, superannuation	1800 810 012
Investment Funds	1800 067 732
Business banking service centre	1300 65 11 25
Retail outlets:	151 in Queensland, 9 in NSW, 4 in Victoria
Business Banking outlets:	32 in Queensland, 3 in NSW, 1 in Victoria
ATMs:	Throughout Queensland and in New South Wales and Victoria plus Australia wide access through Cashcard, Rediteller, ANZ, CBA and Westpac ATMs.
EFTPOS:	Throughout Australia
Internet:	www.suncorpmetway.com.au
Email:	direct@suncorpmetway.com.au