ANNUAL REPORT 2001

Banking Insurance Investment

SUNCORP METWAY

Suncorp-Metway Ltd

ABN 66 010 831 722

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Core Purpose

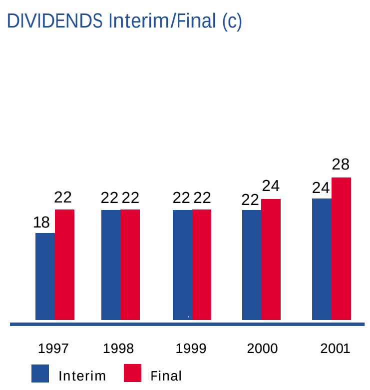
Our Core Purpose is to make it **far easier** for customers to manage their finances better so they can realise their dreams and protect the things they hold dear.

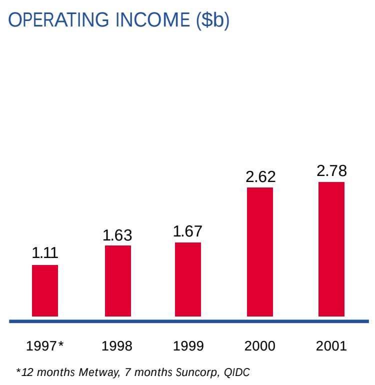
ANNUAL REPORT

For the Financial Year ended 30 June 2001

Financial Highlights

- **Net profit**
  up 18% to $395 million
- **Annual dividend**
  up 6 cents to 52 cents
- **Earnings per share**
  up from 69.5 cents to 83.5 cents (fully diluted)
- **Return on equity**
  up from 16.4% to 18.7% (weighted daily average)
- **Total assets**
  up 13% to $29.6 billion
- **Market capitalisation**
  $7 billion





CREDIT RATINGS	SHORT TERM	LONG TERM	CLAIMS PAYING GENERAL INSURANCE	CLAIMS PAYING LIFE & SUPER
Standard & Poor's (Positive Outlook - February 2001)	A-2	A-	A-	A-
Moody's				
Bank Deposits	P-2	A3	n/a	n/a
Senior Debt (Upgraded in July 2000)	P-2	A3	n/a	n/a
Fitch (Long term outlook - stable - April 2001)	F1	A	A+	A

Chairman's Letter to Shareholders

Dear Shareholder

Back in the 1997 Annual Report, shortly after Suncorp Metway was created from the merger of Suncorp, Metway and QIDC, I noted that the Company had a very significant challenge confronting it. That challenge was to earn a net profit of $350 million by 2001 in order to pay a dividend of 50 cents a share on fully diluted share capital.

At the time, it seemed like a tall order. After all, the profit in 1997 was just $150 million.

Four years later, I am delighted to be able to report to you that we have beaten that challenge. In the year to June 2001, the Company surpassed the $350 million mark, announcing an 18 percent increase in profit after tax to $395 million.

We have also beaten the 50 cents a share dividend that I referred to, declaring a four cents increase in the final dividend to 28 cents, taking the full year dividend to 52 cents a share – up six cents.

If you have been a shareholder since 1996, you will know that these good results have led to a tripling in the share price since the original merger.

The Company is now amongst the biggest 25 companies in Australia by market capitalisation, and is valued at well over $7 billion. This is larger than the market capitalisation of many other well known companies such as MIM, Fairfax and Qantas.

I think that by any standards, that is a remarkable performance, and I want to commend the Managing Director Steve Jones, his executive team, and all the employees for delivering that excellent result.

In this report, I would like to briefly summarise the profit, then I will tell you about the next phase in our drive to lift returns to shareholders – the acquisition of the Australian general insurance operations of AMP/GIO. Finally I will comment on our expectations for the current year.

PROFIT SUMMARY

The Company managed to move beyond that $350 million profit level I mentioned earlier as a result of four years of hard work. It involved a fundamental re-engineering of the group to eliminate inefficient practices and create a competitive force in the financial services sector.

In last year's report I declared that our original merger was finally completed, and we had turned our focus towards growing the Company from our new efficient base. I am pleased to report that during 2001 we grew our business strongly as we reaped the benefits of that improved competitiveness.

Equipped with better systems, our staff achieved improved sales across all our main business lines as we intensified our focus on growth and expansion.

In Banking, our loans, advances and other receivables increased by 11 percent to $19.9 billion. In Wealth Management, total sales of new business increased by 179 percent to $595 million. And in General Insurance, gross premium income grew by 5 percent to $824 million.

As you will see from the table on the next page, these increases in sales translated into significantly improved profits in our Banking and Wealth Management Divisions. But the General Insurance result was down from the

Chairman's Letter to Shareholders

CONTRIBUTION TO PROFIT BY DIVISION	FULL YEAR ENDED Jun-01 $m	Jun-00 $m	Jun-01 vs Jun-00 %
Banking	284	229	24
General Insurance	163	211	(23)
Wealth Management	53	30	77
Other activities	9	5	80
Profit from ordinary activities before amortisation of goodwill and income tax	509	475	7
Amortisation of goodwill	(10)	(10)	-
Income tax attributable to operating profit	(104)	(130)	(20)
Net profit attributable to members of the parent entity	395	335	18

Note: Income tax attributable to Life and Super policyholders is eliminated from this table.

unusually strong profit of the previous year due to the fact that claims returned to more usual levels. Nevertheless, our Insurance Trading profit for this year, at 10 percent of premiums, is well above industry averages.

Tax was down partly because the tax rate fell to 34 percent, but largely by paying careful attention to the tax aspects of transactions - for example by including in our investment portfolio those stocks which pay good levels of franked dividends.

Steve Jones will report in detail about each of the divisional performances, but taking the profit as a whole, the result is satisfactory, with diluted earnings per share increasing by a healthy 20 percent to 83.5 cents.

I use the term "diluted" because at year end, the Queensland Government held some 124 million capital notes. These were converted to ordinary shares on 4 July. So we have calculated measures such as earnings per share as though all the relevant securities already had converted. If we had just used the basic number of shares at 30 June, then in the current year we would see a sudden decrease in earnings per share which would not reflect reality.

Return on average fully diluted equity increased from 16.4 percent to 18.4 percent, after adjusting for the impact of the issue of 48 million shares partly to fund the AMP/GIO acquisition. The ratio has been adjusted because the shares were issued and the funds received on 21 June. So there was very little opportunity to earn a return on the money in the year to June 2001. The equity will be included in the current year of course, because the AMP/GIO operations will be earning a return on the capital invested.

THE NEXT PHASE - GIO

In the competitive world of financial services, companies can not afford to rest on their laurels, and we must continually be searching for ways to increase returns for shareholders. So in 2001 we embarked on a new challenge – the $1.24 billion acquisition of the AMP's wholly owned Australian general insurance business. This includes the personal and small business lines of GIO but excludes the GIO's reinsurance and large commercial books.

Through this acquisition, announced in June, we will truly transform the Company into a national force in financial services.

Suncorp Metway has a proud Queensland heritage, and will always retain our Queensland identity. But for our continued growth and expansion, it was important for the Company to find a way to access the major markets outside of our home base, to gain a national presence and increase our scale.

The GIO acquisition delivers handsomely on those counts. The acquisition will make the Company the second largest general insurer in Australia, with total annual premiums of approximately $2 billion, and with more than 3 million customers across the country.

Chairman’s Letter to Shareholders

It will increase the diversity of our General Insurance business, because most of the business being acquired is outside of Queensland. It also is in classes of insurance other than Compulsory Third Party, which previously had been dominant in our portfolio. Better diversification will reduce our overall risk profile, and should decrease volatility in earnings.

As I stated earlier, the acquisition was funded in part by an issue of 48 million shares, which raised $638 million. This included 6.6 million shares which were issued to the AMP. An additional 13 million shares are still to be issued to the AMP as part payment for the acquisition. These share issues were a component of a total funding package of $1.25 billion. The package was conservatively structured to ensure that the Company retained a sound financial position, and was ratified by shareholders at the recent Extraordinary General Meeting.

The share issue was accomplished within days of the announcement. The Board would have preferred to have had a rights issue enabling all shareholders to participate, however this was ruled out due to time and cost constraints. At the end of the day, the placement was the only practical way to ensure that the funds were raised within the required time frame to ensure that the deal proceeded to the benefit of all shareholders.

However, the Board has decided to draw up a Dividend Reinvestment Plan and a Share Purchase Plan to provide small shareholders with the opportunity to increase their holdings in future. The first possible use for these vehicles will be the half-year dividend to be paid next March, but even then it will require the Board to review the Group’s capital requirements at that time.

Isobela Rigg, GIO Customer Service Officer and Grant Ives, Motor Underwriter

Chairman's Letter to Shareholders

THE GENERAL INSURANCE INDUSTRY

Suncorp Metway is undertaking the GIO acquisition as the General Insurance industry emerges from a period of unprecedented change.

For example, during the past 12 months we have seen the demutualisation of the country's largest insurer, NRMA, followed by the collapse of the then second largest – HIH Insurance – in March. That follows the problems experienced by reinsurers in 1999 and 2000, and the ongoing consolidation within the industry.

Ironically, the shakeout in the industry is having a positive impact. The bad practices that have led to the problems of the past are now being exposed. Changes to the solvency requirements for general insurance companies will help to ensure that underwriters put aside sufficient provisions to pay future claims. We support these considered moves to increase the transparency of general insurance accounts and improve the overall levels of security in the industry in the best interests of consumers.

As I write, Federal Parliament has before it amendments to the Insurance Act to increase the capital requirements and tighten the rules by which solvency margins of insurance companies are calculated. We have taken these draft rules into account in working out our capital structure following the AMP/GIO acquisition and we will pass those tests with a satisfactory margin.

Unlike HIH Insurance, which was reported to hold no prudential margin in its outstanding claims provision, Suncorp Metway has always added a significant amount to the central estimate calculated by actuaries, just in case some adverse trend results in claims costing more than we estimate today.

CONCLUSION

That leads me to comment on our outlook for the current year.

Given our prudent management style, the leadership of Steve Jones and the continued strong contribution of our staff, we are well placed to confront the challenges of the marketplace.

Assuming no dramatic swings in financial markets, unforeseen events or a downturn in the economy, we are confident we will be able to produce an improved result in the current year. The Managing Director will comment in more detail on the factors that will influence our financial performance.

Finally I would like to thank my fellow directors for their efforts during the past year, and I will take this opportunity to welcome a new member to the Board.

Mr Pat Handley, a former Chief Financial Officer of Westpac, joined the Board in July, and will bring extensive local and international financial experience to the team.

I also would like to thank all employees for their efforts during the year. And most importantly, I would like to express my gratitude to shareholders and noteholders, for their ongoing support.

John Lamble

John Lamble
Chairman

Managing Director's Letter to Shareholders

Dear Shareholder

My letter to you last year reported that "the plans for the coming year were all about building profitable growth..." I am very pleased to report progress in that respect and on the Company's performance generally.

During the year we made numerous investments in staff, systems and marketing programs to assist growth in each line of business. I am glad to report these investments are paying off and the growth has contributed to an 18 percent increase in the Group's profit, to $395 million.

Growing the business increased ordinary operating expenses by 7 percent, including the addition of 517 staff. Over 75 percent of these new staff went into sales and service roles related to acquiring and servicing new business.

Moreover, in June we committed to invest $1.24 billion to acquire the GIO & AMP general insurance business. While it did not have a material effect on the year's results, this acquisition is clearly the most significant of all the investments we made to grow the business.

The balance of this letter will report on the results in each line of business and then explain how we are progressing with the integration of the Suncorp Metway and AMP/GIO general insurance businesses. Finally I will outline our expectations for the current year.

BANKING

Profit from the banking business increased by 24 percent, to $284 million before tax. Income increased by 12 percent while expenses grew more slowly and bad debts remained within an acceptable range.

The healthy growth in both housing and business lending was a very positive feature. Shareholders may recall that while the banking profit was very strong last year, loan growth was below the market average. As a result one of our goals for the year was a higher level of sound, profitable lending.

Total loans increased over the year by 11 percent to $19.9 billion. This is considerably higher than the 7 percent growth of the previous year and was achieved despite generally less favourable economic conditions.

Housing lending was particularly strong, increasing to $11.7 billion, which is a 14 percent increase and in line with industry growth. And in the key owner-occupied housing lending segment, lending was up by 19 percent, well above the industry average of 15 percent.

New lending was healthy across all distribution channels, and was particularly boosted by a doubling of volume from the LJ Hooker Home Loan initiative. Suncorp Metway owns the LJ Hooker real estate franchise company and we have lending officers working with the franchisees to offer home loans through their agents. It's great to see this alliance with the LJ Hooker franchisees bearing fruit.

Managing Director's Letter to Shareholders

Business banking lending was stronger as well, growing at 8 percent. This was in line with industry growth and a quite satisfactory improvement.

Importantly, the growth in banking assets was accomplished without sacrificing margins, which were maintained at 2.48 percent. Forty percent of the new lending occurred outside Queensland, which improves the diversification of the lending book. The interstate growth reflects the success of our business banking operations outside of Queensland as well as the LJ Hooker Home Loan program.

On the deposit side, the performance was also very good as the deposit base increased by almost 15 percent to $17.3 billion. Retail deposits were strong, growing at well above market growth rates.

Together, the growth in lending and deposits led to an 8 percent increase in net interest income, to $514 million.

The growth in business volumes was a key factor in the strong 28 percent increase in non-interest income, reflecting items such as establishment fees for new loans. There were also changes to the charges on transaction accounts. For example, on accounts where customers keep low balances but perform numerous transactions, the fee schedule was adjusted to ensure the cost to the bank of performing the transactions was at least matched by the income earned on the account.

Operating expenses in banking increased to $345 million, reflecting the increases in staff and marketing expenses to generate the sales and service the increased volume. In the detail of the results this appears as only a 2 percent increase. However, on an apple-to-apples basis, the increase is a more substantial 10 percent. The previous year included one-time Y2K costs and all acquisition costs on sales. Beginning this year, acquisition costs in banking and general insurance are spread over the life of the product, as has been the practice for Wealth Management products. While total costs did increase, the efficiency of the banking operations remains among the best in the industry as seen in the cost-to-assets ratio of 1.61 percent. With income growing faster than expenses, the cost-to-income ratio was further reduced to 52.9 percent.

Bad debts increased to $36 million, which is roughly $10 million higher than we would expect for the size of our loan book. The increase reflects difficulties experienced by a few accounts and is not indicative of a negative trend in credit quality. In fact, the overall soundness of the lending book improved over the year. Impaired loans reduced by 24 percent to 0.64 percent of gross loans and the soundness of the loan book increased, as measured by our loan risk-grading system.

BANKING PROFIT CONTRIBUTION	JUN-01	JUN-00	CHANGE
	$m	**$m**	**%**
Net interest income	514	475	8.2
Other operating income	151	118	28.0
Total operating income	665	593	12.1
Operating expenses	(345)	(338)	2.1
Net operating profit	320	255	25.5
Bad and doubtful debts expense	(36)	(26)	38.5
Contribution to profit before tax from Banking	**284**	**229**	**24.0**

Managing Director's Letter to Shareholders

WEALTH MANAGEMENT

For several years customers have been shifting to investment products and away from life insurance products as the means to increase their wealth and safeguard their future. In line with this we have changed the name of the Life, Superannuation and Managed Investment Division to the Wealth Management Division.

The Division's profit for the year increased very substantially to $53 million, before tax. This includes a one-off revaluation profit of $13 million, due to a change in how we account for the operations of the Life Company's subsidiaries. Leaving that one-time item aside, the result was 33 percent higher than last year, which is an excellent improvement.

The highlight was the sales performance, which was very strong in both the first and second halves. New business totalled $595 million, an increase of 179 percent. Superannuation sales were especially strong, rising by 244 percent to $337 million.

The increase in sales and profit is due to a complete restructuring of the division undertaken over the past three years. Many product changes were made and the distribution arrangements were overhauled to reflect the Group's allfinanz strategy. The financial adviser force has been expanded to 137 advisers and customers from all lines of business across the Group are being referred to them.

Our investment managers have improved the returns earned by our products, which of course makes them more attractive to customers. For the year, 34 of our 40 funds, including general insurance funds, outperformed their respective benchmarks. As an example, the equities team earned an 11.1 percent return, compared to 9.1 percent for the relevant benchmark.

The increase in volume contributed to making our support operations more efficient, making the new business more profitable and increasing the planned profits recorded in the accounts. There was also improvement in the actual experience regarding lapse rates, surrenders and claims experience. Together these factors contributed $12 million to the profit improvement.

WEALTH MANAGEMENT PROFIT CONTRIBUTION

	JUN-01	JUN-00	CHANGE
	$m	**$m**	**%**
Planned profit margins	28	21	33.3
Experience profit/(losses)	3	(2)	n/a
Investment income	10	11	(9.1)
Interest in statutory funds' earnings	41	30	36.7
Other revenue	26	12	116.6
Other expenses	(14)	(12)	16.6
Contribution to profit before tax from Wealth Management	**53**	**30**	**77**

Managing Director's Letter to Shareholders

GENERAL INSURANCE

The General Insurance business achieved a profit before tax of $163 million, which is $48 million less than last year. At first glance this may be disappointing, but shareholders may want to keep in mind that an insurance trading result of $78 million represents a trading margin of 10 percent of premiums, which is an excellent result by industry standards. Last year's result was exceptional at 14 percent and so even though this year's result was strong, it does suffer by comparison.

In understanding general insurance it helps to think of the trading results separately from the investment returns on the shareholders' capital that underpins the business. This explains a good portion of the reduction in profit relative to last year, as investment returns on shareholder's capital – while quite good – were $18 million less than last year. Such investment market fluctuation is normal and not a cause for concern. I add that in both years our investment team performed better than the market.

At the trading level, it was encouraging to see a steady increase in gross premium revenue, which grew by almost 5 percent to $824 million. This was a good performance considering the impact of the Goods and Services Tax, which had the effect of reducing net premiums in our Compulsory Third Party business by 2 to 3 percent.

CTP premium was also dampened by the partial deregulation of the CTP scheme in Queensland. The state government now sets a price range for CTP insurance and allows companies to compete within that range. This competition began in October and did lead to some loss of market share during the year. I note that by year-end the loss had been stemmed and the trend was positive. Concurrently, GST was introduced and became payable on CTP premiums, but the price range was not increased to allow for it. This meant insurers, rather than consumers, paid the GST. Claims continued in their normal pattern and so the CTP underwriting result was squeezed.

Operating expenses in general insurance included $10 million of costs associated with the GIO acquisition. The change in accounting for acquisition costs, noted earlier, meant $17 million of costs are now being amortised that previously would have been a cost for the year. Reflecting these items, general insurance expenses as a percentage of premiums increased from 24.1 percent to 24.8 percent.

Claims experience in personal lines was somewhat higher for the year, due mostly to greater storm activity than last year. Like investment returns, weather-related claims fluctuate from year to year and that is a normal part of the business. Commercial claims were higher, reflecting some specific losses as well as general underpricing that has been common to that segment. The prospects for commercial lines are much better now that the industry has consolidated. Business can now be won with premiums more in line with the risk being incurred.

GENERAL INSURANCE PROFIT CONTRIBUTION	JUN-01 $m	JUN-00 $m	CHANGE %
Net premium revenue	771	739	4.3
Net incurred claims	(665)	(601)	10.6
Operating expenses	(191)	(178)	7.3
Underwriting result	(85)	(40)	112.5
Investment revenue – insurance provisions	163	146	11.6
Insurance trading result	**78**	**106**	**(26.4)**
Other income	5	7	(28.6)
Investment revenue – Shareholder's funds	80	98	(18.4)
Contribution to profit before tax from General Insurance	**163**	**211**	**(22.7)**

Managing Director's Letter to Shareholders

GIO ACQUISITION

The highlight of the year in general insurance, and for the group, was the acquisition from AMP of GIO and AMP's Fire and General business. The $1.2 billion in premium revenue from GIO and AMP General will raise the Group's premium income to approximately $2 billion, ranking equal second in the industry.

One benefit is that our general insurance business becomes significantly more diversified. Whereas 90 percent of Suncorp Metway's general insurance has been in Queensland, 90 percent of GIO/AMP's is in other states, primarily New South Wales. It also diversifies our classes of insurance, providing a much more balanced portfolio across personal lines, commercial, CTP and workers compensation. CTP has been 45 percent of the general insurance business and it will now be approximately 22 percent.

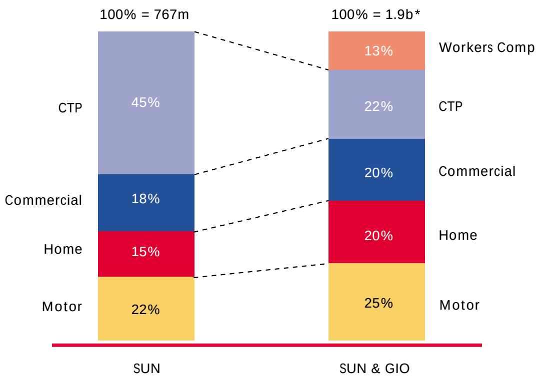
This greater diversification by geography and product will reduce our overall risk profile and should reduce the volatility of our underwriting results.

The acquisition brings an established national brand in GIO, the name that will be used for our general insurance business outside Queensland. It adds an extensive distribution network across Australia, including 41 branches and relationships with agents and planners. As part of the arrangement, Suncorp Metway will be the supplier of general insurance products to AMP through their network of financial planners.

Strategically, the acquisition makes Suncorp Metway a national company in general insurance and provides the customer base for expanding our allfinanz strategy interstate.

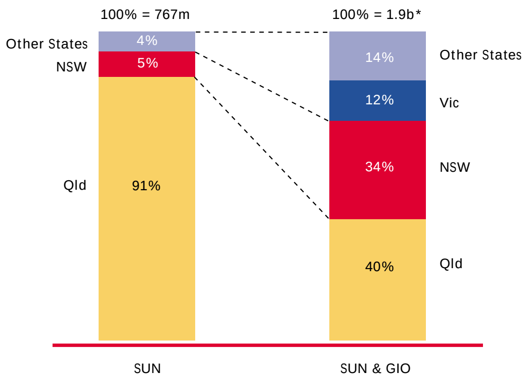
We expect the returns to shareholders from this acquisition will be attractive. Annual synergies should exceed $80 million once the integration is complete and the steady state return on equity is expected to be 14 percent plus.

PRODUCT DIVERSIFICATION Gross Written Premium



Dec 2000 * Excluding JVs

GEOGRAPHIC DIVERSIFICATION Gross Written Premium



Dec 2000 * Excluding JVs

Managing Director's Letter to Shareholders

Earnings per share, before goodwill, should be unaffected in the first year and are then expected to improve by 4 and 8 percent in years two and three, compared to the earnings outlook held by the market prior to the acquisition.

The management structure for the combined operations has been set. The focus at the moment is on planning the integration of all our general insurance operations, which will begin in earnest after settlement of the purchase in September. We are using the same merger process, which we call Transformation, that was proven in the integration of Suncorp, Metway and QIDC.

So far things are proceeding smoothly, with a very enthusiastic response from the many capable AMP/GIO employees who are joining our Group. We undertook a detailed due diligence exercise prior to the acquisition and I am pleased to report that our findings since then are in line with our initial expectations.

MANAGEMENT CHANGES

Some changes to management were made due to the GIO acquisition.

Daniel Wilkie, who has been the Group's Chief Financial Officer, will lead the General Insurance division as Group General Manager General Insurance. Daniel has 17 years' experience in all aspects of general insurance and led the acquisition team that performed the due diligence.

Peter Johnstone, Group General Manager Operations & Integration, will lead the GIO integration process. Peter was responsible for leading the very successful integration of Suncorp, Metway and QIDC.

We welcome Chris Skilton to the Group as our new Chief Financial Officer. Chris has extensive experience in financial services and general management. He was recently Deputy Chief Financial Officer of Westpac and prior to that Chief Executive of the Australian Industry Development Corporation.

Carmel Gray becomes Group General Manager Information Technology. Carmel led the successful integration of systems during the original merger and now becomes responsible for IT operations and strategy for the entire Group. She is a most welcome addition to the senior executive team.

EMPLOYEE SATISFACTION

We have been going to considerable lengths for some years now to monitor and continually improve the satisfaction level of the Company's staff and managers. Customer satisfaction and continuous improvement are key to our business strategy and we know progress there depends on staff being satisfied in their jobs and committed to helping achieve the Company's goals.

Two years ago our employee satisfaction, as measured by a confidential staff survey, was below the average of Australian companies. Last year I reported that we were pleased to have improved to above the Australian average. We then set the target of being Australian 'best practice', meaning scores that place us in the top 20 percent of employers.

I am very pleased to report that the latest survey shows we have reached that goal. This is very gratifying and I am sure shareholders are pleased to know the staff of the Company are fully engaged and enjoy being part of the Company.

Since the new Group was formed we have had a policy of awarding shares to staff when the Company exceeds its internal targets for the year. I am happy to tell you that this year $1000 worth of the Company's shares will be awarded to all eligible staff in recognition of their efforts. Once again they have done a tremendous job and are most deserving of this award. The Board and I believe this is one of the best investments the Company makes. The shares are purchased on market so there is no dilution to shareholders.

Managing Director's Letter to Shareholders

OUTLOOK

Looking ahead we expect economic and industry conditions to be more favourable. Indicators suggest the economy will grow somewhat faster and that the adjustment to GST has now passed. In insurance, premiums are returning to levels commensurate with their risk. As a result, the Company will be operating in a generally more positive environment.

The growth strategies put in place for this year for banking and wealth management are working well and should continue to do so. In general insurance it will clearly be a year of consolidation as we integrate the GIO acquisition.

We are continuing to invest in the people and systems to pursue profitable growth and so operating expenses will increase. For example, we plan to add another 250 staff, mostly in sales and service roles, to follow those added this year. These initiatives will be controlled and if the results are not forthcoming they will be trimmed back. Other significant costs are those associated with the GIO integration. They will be reported separately so shareholders can more easily see how the underlying business is performing.

With business conditions looking favourable and growth strategies that are working, we expect continuing improvement in the performance of each line of business. Thus the outlook for profit growth is good. However, shareholders do need to keep in mind some factors that will affect the growth in total profit relative to this year.

One is that the 124 million capital notes issued at the time of the 1996 merger have now converted to shares. The interest expense on those notes was tax deductible and the loss of that deduction will increase the Group's tax bill by approximately $16 million. That's a considerable sum and had the deduction not been available this year the Group's profit increase would have been 14 percent, instead of 18 percent. Similarly, the profit arising from accounting changes noted earlier in my letter will not recur next year.

On the positive side, the addition of the GIO's earnings will certainly boost the Group's total profits. Note though that the added GIO profits will have only a nominal effect on cash earnings per share in the first year. This is because of the extra shares issued to fund the purchase. The pay off begins in the second year.

Finally, financial market movements and weather-related claims can significantly influence our results. While neither can be predicted, we can say our plans for improving the Company's performance are working and I look forward to reporting further progress to you at the half-year.

Steve Jones
Managing Director

Supporting the Community

WINNING WITH GOLD

For Hear and Say Centre graduate Jamie-Lee Lewis, Olympic gold medallists, beach volleyballers Natalie Cook and Kerri Pottharst are heroes and their achievements an inspiration. Suncorp Metway sponsors both the Hear and Say Centre, which helps deaf children to hear through the use of cochlear implant technology, and these outstanding athletes who have raised the awareness of their sport through their gold medal win. Natalie and Kerri will be part of Suncorp Metway's sponsorship of the Goodwill Games in Brisbane this year.

Suncorp Metway makes a major contribution to the community each year through sponsorships and fund raising activities such as the Royal Flying Doctor Service, Salvation Army, Royal Children's Hospital, Queensland Cancer Council and Queensland cricket. Another event sponsored by the Group is the Bridge to Brisbane Fun Run, which attracted more than 12,000 participants and raised funds for the Youth Enterprise Trust this year.

Photo Adam Ward – courtesy of The Courier Mail

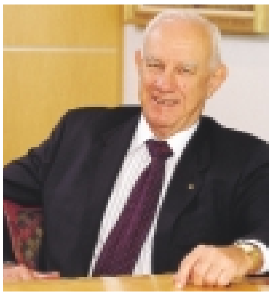
MAKING A DIFFERENCE

Lloyd Hancock is a man with a very special mission – a passion for disadvantaged young Australians and a commitment to ensuring they have a fulfilling adulthood. Ten years ago he formed the Youth Enterprise Trust (YET), an organisation which sponsors disadvantaged 16-24 year olds on a specially designed wilderness experience and practical follow up program. Lloyd volunteers his time creating and conducting the wilderness experience. His dedication and commitment were recognised recently when he was named Queenslander of the Year.

"Over the last three years, literally hundreds of people at Suncorp Metway have freely given in hands-on assistance and funding to YET…people from right across Queensland, across every Suncorp Metway department and at every level. And so our partnership with the company continues to blossom with a soul which I believe is without equal in Australia. With heartfelt thanks from YET and the disadvantaged Australians we jointly serve."

– Lloyd Hancock

Board of Directors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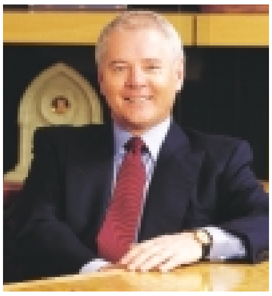
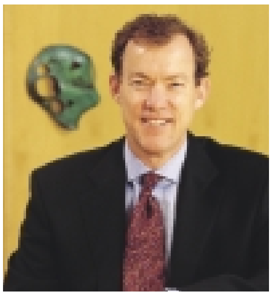

IAN BLACKBURNE

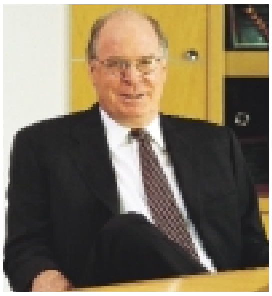

ROD CORMIE


FRANK HALY


PAT HANDLEY


STEVE JONES


JIM KENNEDY


JOHN STORY

R JOHN LAMBLE AO BSC(HONS), HON D UNIV(UNSW), FAII

Chairman, Non-executive Director

Mr Lamble, 70, 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.

MARTIN D E KRIEWALDT BA, LLB(Hons), FAICD

Deputy Chairman, Non-executive Director

Mr Kriewaldt, 51, has been a director and Deputy Chairman since 1 December 1996. Mr Kriewaldt was formerly a partner in law firm Allens Arthur Robinson. He is Chairman of Airtrain Citylink Limited and Opera Queensland Limited, and a director of Campbell Brothers Limited, GWA International Limited and Orogen Minerals. Mr Kriewaldt is also a member of the University of Queensland Senate.

W STEVEN JONES MBA (Hons), BEcon

Managing Director

Mr Jones, 49, has been a director since 6 January 1997. He is also a director of the Insurance Council of Australia Limited. Mr Jones was Managing Director of the ANZ Banking Group (New Zealand) Limited from April 1995 to November 1996 and Senior General Manager ANZ Melbourne, from 1993 to 1995, responsible for Australian Retail Banking and ANZ Funds Management. Previously with McKinsey and Co, he had significant experience consulting on competitive strategy growth opportunities and merger management to banks, insurers and industrial companies.

IAN D BLACKBURNE MBA, PhD, BSc (First Class Hons)

Non-executive Director

Dr Blackburne, 55, was appointed a director on 3 August 2000. He is Chairman of the Royal Botanic Gardens and Domain Trust (NSW) and Australian Nuclear Science & Technology Organisation, and a director of CSR Limited, Teekay Shipping Corporation Limited and Airservices Australia. He retired in 2000 as managing director of Caltex Australia Limited after having spent 25 years in the petroleum industry.

RODNEY F CORMIE BCom, AAUQ, ASA, FSIA, FAICD

Non-executive Director

Mr Cormie, 68, has been a director since 1 December 1996. Mr Cormie is also a director of Bligh Oil and Minerals NL, Buderim Ginger Limited, Magellan Petroleum Australia Limited and Techniche Limited.

FRANK C B HALY AO D UNIV (QUT), FCA, AAUQ

Non-executive Director

Mr Haly, 68, 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 Chairman of Tasman Group Limited and a member of council of the Queensland University of Technology.

R PATRICK HANDLEY MBA, BA

Non-executive Director (appointed 25 July 2001)

Mr Handley, 56, has extensive experience in the financial services industry, both overseas and in Australia. From 1993 to 2001, he was an Executive Director and Chief Financial Officer of Westpac Banking Corporation.

JAMES J KENNEDY AO CBE, D UNIV (QUT), FCA

Non-executive Director

Mr Kennedy, 67, has been a director since 1 August 1997. Mr Kennedy is a Chartered Accountant and is Chairman of Queensland Investment Corporation. He is a director of Goodman Hardie Management Limited, GWA International Limited, Macquarie Goodman Management Ltd, Macquarie Industrial Management Ltd, Qantas Airways Limited and the Australian Stock Exchange Ltd. Mr Kennedy is also a member of the Prime Minister's "Community Business Partnership", the Queensland University of Technology's "Australian Centre for Strategic Management", and the Development Council of the University of Queensland.

JOHN D STORY BA, LLB

Non-executive Director

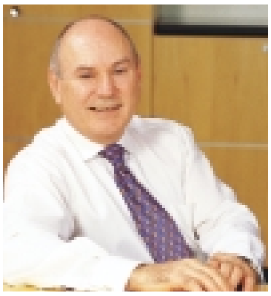
Mr Story, 55, has been a director since 24 January 1995. Mr Story is Queensland Chairman of Partners of the law firm Corrs Chambers Westgarth. He is a director of Grow Force Australia Limited, Jupiters Limited and Breakwater Island Limited.

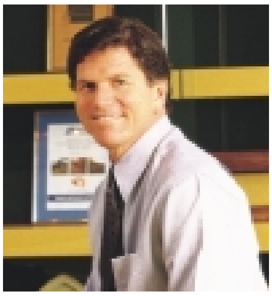
Executive Committee


STEVE JONES


MARK BLUCHER


CARMEL GRAY


PETER JOHNSTONE


GREG MOYNIHAN


RAY REIMER


CHRIS SKILTON


DANIEL WILKIE

STEVE JONES MBA (Hons), BEcon

Managing Director

Steve Jones became Managing Director/CEO in January 1997 following the merger of Suncorp, Metway Bank and QIDC on 1 December 1996. Prior to coming to Suncorp Metway he was Managing Director of the ANZ Banking Group (New Zealand) from April 1995 to November 1996 and Senior General Manager ANZ Melbourne from 1993 to 1995, responsible for Australian Retail Banking and ANZ Funds Management. Previously with McKinsey and Co, Mr Jones had significant experience consulting on competitive strategy growth opportunities and merger management to banks, insurers and industrial companies.

MARK BLUCHER AAIBF

Group General Manager Retail Distribution & HR

Mark Blucher was recently appointed Group General Manager Retail Distribution and HR having previously held the position of GGM Distribution and HR since December 1998. He joined Suncorp Metway as General Manager HR in September 1997 after having spent 19 years with the ANZ Bank's operation in New Zealand. During his time with ANZ, Mr Blucher held a number of senior positions in human resources, retail banking, marketing and strategy.

CARMEL GRAY B.Bus (Econ & Acc)

Group General Manager IT

Carmel Gray is the newest member of the Executive Committee, having recently been appointed Group General Manager Information Technology, responsible for the Suncorp Metway Group's IT activities. She had previously held the position of General Manager IT since 1999, with a focus on organisational change and strategic alignment of the business. Carmel has spent her career in the IT industry in a variety of management positions including Managing Director of United Kingdom based software and services provider Logica.

PETER JOHNSTONE LLB

Group General Manager Operations & Integration

Peter Johnstone, in his new role of Group General Manager, Operations and Integration, will be drawing on his previous experience as Integration Project Manager for the Suncorp Metway Group merger in 1996. He was appointed to the role of GGM Operations in March 1997 and added IT to his portfolio in November 1998. Before joining Suncorp Metway, Mr Johnstone was General Manager Operational Support and General Counsel of the Bank of South Australia. He has 29 years' experience in finance, business and law.

GREG MOYNIHAN BCom, ASA, ASIA

Group General Manager Banking & Wealth Management

Greg Moynihan is Group General Manager Banking and Wealth Management and his responsibilities include Group Marketing, Credit and Actuarial. He was previously GGM Business Lines, responsible for retail banking, general insurance and life, super and managed investments. Prior to the Suncorp Metway merger in 1996, Mr Moynihan was 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.

RAY REIMER

Group General Manager Business Distribution

Ray Reimer has been appointed GGM Business Distribution, having previously been GGM Business Banking. He 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, Mr Reimer held the role of Queensland Manager and National Manager in Commercial Banking, and General Manager Commercial Banking.

CHRIS SKILTON BSc (Econ), ACA

Chief Financial Officer

Chris Skilton was appointed Suncorp Metway's Chief Financial Officer in June 2001. Until recently he was Westpac's Deputy Chief Financial Officer, a member of the Westpac Group Executive and leader of their Performance Enhancement Program. Prior to Westpac, Mr Skilton was Managing Director and CEO of the Australian Industry Development Corporation. He has over 15 years of direct experience in various senior roles in the finance sector.

DANIEL WILKIE BA(Econ & Accounting), ACA, CPA, ACIS

Group General Manager General Insurance

Daniel Wilkie, who had been Suncorp Metway's Chief Financial Officer since November 2000, has been appointed Group General Manager General Insurance, responsible for all of Suncorp Metway's General Insurance operations. He joined the Group in May 1999 as Group General Manager Corporate Strategy. Mr Wilkie has extensive general insurance experience.

Group Overview

CORPORATE PROFILE

Suncorp Metway is one of Australia's 25 largest companies, and the biggest listed corporation in Queensland. The Company's sharemarket value has soared in the last four years as the group successfully completed a complex merger, creating a major new force in Australian financial services.

The merger with AMP/GIO general insurance will transform the Group, which now has a sharemarket value of around $7 billion, compared with $2 billion at the time of the Suncorp, Metway and QIDC merger in December 1996. On completion of the deal in September, Suncorp Metway will have 510 million shares on issue.

Suncorp Metway is owned by 94,000 shareholders and 121,000 Exchanging Instalment Noteholders.

The Group's largest shareholder is the Queensland Government which holds a 28.9 percent share. But that holding has already effectively been sold to the public through the issue of exchanging instalment notes. The notes will be exchanged for the Suncorp Metway shares held by the Government on 31 October 2001.

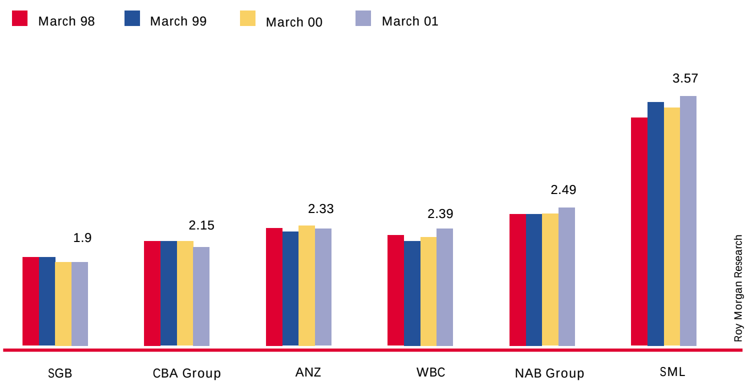
The Group's main businesses are banking, insurance and investment services, focused on retail consumers and small to medium sized businesses. Suncorp Metway is the sixth largest bank in Australia and the seventh largest general insurer, with assets of $29.6 billion. On completion of the merger with GIO, Suncorp Metway will become Australia's second largest general insurance company and its assets will exceed $33 billion. The Group also has life insurance, superannuation and managed funds operations. Total funds under management exceed $6.8 billion.

Suncorp Metway is a well-established market leader in Queensland in home insurance, motor insurance and Compulsory Third Party insurance. It also is one of Queensland's largest banking organisations.

The Group has 2.3 million customers and 5000 staff spread through Queensland, NSW, Victoria and Western Australia. The GIO merger will add 1.7 million customers and approximately 2800 staff. The Group's current 191 retail and business banking branches and outlets, predominantly in Queensland, will be supplemented by an additional 41 GIO branches, mainly in NSW.

Customers also have access to 475 ATMs and 11,900 ATMs of other banks, as well as EFTPOS terminals. More than 88,000 customers now use the internet for their everyday banking needs, up 76 percent on last year. An on-line share trade service commenced during the year offering discount brokerage rates to customers and an integrated on-line margin lending and share trade service will be available in the coming months.

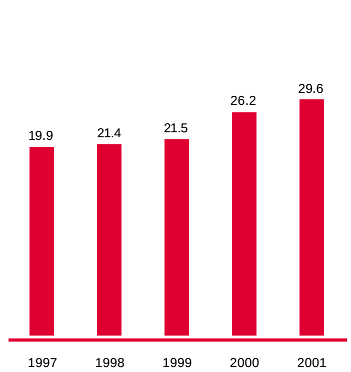
PRODUCTS PER MAIN FINANCIAL INSTITUTION CUSTOMER*



* Customers who nominate SML as main financial institution. 12 month moving average

SGB: St George, Advance, Bank SA
CBA Group: Commonwealth Bank, CGH
WBC: Westpac, Bank Melbourne, Challenge, AGC
ANZ: ANZ Bank, Town and Country, Esanda
NAB Group: National Australia, Bank of NZ, MLC

TOTAL ASSETS ($b)
As at 30 June 2001



Group Overview

CORPORATE HISTORY

The current Group was formed in December 1996 from the merger of three of Queensland's largest financial institutions - the publicly-listed Metway Bank, and the State government-owned Suncorp and Queensland Industry Development Corporation.

However, the Group's ancestry dates from 1902, when the Queensland Government established the Agricultural Bank. The Ag Bank ultimately became part of the QIDC, which was formed in 1986 primarily as a rural financier. Suncorp started business in 1916 as the State Accident Insurance Office and grew into the SGIO before becoming Suncorp. And Metway Bank was first established in 1959 as the Metropolitan Permanent Building Society before converting to bank status in 1988.

RETAIL BANKING

Retail Banking offers a full range of financial services, including home and personal loans, transaction and savings accounts, credit cards and foreign currency services, to nearly 830,000 customers.

Retail banking assets total some $12.2 billion, including $11.7 billion in housing loans and $519 million in consumer loans. Approximately 77 percent of these assets are in Queensland, compared with 83 percent in June 2000, reflecting the growth in business in NSW and Victoria.

Distribution of products and services are via 151 retail outlets, ATMs, two 24-hour call centres, and the internet, which now offers on-line banking customers the ability to transfer funds between accounts held at different banks, more detailed transaction histories and the ability to view all loan details on-line. An additional call centre is to be established in Toowoomba to meet growing demand.

BUSINESS BANKING

The Business Banking division is focused particularly on the needs of small to medium sized businesses, with an emphasis on owner managed businesses, and has more than 61,000 customers.

During the year, Business Banking customers benefited from improved internet facilities and on-line bulk payment arrangements. A business financial advisory channel was established, dedicated to the wealth protection and wealth creation needs of small business owners.

The division has total assets of $7.6 billion and has four major areas of operation:

Commercial Banking provides working capital and term finance for business clients with borrowing requirements of more than $250,000. Total assets in Commercial Banking are approximately $1.6 billion, predominantly in Queensland. Commercial Banking expanded into NSW and Victoria during the year through the addition of relationship managers, growing alliances and direct banking via the internet and the telephone. Victoria had a particularly good start, exceeding first year expectations.

Agribusiness provides financial services for rural producers and associated businesses. Suncorp Metway has nearly 100 years' service to the rural sector in Queensland and holds a 25 percent market share. Rural lending was separated from the Group's Commercial Banking Division in July 2000 in recognition of the special needs of rural producers. The Agribusiness alliance with the Pivot fertilizer company in Victoria continues to grow. Suncorp Metway established this alliance to provide financial services to the Pivot customer base, mainly in Victoria and Southern NSW. Business banking staff are now operating from nine locations.

Property Finance includes development finance and property investment. This section, with operations in Queensland, NSW, Victoria, WA and a new office recently established in Canberra, provides project finance for real estate developments and term finance for investment properties.

Total assets in development finance were $1.2 billion, with 70 percent of business in residential housing developments. Property Investment assets total $1.9 billion. Property Finance's first year of operation in WA has exceeded all expectations.

Equipment Finance provides leases to business customers, mainly for vehicles and equipment. Total assets were $1.3 billion.

Group Overview

HELPING TO GROW THE BUSINESS

Cooroy Mountain, in the Noosa Hinterland is a pristine spot and the perfect location for a spring water company. Third generation property owner Greg Dinsey discovered the advantages of living at the foot of the mountain 10 years ago and the commercial opportunities pure spring water brings. But in the highly competitive world of bottled water, the going got tough for the family-owned business, Cooroy Mountain Spring Water, and there had to be a rethink about its structure, its marketing strategies and its future.

The company had one very positive element in its favour: it was one of only two companies in Australia that bottled water at the source. With a new bottling plant in place and some financial restructuring from Suncorp Metway, the company is now focused on expansion with an eye on the lucrative Japanese market – which is good news for the 25 local employees. Suncorp Metway Business Financial Adviser Katie Saunders called in to check progress with the company's General Manager Peter Cust.

GENERAL INSURANCE

The General Insurance division takes care of the personal, commercial and compulsory third party insurance needs of 1.7 million customers. In the year to June, Suncorp Metway paid out more than 180,000 motor, home and commercial insurance claims. Three major storms that occurred during the year in Mackay, Toowoomba and Brisbane were responsible for over 4200 claims. The group also received approximately 7000 new personal injury claims and settled close to 6000 CTP, disability, trauma and accidental death claims last year. Around 7000 customers call each week seeking insurance assistance.

Insurance premiums totalled $824 million for the year to June, spread across the three main insurance classes in which the group operates – personal, commercial and CTP. On completion of the GIO merger, Suncorp Metway's general insurance business will have a combined annual premium income of approximately $2 billion, making it the equal second largest general insurer in Australia with strong market shares in Queensland, NSW, Victoria and South Australia. The number of customers will double to 3.4 million.

The business mix will become more diversified, with growth in personal and commercial lines and the addition of workers compensation. Geographically the general insurance business will also be more diversified, with 60 percent of premiums sourced from outside Queensland – 34 percent in NSW and 26 percent in other states.

Suncorp Metway enjoys very strong solvency and is one of the most prudently reserved general insurance companies in Australia, a position that it will retain following the GIO merger.

Group Overview

COMPULSORY THIRD PARTY

Suncorp Metway is the largest CTP provider in Queensland, with a 55 percent market share. The group insures more than 1.3 million of the total 2.4 million vehicles in the state. CTP insurance is collected from customers by Queensland Transport on the Group's behalf when they renew their vehicle registration. CTP is the General Insurance Division's biggest single insurance class, with net premium revenue of $350 million. Since the partial deregulation of the State Government regulated scheme last October which allowed CTP providers to set their own prices within a range set by the State Government, Suncorp Metway has continued to offer Queenslanders competitive premiums for most vehicle classes. A new benefit, Driver Protection Cover, was launched in March which provides limited cover to motorists 25 years and over for a range of serious injuries resulting from an accident where they are at fault. CTP only provides compensation to people injured or killed in a motor vehicle accident as the result of another driver's fault.

PERSONAL

This includes home and contents, personal effects, motor and boat insurance. Suncorp Metway is the market leader in motor insurance in Queensland with more than 458,000 vehicles insured and number one in home insurance with more than 397,000 homes insured. Around 10 percent of customers now pay their insurance premiums via the easy monthly payment option introduced during the year.

COMMERCIAL

Commercial products comprise motor, property, engineering, construction, liability, professional indemnity and marine, with a focus on small business. Of the $135 million in commercial premium, 42 percent now comes from interstate markets compared with 37 percent last year.

Suncorp Metway does not operate in reinsurance markets.

A PREMIER RELATIONSHIP

Bruce and Lee Wilson of Main Beach on the Gold Coast have had a long and valued association with Suncorp Metway as both retail and commercial customers.

Premier Client Manager Karen Lips takes care of their financial needs, whether it be a loan, everyday banking or making sure all the necessary insurance arrangements are in place for their peace of mind.

Group Overview

WEALTH MANAGEMENT

Wealth management is the new name for the life, super and managed investments division, reflecting customers' shift to investment products as the primary means for achieving long-term financial security.

Products and services provided for the division's 149,000 individual and small business customers include superannuation (personal, allocated pensions and employer sponsored), managed investments (unit trusts), life insurance (term life, trauma and disability income), and financial planning and advice. A master trust provides 30 superannuation, allocated pension and investment products through 13 external fund managers as well as Suncorp Metway products. The addition of new products, particularly in the personal superannuation and managed funds stables, reflect the focus on wealth creation. Personal superannuation customers now have nine fund options and investors in managed funds have more diversified options – the Monthly Income Fund and the Global Shares Fund which has been a new addition during the year.

Funds under management exceed $3.6 billion.

The distribution network has expanded significantly in the past two years with the introduction of 137 financial advisers to the branch network. Financial advisers are able to take advantage of leads through the banking business to sell life insurance, superannuation and managed funds. As the division moves to a strong customer service structure, there has been an increased emphasis on easy access to information via the internet and through additional call centre and mobile consultants.

The division has enjoyed above average investment returns despite lower performing world and Australian equity markets, due to excellent investment management. The majority of Suncorp Metway's products have ranked in the first or second quartile for investment performance. The capital guaranteed superannuation fund has topped the Australian market for five and seven-year returns, whilst the capital stable and balanced funds have both finished in the top 10 for one, two and three-year performance.

	Year ended 30 June 2001	
ASSET CLASS	MARKET AVERAGE RESULTS %	SMIML PERFORMANCE %
Australian Cash	6.08	6.51
Australian Fixed Interest	7.42	8.08
World Fixed Interest	8.99	9.73
Australian Equities	9.07	11.07
World Equities	-5.83	-5.40
Listed Property Trusts	13.91	14.20
Direct Property	9.74	8.46

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

Corporate Governance

The Board of Directors is responsible for the Corporate Governance of Suncorp-Metway Ltd and its controlled entities. 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 RESPONSIBILITIES

The Board of Directors is accountable to shareholders for the performance of the Suncorp Metway Group and has overall responsibility for its operations. 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. Board members of Suncorp-Metway Ltd also undertake roles as directors of Suncorp Metway Insurance Limited and Suncorp Life & 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 and maintenance 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, Mr Story is a member of a legal firm 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 and the Annual Report.

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

The Company's Constitution provides that at every Annual General Meeting, one third of the directors, excluding the Managing Director, shall retire from office but may stand for re-election. The Constitution also states 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 Chairman's 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, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the Chairman's Committee before the details of final candidates are submitted to the Board for consideration.

The Queensland Government is currently a major shareholder of the Company and has the right to appoint a maximum of two 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. The Queensland Government is not expected to retain a major shareholding in the Company after 31 October 2001.

BOARD APPRAISAL

A structured process has been established to review and evaluate the performance of the Board. Each year, a survey of directors is coordinated by the Chairman to review the role of the Board, to assess the performance of the Board over the previous 12 months and to examine ways of

Corporate Governance

assisting the Board in performing its 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 Chairman's 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 2001 Annual Report.

INDEPENDENT PROFESSIONAL ADVICE

The board collectively and each director individually has the right to seek independent professional advice at the expense of the Company.

A director seeking such advice must obtain the approval of the Chairman or in his absence the Board and such approval may not be unreasonably withheld. A copy of advice received by a director is made available to all other members of the Board except where the circumstances make that inappropriate.

CONFLICTS OF INTEREST

In accordance with the Corporations Act and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the director concerned does not receive the relevant board papers, is not present at the meeting whilst the item is considered and takes no part in any decision.

DIRECTOR EDUCATION

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

DIRECTOR AND SENIOR MANAGEMENT DEALINGS IN COMPANY SECURITIES

The Company's Constitution permits directors to acquire securities in the Company however Company policy prohibits directors and senior management from dealing in the Company's securities or exercising options except for a 28 day period after:

- the release of the Company's half-year and annual results to the Australian Stock Exchange;
- the annual general meeting;
- any major announcements

and whilst in possession of price sensitive information.

Directors (including the Managing Director) must advise the Chairman of the Board and the Chairman must advise the Deputy Chairman before buying or selling securities in the Company and any transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange, directors advise the Exchange of any transaction conducted by them in securities in the Company.

BOARD COMMITTEES

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

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.

Corporate Governance

Specific issues addressed throughout the year included:

- Evaluation of the Group's Reinsurance Program
- Evaluation of the Group's compliance and risk management structure and procedures
- Business Continuity Planning
- Management Delegations
- Audit Planning
- Reviewing internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management
- 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 engagement.

To enhance the independence of the audit functions (both internal and external) there are no management representatives on the committee however the Managing Director, Chief Financial Officer, and the internal and external auditor 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: F C B Haly (Chairman), M D E Kriewaldt, I D Blackburne (appointed 1 October 2000), J D Story (resigned 30 September 2000)

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: R F Cormie (Chairman), J J Kennedy, J D Story, W S Jones (Managing Director)

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: M D E Kriewaldt (Chairman), R J Lamble, R F Cormie, W S Jones (Managing Director)

CHAIRMAN'S COMMITTEE

The Chairman's 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.)
- Composition of Board Committees
- Composition of the Board
- Operation and performance of the Board
- Remuneration and human resource policy matters.

Membership: R J Lamble (Chairman), J D Story, J J Kennedy

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 2001 Annual Report.

CONTINUOUS DISCLOSURE

The Company has a policy that all shareholders and investors have equal access to the Company's information. There are procedures in place to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules. The Head of Investor Relations has primary responsibility for all communications with the ASX. All Company announcements are placed on the Company's website at www.suncorpmetway.com.au following release to the ASX.

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.

Suncorp-Metway Ltd
and controlled entities
ABN 66 010 831 722

Annual Financial Statements 30 June 2001

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Directors' Report

Your directors present their report on the consolidated entity consisting of Suncorp-Metway Ltd (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2001.

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

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
Frank C B Haly AO	director since 1988
James J Kennedy AO CBE	director since 1997
John D Story	director since 1995

Dr Ian D Blackburne was appointed a director on 3 August 2000 and continues in office at the date of this report. Mr R Patrick Handley was appointed a director on 23 July 2001 and continues in office at the date of this report.

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

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the year were the provision of banking, 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

Consolidated profit from ordinary activities before amortisation of goodwill and after income tax for the year ended 30 June 2001 was $405 million (2000:$345 million). Consolidated profit from ordinary activities after amortisation of goodwill and income tax was $395 million (2000:$335 million).

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

Except where otherwise stated, all amounts relate to the year ended 30 June 2001 and comparatives are for the year ended 30 June 2000.

DIVIDENDS

The fully franked 2000 final ordinary dividend of $77 million (24 cents per share) referred to in the directors' report dated 31 August 2000 was approved by shareholders and paid on 13 October 2000. The 2000 converting capital notes distribution of $53 million (39.15 cents per note) was paid on 30 September 2000.

Details of dividends in respect of the current year are as follows:

	Consolidated	
	2001 $m	2000 $m
Preference shares dividend - fully franked	-	2
Fully franked at 34% interim ordinary dividend of 24 cents (2000: 22 cents) per share paid on 30 March 2001 (2000: 20 March 2000)	77	67
Fully franked at 30% final ordinary dividend of 28 cents (2000: 24 cents) per share recommended by directors	103	77
Final converting capital notes distribution of 39.15 cents (2000: 39.15 cents) per note	49	53
Total distributions in respect of the year	229	199

Directors' Report

DIVIDENDS (CONTINUED)

The proposed final dividend results in a payout ratio of 58.0 percent (2000:59.4 percent). An additional 48,015,037 ordinary shares were issued in June 2001 relating to the acquisition of the Australian general insurance business of AMP and GIO (refer Likely Developments). These shares will participate in the final dividend.

On 4 July 2001 the remaining 124,000,000 converting capital notes were converted to ordinary shares of the same number. The new shares will not participate in the 2001 final ordinary share dividend in accordance with the Subscription Deed dated 16 October 1996.

STATE OF AFFAIRS

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

As noted above, in June 2001 the Company issued an additional 48,015,037 ordinary shares relating to the funding of the acquisition of the Australian general insurance business of AMP and GIO (refer Likely Developments). The issue consisted of an institutional placement of 41,353,383 shares amounting to $550 million and a placement to AMP Life of 6,661,654 shares amounting to $88.6 million. Following the share placements the Company has 369,706,421 ordinary shares on issue as at 30 June 2001.

In December 2000, the Company issued a US$250 million floating rate note under its US$2 billion Euro Medium Term Note Programme. The note has a maturity of 3 years and was issued at a yield of LIBOR plus 20 basis points.

In March 2001, the Company issued two tranches of domestic debt under its Domestic Transferable Certificate of Deposit Programme. A 3 year floating rate tranche of A$250 million was issued at a yield of BBSW plus 31 basis points, and a 3 1/2 year fixed rate tranche of A$200 million was issued at a yield of Swap plus 35 basis points. This is the first time that the Company has undertaken a domestic floating rate benchmark issue.

In February 2001, Standard and Poor's revised their credit outlook for the Company from stable to positive. Following the acquisition of AMP's general insurance business all three ratings agencies, Standard and Poor's, Moody's and Fitch IBCA, confirmed their respective ratings for the Company.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

On 4 July 2001 the remaining 124,000,000 converting capital notes owned by the Queensland Government were converted to ordinary shares of the same number. The converted shares will not participate in the 2001 final ordinary share dividend. Following the conversion of the capital notes, the Company has 493,706,421 ordinary shares on issue.

An extraordinary general meeting was held on 10 August 2001 at which shareholders approved the issue of up to 2.5 million preference shares at an issue price of $100 per share and the issue of a maximum of 12,135,338 ordinary shares to AMP Life. Shareholders also ratified the placement of ordinary shares as described in State of Affairs. The issue of additional shares is in relation to the acquisition of the Australian general insurance business of AMP and GIO (refer Likely Developments).

ENVIRONMENTAL REGULATION

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 when enforcing securities over land for the recovery of loans.

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

Directors' Report

LIKELY DEVELOPMENTS

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

Acquisition of GIO

Suncorp Metway has entered into an agreement with AMP Life Ltd (AMP) to acquire the Australian general insurance business of AMP and GIO for $1.24 billion. The agreement is conditional on receiving the relevant regulatory approvals and payment of the purchase consideration. At the date of this report, the agreement has not been completed, with settlement anticipated to be on or around 30 September 2001. From that date the consolidated entity will include the entities acquired in the GIO acquisition.

For the purposes of preparing the annual financial statements of the economic entity, control of the AMP and GIO general insurance business will be effective from 1 July 2001. The annual financial statements will include the financial position, the results from operations and the cash flows of the AMP and GIO general insurance business from that date.

Business acquired

The business being acquired includes the Australian general insurance business of AMP and GIO, but excludes the GIO inwards re-insurance business, GIO Australia Holdings Limited (the former listed company) and GIO's run-off-book of its former large scale Commercial and Special Risks Insurance Business.

The assets, liabilities, rights and licences necessary to undertake the business being acquired will be held in GIO Insurance Investments Holdings A Pty Limited (GIOIIHA), a company presently 100 percent owned by AMP, and its wholly-owned subsidiaries. GIOIIHA will be acquired by Suncorp Metway Insurance Ltd (SMIL).

The agreement with AMP also includes the acquisition of AMP's 50 percent shareholdings in the Joint Ventures with RACQ and RAA(SA), subject to due diligence and approval from RACQ, RAA(SA) and regulatory authorities, for a further $135 million. The acquisition of the AMP and GIO general insurance business is not dependent on the acquisition of the Joint Ventures.

Funding

The acquisition will be funded by the Company as follows:

	$m
Placement of ordinary shares to AMP	250
Placement of ordinary shares to other institutions	550
Preference share issue	200
Subordinated debt issue	250
Total funding	1,250

As at the date of this report, 6,661,654 ordinary shares had been issued to AMP and 41,353,383 ordinary shares had been issued to other institutions, representing an increase in shareholder funds of $625 million (net of associated costs). The remaining shares to be acquired by AMP will be issued at completion of the acquisition at the institutional placement price. However, AMP has the right to subscribe earlier subject to certain conditions.

As the business will be acquired by SMIL, the Company will pass the funds raised above to SMIL by way of subscribing for new ordinary shares, increasing the Company's investment in subsidiaries by $1.25 billion. The Company is the guarantor for SMIL's obligations under the terms of the purchase agreement.

The acquisition of AMP's interests in the Joint Ventures will be funded from internal resources.

Pro forma statement of financial position

The acquisition of the AMP and GIO general insurance business will result in a material change to the financial position of the Company and consolidated entity as reflected in the statement of financial position as at 1 July 2001. At the date of this report the 'Settlement Balance Sheet' presenting the consolidated financial position of GIOIIHA at 30 June 2001 has not been provided by the vendor.

Directors' Report

LIKELY DEVELOPMENTS (CONTINUED)

The pro-forma statement of financial position of GIOIIHA as at 31 December 2000 was the subject of the due diligence conducted prior to entering into the agreement to acquire the AMP and GIO general insurance business. The financial position of GIOIIHA is not expected to materially change at 30 June 2001.

Set out below is the pro-forma statement of financial position of the Suncorp-Metway Ltd consolidated entity as at 1 July 2001, reflecting the financial position of GIOIIHA as at 31 December 2000 and the funding of the acquisition set out above.

	Unaudited Pro-forma Consolidated As at I July 2001 $m	SML Consolidated As at 30 June 2001 $m
ASSETS		
Cash and liquid assets	365	288
Receivables due from other financial institutions	12	12
Trading securities	1,025	1,649
Investment securities	7,684	6,095
Loans, advances and other receivables	20,571	20,146
Property, plant and equipment	141	141
Deferred tax assets	192	112
Intangible assets	1,158	154
Excess of net market value of interests in life and superannuation subsidiaries over their recognised net assets	13	13
Other financial assets	1,182	1,051
Total assets	32,343	29,661
LIABILITIES		
Deposits and short term borrowings	16,908	16,908
Payables	816	709
Current tax liabilities	70	18
Provisions	418	266
Deferred tax liabilities	237	237
Outstanding claims and unearned premiums provisions	4,072	2,343
Life insurance gross policy liabilities	2,651	2,651
Policy owner retained profits	247	247
Bonds, notes and long term borrowings	3,046	3,030
Subordinated notes	785	535
Total liabilities	29,250	26,944
Net assets	3,093	2,717
EQUITY		
Contributed equity	2,519	2,143
Reserves	22	22
Retained profits	546	546
Total parent entity interest	3,087	2,711
Outside equity interests	6	6
Total equity	3,093	2,717

Directors' Report

LIKELY DEVELOPMENTS (CONTINUED)

Impact on capital adequacy and solvency

The impact of the acquisition on banking capital adequacy on completion of the acquisition is marginal when compared to the position prior to the issue of additional share capital in June 2001. Increases in Tier 1 and Tier 2 capital are offset by an increased deduction for investments in subsidiaries. The pro-forma capital adequacy calculation at 1 July 2001 is set out below:

	Unaudited Pro-forma As at I July 2001 $m	Banking group As at 30 June 2001 $m
Tier 1		
Share capital	1,960	1,585
Other Tier 1 capital	708	708
Less intangible assets	(201)	(201)
Total Tier 1 capital	2,467	2,092
Tier 2		
Subordinated notes	615	365
Other Tier 2 capital	258	258
Total Tier 2 capital	873	623
Tier 1 plus Tier 2 capital	3,340	2,715
Less investments in subsidiaries	(1,771)	(511)
Less guarantees and facilities to non-banking controlled entities	(10)	(10)
Capital base	1,559	2,194
Total assessed risk	15,661	15,661
Risk weighted capital ratios	%	%
Tier 1	15.75	13.36
Tier 2	5.57	3.98
Deductions	(11.37)	(3.33)
	9.95	14.01

Tier 1 ratio has increased as the goodwill generated on acquisition of the AMP and GIO general insurance business is held within SMIL. Should this goodwill be deducted from Tier 1, the Tier 1 ratio would be 9.35%.

The impact on the solvency ratio of SMIL is restricted to acquisition costs not funded by equity and is set out below:

	Unaudited Pro-forma As at I July 2001	SMIL As at 30 June 2001
Adjusted net tangible assets ($m)	741	755
Required solvency margin ($m)	278	278
Solvency surplus ($m)	463	477
Solvency coverage	2.66	2.71

Directors' Report

LIKELY DEVELOPMENTS (CONTINUED)

Financial Services Reform

The Government is currently finalising the content of the Financial Services Reform Bill (FSRB) and the manner in which it will be implemented across the financial services market place and its proposed impact on the financial services industry. If the Bill is enacted it will result in a significant change to the way that the Company operates and the means by which the services of the consolidated entity are promoted and distributed. The proposals within FSRB will substantially alter the licensing environment of the financial services industry.

Privacy Act

Changes to the manner in which the personal information of customers is collected and treated will commence on 21 December 2001 to comply with the Privacy Act 2000. The legislation regulates the collection and storage of confidential information and the restricted way in which the Company can collect and use a customer's personal information.

The consolidated entity has initiated a program to review the impact of the initiatives arising from the FSRB and Privacy Act proposals. The proposals may have an adverse impact on operating costs in subsequent financial years.

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.

INSURANCE OF DIRECTORS AND OFFICERS

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

INDEMNIFICATION OF OFFICERS

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

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Chairman's 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 annual 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 40 of the financial report sets out the details of the nature and amount of each major element of 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 46.

Directors' Report

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company at the date of this report, as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001, is as follows:

	Fully Paid Ordinary Shares	Exchanging Instalment Notes Series 2	Options over Ordinary Shares
R J Lamble	31,750	6,000	-
M D E Kriewaldt	17,850	30,000	-
W S Jones	93,643	25,000	2,000,000
R F Cormie	7,500	-	-
F C B Haly	121,673	33,000	-
J J Kennedy	1,500	-	-
J D Story	46,832	20,000	-
I D Blackburne	4,500	-	-
R P Handley	-	-	-

DIRECTORS' MEETINGS

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

	Board of Directors		Audit, Business Risk & Compliance Committee		Investment Committee		Credit Committee		Chairman's Committee	
	A	B	A	B	A	B	A	B	A	B
R J Lamble	16	16	-	-	9	9	-	-	6	6
M D E Kriewaldt	16	15	8	8	9	9	-	-	-	-
W S Jones	16	16	-	-	9	8	10	8	-	-
R F Cormie	16	15	-	-	9	8	10	9	-	-
F C B Haly	16	16	8	8	-	-	-	-	-	-
J J Kennedy	16	16	-	-	-	-	10	8	6	6
J D Story	16	16	3	3	-	-	10	9	6	6
I D Blackburne	14	13	5	5	-	-	-	-	-	-
R P Handley	-	-	-	-	-	-	-	-	-	-

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.

Directors' Report

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998. Consequently, amounts in this report and the accompanying financial report have been rounded off to the nearest one million dollars unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

R John Lamble AO
Chairman

W Steven Jones
Managing Director

Brisbane
14 August 2001

Summary of key financial information

		2001	2000	1999	1998	1997
FINANCIAL PERFORMANCE						
Net interest income	- banking ($m)	514	475	470	472	355
Net fees and commissions	- banking ($m)	126	97	108	115	62
Premium revenue	- general insurance ($m)	824	788	725	703	387
	- life insurance ($m) [2]	610	543	572	399	220
Investment revenue	- general insurance ($m)	243	244	197	212	300
	- life insurance ($m) [2]	221	307	208	173	195
Claims expense	- general insurance ($m)	(810)	(684)	(655)	(674)	(407)
	- life insurance ($m) [2]	(396)	(486)	(597)	(465)	(247)
Operating expenses ($m)		(649)	(604)	(602)	(551)	(419)
Bad and doubtful debts expense ($m)		(37)	(28)	(20)	(61)	(22)
Profit from ordinary activities before amortisation of goodwill and income tax ($m)		521	520	356	304	243
Net profit attributable to members of the parent entity ($m)		395	335	247	233	150
CONTRIBUTIONS TO PROFIT BEFORE TAX AND GOODWILL						
Banking ($m)		284	229	157	157	117
General insurance ($m)		163	211	169	120	109
Life insurance ($m)		65	75	25	23	13
Other ($m)		9	5	5	4	4
FINANCIAL POSITION						
Investment securities	- general insurance ($m)	3,091	2,828	2,390	2,183	3,618
	- life insurance ($m) [2]	3,000	2,732	2,488	2,401	2,490
Loans, advances and other receivables ($m)		20,146	18,067	16,769	15,812	14,644
Total assets ($m)		29,661	26,219	21,484	21,424	19,908
Deposits and short term borrowings ($m)		16,908	14,509	11,671	11,846	11,734
Outstanding claims and unearned premiums provisions ($m)		2,343	2,128	2,097	2,038	1,902
Life insurance gross policy liabilities ($m) [2]		2,651	2,363	2,136	2,058	2,068
Total liabilities ($m)		26,944	24,295	19,596	19,609	18,172
Total equity ($m)		2,717	1,924	1,888	1,815	1,736
SHAREHOLDER SUMMARY						
Dividends per ordinary share (cents)		52.0	46.0	44.0	44.0	40.0
Payout ratio (basic) (%)		58.0	60.9	67.2	65.2	66.4
Weighted average number of shares (basic) (million)		325.5	316.9	305.1	292.4	292.4
Net tangible asset backing per share (basic) ($)		5.41	3.72	3.26	2.93	2.62
Share price at end of period ($)		15.00	8.62	9.00	8.16	6.94
PERFORMANCE RATIOS						
Return on average shareholders' equity (basic) (%) [1]		19.70	22.13	23.25	27.15	22.84
Return on average total assets (%)		1.41	1.40	1.16	1.13	0.92
PRODUCTIVITY						
Group efficiency ratio (%)		24.0	28.5	N/A	N/A	N/A

[1] Return on average shareholders' equity (basic) is 23.95% excluding the $624 million share issue in June 2001.

[2] The assets, liabilities, income and expenses of the life insurance statutory funds are shown above where noted but have not been included in the consolidated entity's financial report prior to 2000.

Refer page 124 for ratio definitions.

Statements of financial performance

For the year ended 30 June 2001

	NOTE	CONSOLIDATED		COMPANY	
		2001	2000	2001	2000
Income from ordinary activities		$m	$m	$m	$m
Banking interest revenue	3	1,557	1,359	1,588	1,391
Banking interest expense	4	(1,043)	(884)	(1,074)	(912)
		514	475	514	479
General insurance premium revenue	3	824	788	-	-
Life insurance premium revenue	3	610	543	-	-
Reinsurance and other recoveries revenue	3	156	94	-	-
General insurance investment revenue	3	243	244	-	-
Life insurance investment revenue	3	221	307	-	-
Other revenue	3	212	165	268	268
Total income from ordinary activities		2,780	2,616	782	747
Expenses from ordinary activities					
Operating expenses from ordinary activities	4	(649)	(604)	(498)	(419)
General insurance claims expense	30(a)	(810)	(684)	-	-
Life insurance claims expense	31(a)	(396)	(486)	-	-
Outwards reinsurance premium expense	30(a), 31(a)	(66)	(63)	-	-
Increase in net life insurance policy liabilities	31(a)	(287)	(228)	-	-
Increase in policy owner retained profits	31(a)	(14)	(3)	-	-
Total expenses from ordinary activities		(2,222)	(2,068)	(498)	(419)
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense		558	548	284	328
Bad and doubtful debts expense	5	(37)	(28)	(36)	(27)
Profit from ordinary activities before amortisation of goodwill and related income tax expense		521	520	248	301
Amortisation of goodwill		(10)	(10)	-	-
Profit from ordinary activities before related income tax expense		511	510	248	301
Income tax expense relating to ordinary activities	7	(116)	(175)	(63)	(54)
Net profit attributable to members of the parent entity		395	335	185	247
Total changes in equity other than those resulting from transactions with owners as owners		395	335	185	247

		Cents	Cents
Basic earnings per share	8	106.61	88.58
Diluted earnings per share	8	83.49	69.50
		Percent	Percent
Payout ratio		57.97	59.40

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

Statements of financial position

As at 30 June 2001

	NOTE	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
ASSETS					
Cash and liquid assets		288	498	132	155
Receivables due from other financial institutions		12	189	12	189
Trading securities	**9**	1,649	963	1,649	963
Investment securities	**10**	6,095	5,565	901	912
Loans, advances and other receivables	**11**	20,146	18,067	19,660	17,530
Due from controlled entities		-	-	553	947
Property, plant and equipment	**13**	141	150	36	39
Deferred tax assets	**7**	112	115	54	43
Intangible assets	**14**	154	164	-	-
Excess of net market value of interests in life and superannuation subsidiaries over their recognised net assets	**4**	13	-	-	-
Other financial assets	**15**	1,051	508	937	422
Total assets		29,661	26,219	23,934	21,200
LIABILITIES					
Deposits and short term borrowings	**16**	16,908	14,509	17,382	15,151
Payables due to other financial institutions		-	57	-	35
Payables	**17**	709	847	372	415
Current tax liabilities	**7**	18	90	-	47
Provisions	**18**	266	223	168	139
Due to controlled entities		-	-	164	152
Deferred tax liabilities	**7**	237	211	84	46
Outstanding claims and unearned premiums provisions	**19**	2,343	2,128	-	-
Life insurance gross policy liabilities	**20**	2,651	2,363	-	-
Policy owner retained profits		247	233	-	-
Bonds, notes and long term borrowings	**21**	3,030	3,092	3,030	3,057
Subordinated notes	**22**	535	542	535	542
Total liabilities		26,944	24,295	21,735	19,584
Net assets		2,717	1,924	2,199	1,616
EQUITY					
Contributed equity	**23**	2,143	1,516	2,143	1,516
Reserves	**24**	22	22	21	21
Retained profits	**25**	546	380	35	79
Total parent entity interest		2,711	1,918	2,199	1,616
Outside equity interests		6	6	-	-
Total equity		2,717	1,924	2,199	1,616
		$	**$**		
Net tangible asset backing per share		5.41	3.72		
Derivative financial instruments	**34**				
Contingent liabilities and credit commitments	**42**				

The consolidated statement of financial position includes the assets and liabilities of the statutory funds of the consolidated entity's life insurance business which are subject to restrictions under the Life Insurance Act 1995. Refer to note 31(b) for further details.

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

Statements of cash flows

For the year ended 30 June 2001

	NOTE	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		1,663	1,531	1,585	1,393
Dividends received		74	57	4	103
Premiums received		1,467	1,370	-	-
Reinsurance and other recoveries received		74	93	-	-
Other operating revenue received		455	252	330	165
Interest paid		(1,054)	(855)	(1,079)	(881)
Outwards reinsurance premiums paid		(71)	(63)	-	-
Claims paid		(1,032)	(1,105)	-	-
Operating expenses paid		(1,158)	(518)	(845)	(422)
Income taxes paid – operating activities		(107)	(30)	(72)	(24)
Net cash inflow (outflow) from operating activities	**27(a)**	311	732	(77)	334
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of controlled entities		38	-	-	-
Payment for controlled entity		-	-	-	(2)
Payments for plant and equipment		(45)	(46)	(1)	-
Proceeds from sale of plant and equipment		12	-	-	1
Net (purchase) disposal of banking securities		(646)	190	(669)	186
Net increase in loans, advances and other receivables		(2,024)	(1,261)	(1,755)	(1,420)
Return of deposits from Reserve Bank of Australia		-	170	-	170
Purchase of investments integral to insurance activities		(23,215)	(14,567)	-	-
Proceeds from disposal of insurance investments		22,808	14,342	-	-
Income taxes paid – investing activities		(39)	(34)	-	-
Net cash (outflow) from investing activities		(3,111)	(1,206)	(2,425)	(1,065)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		627	-	627	-
Buy-back of shares		-	(100)	-	(100)
Repayment of subordinated notes		(7)	(16)	(7)	(16)
Net increase in deposits and short term borrowings		2,057	1,241	1,924	1,270
Dividends paid		(207)	(193)	(207)	(193)
Net cash inflow from financing activities		2,470	932	2,337	961
Net increase (decrease) in cash and cash equivalents		(330)	458	(165)	230
Cash at the beginning of the financial year		630	167	309	79
Adjustment resulting from adoption of Accounting Standard AASB 1038 Life Insurance Business		-	5	-	-
Cash at the end of the financial year	**27(b)**	300	630	144	309

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Reclassification of financial information

As a result of applying the revised Accounting Standard AASB 1018 Statement of Financial Performance, revised AASB 1034 Financial Report Presentation and Disclosures and AASB 1040 Statement of Financial Position for the first time, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to note 25. Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items in note 4. These items are no longer identified separately on the face of the statement of financial performance.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position:

- Deferred tax assets, previously presented within other assets
- Current tax liabilities, previously presented within provisions
- Deferred tax liabilities, previously presented within provisions

Share capital and converting capital notes have been combined into a new category "contributed equity" on the face of the statement of financial position.

b) Principles of consolidation

The annual financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2001 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial position.

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

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

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition

Banking activities

Interest income

Interest income is recognised as it accrues.

Non-interest income

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

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

Insurance activities

General insurance premium revenue

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

Life insurance premium revenue

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

Investment revenue

All investment revenue is brought to account on an accruals basis.

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

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

Other revenue

Distributions from unlisted unit trusts are recognised on the date the unit is quoted ex-distribution. Other items of revenue are recognised as they accrue.

d) Interest expense

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Outwards reinsurance – Insurance activities

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

f) Claims

General insurance activities

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

The liability for outstanding claims for long-tail business is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date. The liability for outstanding claims for short-tail business is not discounted as these claims are settled within a twelve month period after balance date.

The details of rates applied are included in note 19. These liabilities include appropriate prudential margins.

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

Life insurance activities

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

g) Reinsurance and other recoveries receivable - general insurance activities

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNR claims are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable in relation to long-tail business are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Reinsurance and other recoveries receivable on short-tail business are not discounted as the majority of these claims are settled within a twelve month period after balance date.

h) Acquisition costs

General insurance activities

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it contributes to a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. A write-down to the recoverable amount is made when the present value of expected future claims in relation to business written to the reporting date exceeds related unearned premiums. Deferred acquisition costs are amortised over the periods expected to benefit from the expenditure, which is generally a twelve month period.

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Acquisition costs (continued)

Life insurance activities

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

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

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

i) Basis of expense apportionment - life insurance activities

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

All expenses, excluding investment management fees which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses. Expenses which are directly attributable to an individual policy or product are allocated directly to the statutory fund within which the class of business to which that policy or product belongs is conducted. All indirect expenses charged to the statement of financial performance are equitably apportioned to each class of business. The expense apportionment basis is in line with the principles set out in the Life Insurance Actuarial Standards Board Valuation Standard (Actuarial Standard AS 1.02: Valuation Standard).

j) Foreign currency

Transactions

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

Translation of controlled foreign entities

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

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Income tax

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

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

l) Goods and services tax

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

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

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

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

m) Cash and liquid assets

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

n) Due from other financial institutions

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

o) Trading securities

Trading securities are government and other debt securities that are purchased for sale in the day-to-day trading operations of the banking business. They are recorded at net market value by reference to market quotations. Realised profits and losses and unrealised gains and losses in respect of net market value adjustments are recognised immediately in the statement of financial performance.

p) Investment securities

Banking activities

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Investment securities (continued)

Insurance activities

Investments integral to insurance activities are measured at net market value at each balance date.

Investments include listed investments, government securities, cash deposits and other short term negotiable securities and freehold land and buildings, whether wholly or partly owner occupied or fully leased. Buildings are not depreciated.

Net market values for listed investments and government securities are determined by reference to market quotations. Net market values for unlisted investments are determined by reference to independent valuations based on the latest available information on the investments. Net market values for freehold land and buildings are determined by independent valuations by registered property valuers.

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

q) Loans and other non-lease receivables

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

r) Lease receivables

Finance leases

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

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

Leveraged leases

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

s) Impaired assets

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Impaired assets (continued)

Non-accrual loans

Loans are classified as non-accrual where:

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

Interest ceases to be taken to profit when a loan is classified as non-accrual but is recorded in an interest reserved account in the statement of financial position and offset against the gross loan balance. Accrued but unpaid interest or other income is reversed back to the last reporting date or the date when interest and other income was last paid, whichever is more recent. Unpaid interest or other income dating prior to the last reporting date is reviewed to establish collectibility and a provision against loss is raised as appropriate.

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

Past due loans

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

Restructured loans

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

Bad and doubtful debts

A specific provision for impairment is made for all identified doubtful debts. All bad debts are written off against the specific provision in the period in which they are classified as irrecoverable.

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

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

t) Property, plant and equipment

Acquisition

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

Subsequent additional costs

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Property, plant and equipment (continued)

Revaluations

Until 30 June 2000 land and buildings were independently valued at least every 3 years and, at the discretion of the directors, included in the financial statements at no more than the revalued amounts. On applying revised AASB 1041 Revaluation of Non-current Assets, with effect from 1 July 2000, the consolidated entity elected to revert to the cost basis for measuring all land and buildings. The directors chose this option because they considered the cost of complying with the alternative policy permitted by AASB 1041 of revaluing land and buildings with sufficient regularity to ensure that the carrying amount of each item does not materially differ from its fair value at the reporting date would exceed the benefits that would be gained. Independent valuations will continue to be obtained at least every 3 years, however they will not be reflected in the financial statements unless they indicate a deficit in net recoverable amount.

Leased non-current assets

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

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

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

Depreciation and amortisation

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

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

Buildings (excluding integral plant)	2.5 %
Leasehold improvements	20.0 %
Motor vehicles	15.0 %
Computer equipment	33.3 %
Computer software	33.3 %
Other plant and office equipment	20.0 %

Surplus leased premises

Provision is made for surplus leased premises where it is determined that no material benefit will be obtained by the consolidated entity from its occupancy.

This arises where premises are leased under non-cancellable operating leases and the consolidated entity either:

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

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Property, plant and equipment (continued)

Leasehold improvements

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

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

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

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

v) Goodwill

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

w) Other assets

Deferred expenditure

Material items of expenditure are deferred to the extent that the benefits are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account and will contribute to the future earning capacity of the consolidated entity.

Franchise systems

Franchise systems are brought to account at the lower of cost, independent valuation or directors' valuation.

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

x) Deposits and borrowings

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Payables

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

z) Liabilities – life insurance activities

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

Other liabilities are measured at net present values and changes in their net present values are recognised in the statement of financial performance as revenues or expenses in the financial year in which the change occurs.

aa) Employee entitlements

Wages, salaries and annual leave

Entitlements to wages, salaries and annual leave have been calculated at nominal amounts based on current wage and salary rates and include related on-costs.

Long service leave

Entitlements to long service leave represent the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date. In determining the liability for long service leave entitlements, consideration has been given to past experience with staff departures. Related on-costs are also included in the liability.

Superannuation

The consolidated entity contributes to both defined contribution and defined benefit superannuation schemes. Contributions are charged to the statement of financial performance as the obligation to pay is incurred.

Sick leave

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

Employee share and option plans

Certain employees are entitled to participate in share and option ownership schemes. Where shares issued to employees as remuneration for past services, or in settlement of options previously issued to employees, are acquired on market, the difference between the purchase cost of the shares and the consideration received, if any, from the employee is expensed. When new shares are issued to employees as remuneration for past services or in settlement of options previously issued to employees, no remuneration expense is recognised. The consideration received on exercise of the options issued is recorded in contributed equity.

Administrative costs associated with issuing shares and options are expensed.

ab) Derivative financial instruments

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

Notes to the financial statements

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ab) Derivative financial instruments (continued)

Banking activities

The banking entity utilises derivative financial instruments predominantly for hedging activities. However, they are also held for speculative purposes.

Hedge transactions

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

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

Speculative transactions

Speculative trading of derivative financial instruments is conducted solely within the Value-at-Risk measure of discretionary market risk as detailed in note 33(f). Speculative transactions outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account immediately in the statement of financial performance on a mark to market basis.

Insurance activities

Derivative financial instruments integral to insurance activities are stated at net market value and changes in net market values are recognised in the statement of financial performance.

ac) Commitments to extend credit, letters of credit, guarantees, warranties and indemnities

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

2. CHANGES IN ACCOUNTING POLICIES

2(a) Revaluation of non-current assets

The consolidated entity has applied revised Accounting Standard AASB 1041 Revaluation of Non-Current Assets for the first time from 1 July 2000. The standard requires each class of non-current asset, other than inventories, foreign currency monetary assets, goodwill, investments accounted for using the equity method, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance, to be measured on either the cost or fair value basis.

The consolidated entity has applied revised AASB 1041 as follows:

Freehold land

The consolidated entity has adopted the cost basis for land and has deemed the cost of the freehold land to be equal to the carrying value of the freehold land as at 1 July 2000. The carrying value brought forward as at 1 July 2000 comprised $17 million (Company: $4 million) at directors' valuation 1998.

Notes to the financial statements

For the year ended 30 June 2001

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2(a) Revaluation of non-current assets (continued)

Buildings

The consolidated entity has adopted the cost basis for buildings and has deemed the cost of the buildings to be equal to the carrying value of the buildings as at 1 July 2000. The carrying value brought forward as at 1 July 2000 comprised $12 million (Company: Nil) carried at cost of acquisition and $54 million (Company: $38 million) at directors' valuation 1998, less accumulated depreciation of $9 million (Company: $7 million). The change in accounting policy has no financial effect in the current or prior periods.

Franchise systems

The consolidated entity has adopted the cost basis for franchise systems and has deemed the cost of the franchise systems to be equal to the carrying value of the franchise systems as at 1 July 2000. The carrying value brought forward as at 1 July 2000 comprised $15 million (Company: Nil) carried at directors' valuation 1999. The change in accounting policy has no financial effect in the current or prior periods.

Asset revaluation reserve

As a consequence of making the elections on the adoption of revised AASB 1041, the balance of the asset revaluation reserve at 1 July 2000 of $9 million (Company: $8 million) is no longer available for asset write-downs.

Other non-current assets

The consolidated entity has continued to adopt the cost basis for other non-current assets such as receivables and plant and equipment.

2(b) Accounting for banking fee income

The consolidated entity has applied the revised Accounting Standard AASB 1018 Statement of Financial Performance for the first time from 1 July 2000. The standard prohibits the set off of revenue and expenses unless specifically required or permitted by an accounting standard.

Banking fees charged to recover transaction costs were previously set-off against the associated transaction costs. In accordance with AASB 1018, such fees are recognised as revenue from 1 July 2000. This change in accounting policy has no financial effect on the current or prior periods. Other operating income and operating expenses disclosed in the statement of financial performance for the financial year ended 30 June 2001 have both been increased by $10 million (Company: $10 million) as a result of the change in accounting policy.

2(c) Loan origination fees

Commissions paid to loan originators have previously been expensed in the period the liability to pay commissions was incurred. From 1 July 2000, the consolidated entity has adopted the policy of recognising the expense for commissions paid to loan originators over the period the benefits (net interest income) are expected to arise from the loans generated. This accounting policy has been changed so that commissions generating future benefits are treated consistently by the consolidated entity.

As a result of this change in accounting policy, operating expenses for the financial year ended 30 June 2001 decreased and other assets increased by $7 million (Company: $7 million). It is not practicable to determine the cumulative financial effect up to the end of the preceding financial year of the change in accounting policy.

Notes to the financial statements

For the year ended 30 June 2001

3. REVENUE FROM ORDINARY ACTIVITIES

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Revenue from ordinary activities				
Interest received or due and receivable:				
controlled entities	-	-	49	63
other persons	1,667	1,499	1,539	1,328
Dividends received or due and receivable:				
controlled entities	-	-	4	100
other persons	74	57	-	3
Property income received or due and receivable	18	6	-	-
General insurance premium revenue:				
direct	824	788	-	-
reinsurance and other recoveries revenue	145	83	-	-
Life insurance premium revenue:				
direct	610	543	-	-
reinsurance and other recoveries revenue	11	11	-	-
Changes in net market value of investments integral to general insurance activities:				
realised	1	3	-	-
unrealised	59	122	-	-
Changes in net market value of investments integral to life insurance activities:				
realised	(18)	17	-	-
unrealised	20	112	-	-
Trust distributions received or due and receivable	202	102	-	-
Net profits on trading securities	35	1	8	1
Net profits (losses) on derivative and other financial instruments:				
realised	5	(14)	5	(14)
unrealised	-	18	-	18
Fees and commissions received or due and receivable:				
controlled entities	-	-	121	47
other persons	154	131	122	96
Sale of property, plant and equipment	-	-	-	1
Other revenue	16	21	8	16
Total revenue from ordinary activities	3,823	3,500	1,856	1,659
Disclosed in the statements of financial performance as:				
Banking interest revenue	1,557	1,359	1,588	1,391
General insurance premium revenue	824	788	-	-
Life insurance premium revenue	610	543	-	-
Reinsurance and other recoveries revenue	156	94	-	-
General insurance investment income	243	244	-	-
Life insurance investment income	221	307	-	-
Other revenue	212	165	268	268
Total revenue from ordinary activities	3,823	3,500	1,856	1,659
Interest expense	(1,043)	(884)	(1,074)	(912)
Total income from ordinary activities	2,780	2,616	782	747

There were no sources of revenue from non-operating activities.

Notes to the financial statements

For the year ended 30 June 2001

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	CONSOLIDATED		COMPANY	
	$m	$m	$m	$m
	2001	2000	2001	2000
Profit from ordinary activities before income tax expense has been determined after charging/(crediting) the following items:				
Interest expense				
Interest paid or due and payable:				
Controlled entities	-	-	49	32
Other persons	1,043	884	1,025	880
Total interest expense	1,043	884	1,074	912
Operating expenses from ordinary activities				
Staff expenses				
Salaries and wages	229	190	-	-
Temporary staff	11	11	-	-
Provision for employee entitlements	2	(2)	-	-
Other	71	91	26	29
Total staff expenses	313	290	26	29
Equipment and occupancy expenses				
Depreciation				
Buildings	5	5	3	3
Plant and equipment	29	31	1	2
Leasehold improvements	7	7	-	1
Loss on disposal of property, plant and equipment	1	2	-	-
Operating lease rentals	25	27	26	25
Other	7	12	7	13
Total equipment and occupancy costs	74	84	37	44
Other				
Hardware, software and data line expenses	30	25	26	24
Advertising and promotion expenses	34	34	21	17
Office supplies, postage and printing	37	35	29	30
Amortisation of franchise systems	-	1	-	-
Levies and charges	27	28	-	-
Acquisition costs - insurance activities	95	75	-	-
Intra group expenses	-	-	283	210
General administrative expenses	39	32	76	65
Total other expenses	262	230	435	346
Total operating expenses from ordinary activities	649	604	498	419

Notes to the financial statements

For the year ended 30 June 2001

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (CONTINUED)

Individually significant items

General insurance deferred acquisition costs

Costs identified as relating to unearned general insurance premiums are deferred in accordance with existing accounting policy. In prior periods, only commissions and fees paid to external parties in relation to premiums written were clearly identifiable as acquisition costs and deferred to the extent that they related to unearned premium.

From 1 July 2000, the consolidated entity implemented an activity based costing methodology to identify costs associated with each business activity within the consolidated entity. As a result, costs associated with generating general insurance premiums, in addition to commissions and fees paid to external parties, have been identified and in accordance with the existing accounting policy have been deferred to the extent that they relate to unearned premium. During the year, deferred acquisition costs increased by $17 million for these additional acquisition costs that relate to unearned premium.

Tax effect of general provision for doubtful debts

With effect from 1 July 2000 the consolidated entity has adopted a statistically based methodology for part of the general provision for doubtful debts relating to banking activities, known as the Dynamic Credit Risk Analysis Model. On initial adoption of this methodology, part of the existing general provision was tax effected, to the extent determined by the model. A deferred tax asset of $10 million (the Company: $10 million) was recognised and the general provision for doubtful debts was increased by a corresponding amount in the statement of financial position. There was no financial effect on the statement of financial performance.

Revaluation of life insurance subsidiary

In accordance with the accounting policy described in note 1 b) entities controlled by Suncorp Life & Superannuation Limited are recognised at their net market values. Any change in market value is recognised in the statement of financial performance. Suncorp Financial Planning Pty Ltd, a controlled entity of Suncorp Life & Superannuation Limited, was valued at 30 June 2001 resulting in an increase in its net market value of $13 million.

	CONSOLIDATED		COMPANY	
	2001 $m	**2000 $m**	**2001 $m**	**2000 $m**
Individually significant items included in profit from ordinary activities before income tax expense are:				
Increase in general insurance deferred acquisition costs (expense reduction)	(17)	-	-	-
Excess of net market value of interests in subsidiaries over their recognised net amounts	(13)	-	-	-
Expenses associated with Y2K, One Brand and Transformation	-	31	-	19
	(30)	31	-	19

Notes to the financial statements

For the year ended 30 June 2001

5. BAD AND DOUBTFUL DEBTS

	CONSOLIDATED		COMPANY	
	2001 $m	2000 $m	2001 $m	2000 $m
Banking activities				
Charge for bad and doubtful debts (note 12)				
general provision for impairment	-	5	1	7
specific provision for impairment	36	21	35	20
	36	26	36	27
General insurance activities				
Charge for bad and doubtful debts (note 12)				
general provision for impairment	1	-	-	-
Other activities				
Charge for bad and doubtful debts				
specific provision for impairment	-	2	-	-
Total bad and doubtful debts expense	37	28	36	27

6. ASSETS AND LIABILITIES OF NON-BANKING CONTROLLED ENTITIES

The consolidated statement of financial position of the consolidated entity has been prepared in accordance with AASB 1032 Specific Disclosures by Financial Institutions. In accordance with this standard, additional disclosures have been included in the notes to the financial statements in relation to the banking activities of the consolidated entity.
The statement of financial position can be dissected as follows:

	CONSOLIDATED	
	2001 $m	2000 $m
Assets		
Banking financial assets	22,609	20,152
Elimination of controlled entity's investment in banking products	(349)	(600)
	22,260	19,552
Banking non-financial assets	860	456
Non-banking controlled entities' assets	6,541	6,211
	29,661	26,219
Liabilities		
Banking financial liabilities	21,181	19,195
Elimination of controlled entity's investment in banking products	(349)	(600)
	20,832	18,595
Banking non-financial liabilities	239	323
Non-banking controlled entities' liabilities	5,873	5,377
	26,944	24,295
Net assets	**2,717**	**1,924**

Notes to the financial statements

For the year ended 30 June 2001

7. INCOME TAX

	CONSOLIDATED		COMPANY	
	2001	2000	2001	2000
	$m	$m	$m	$m
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	511	510	248	301
Prima facie income tax expense calculated at 34% (2000: 36%) on profit from ordinary activities before income tax	174	183	85	108
Tax effect of permanent differences				
Non-deductible expenditure	3	6	2	5
Non-deductible write downs	1	-	1	-
Amortisation of goodwill	3	4	-	-
Life insurance company statutory fund adjustment	2	18	-	-
Non-assessable income	(6)	(2)	(1)	(17)
Distribution on converting capital notes	(16)	(19)	(16)	(19)
Dividend rebates	(15)	(11)	(1)	(21)
Tax losses transferred for no consideration	-	-	-	(1)
Future income tax benefits not previously brought to account	(4)	(5)	(2)	-
Other	(6)	2	(2)	-
Income tax adjusted for permanent differences	136	176	66	55
(Over) under provision in prior year	(5)	3	-	1
Restatement of deferred tax balances due to change in company tax rate	(15)	(4)	(3)	(2)
Income tax expense attributable to profit from ordinary activities	116	175	63	54

Prima facie income tax expense includes an amount of $11 million (2000: $45 million) attributable to the life insurance company statutory fund. The income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The statutory rates of taxation applicable to the taxable income of significant classes of business are as follows:

Class of business	2001	2000
	%	%
Ordinary life insurance business	34	39
Complying superannuation	15	15
Controlled companies	34	36
Current pension business	Exempt	Exempt
Non-complying superannuation	47	47
Immediate annuity business	Exempt	Exempt
RSA business	15	15
Other business (including accident and disability)	34	39
Shareholder funds	34	36

Notes to the financial statements

For the year ended 30 June 2001

7. INCOME TAX (CONTINUED)

	CONSOLIDATED		COMPANY	
	2001 $m	2000 $m	2001 $m	2000 $m
Income tax expense attributable to profit from ordinary activities is made up of:				
Current income tax provision	75	137	25	63
Deferred income tax provision	28	45	39	-
Future income tax benefit	13	(7)	(1)	(9)
	116	175	63	54

Provision for current income tax

Movements during the year were as follows:

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Balance at the beginning of the financial year	90	11	47	8
Increase due to inclusion of life company statutory funds	-	6	-	-
Income tax paid	(146)	(64)	(72)	(24)
Current year's income tax expense on profit from ordinary activities	75	137	25	63
Under/(over) provision in prior year	(1)	-	-	-
	18	90	-	47

Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable tax rate of 30% (2000: 34% or 30% depending on when the liability of the component was expected to be realised) on the following items:

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Difference in depreciation for accounting and income tax purposes	-	1	-	-
Leveraged leases	16	16	16	16
Lease finance	1	21	-	18
Research and development	-	3	-	-
Expenditure currently deductible but deferred and amortised for accounting purposes	65	9	63	4
Income not currently assessable for tax purposes	155	161	5	8
	237	211	84	46

Future income tax benefit

Future income benefit comprises the estimated future benefit at the applicable tax rate of 30% (2000: 34% or 30% depending on when the benefit of the component was expected to be realised) on the following items:

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Income currently assessable but deferred for accounting purposes	-	44	-	8
Difference in depreciation for accounting and income tax purposes	28	23	20	15
Provision for impairment	21	8	20	8
Other provisions and accrued expenses	63	39	14	12
Tax losses	-	1	-	-
	112	115	54	43

The benefit for tax losses will only be obtained if:

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2001

8. EARNINGS PER SHARE

	CONSOLIDATED	
	2001	**2000**
	Cents	**Cents**
Basic earnings per share	106.61	88.58
Diluted earnings per share	83.49	69.50

	2001	**2000**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	325,531,571	316,940,031
Weighted average number of potential ordinary shares relating to		
options on ordinary shares	5,032,154	4,309,276
partly paid ordinary shares	32,098	36,593
preference shares	-	3,485,303
converting capital notes	124,000,000	131,632,514
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	454,595,823	456,403,717

As required by Accounting Standard AASB 1027 Earnings per Share, the weighted average number of shares used to calculate basic and diluted earnings per share have been adjusted for subsequent issues of ordinary shares.

Subsequent to 30 June 2001, 124,000,000 converting capital notes were converted to ordinary shares (refer note 23).

9. TRADING SECURITIES

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Banking activities				
Interest bearing securities at net market value				
Government and semi-government securities	236	97	236	97
Bank bills and certificates of deposits and other short term negotiable securities	1,270	866	1,270	866
Other interest bearing securities	143	-	143	-
Total trading securities	1,649	963	1,649	963

Notes to the financial statements

For the year ended 30 June 2001

10. INVESTMENT SECURITIES

	CONSOLIDATED		COMPANY	
	2001 $m	2000 $m	2001 $m	2000 $m
Banking activities				
Interest bearing securities at amortised cost				
Other interest bearing securities	-	1	-	1
	-	1	-	1
Other investments at cost				
Controlled entities (note 36)	-	-	898	908
Other companies	4	4	3	3
	4	4	901	911
General insurance activities				
Interest bearing securities at net market value				
Government and semi-government securities	529	513	-	-
Bank bills, certificates of deposit and other short term negotiable securities	621	479	-	-
Other interest bearing securities	812	907	-	-
	1,962	1,899	-	-
Other investments at net market value				
Listed shares	892	765	-	-
Freehold land and buildings	79	98	-	-
Property trusts	158	66	-	-
	1,129	929	-	-
Life insurance activities				
Debt securities	1,273	1,009	-	-
Equity securities	1,086	782	-	-
Property	641	941	-	-
	3,000	2,732	-	-
Total investment securities	6,095	5,565	901	912

Notes to the financial statements

For the year ended 30 June 2001

11. LOANS, ADVANCES AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	2001 $m	2000 $m	2001 $m	2000 $m
Banking activities				
Overdrafts	262	264	262	264
Credit card outstandings	85	63	85	63
Housing loans	11,657	10,229	11,653	10,229
Term loans	6,331	5,737	6,212	5,540
Lease finance	1,490	1,504	1,481	1,450
Structured finance	48	85	26	25
Other lending	65	70	65	65
	19,938	17,952	19,784	17,636
Provision for impairment (note 12)	(125)	(110)	(124)	(106)
	19,813	17,842	19,660	17,530
General insurance activities				
Premiums outstanding	100	63	-	-
Provision for lapses	(8)	(6)	-	-
Provision for impairment (note 12)	(4)	(3)	-	-
	88	54	-	-
Investment revenue receivable	13	13	-	-
Reinsurance recoveries and other receivables	198	113	-	-
Provision for impairment (note 12)	(10)	(10)	-	-
	289	170	-	-
Life insurance activities				
Premiums outstanding	3	3	-	-
Investment revenue receivable	27	33	-	-
Reinsurance recoveries receivable	13	16	-	-
Other	1	3	-	-
	44	55	-	-
Total loans, advances and other receivables	20,146	18,067	19,660	17,530

Securitisation of loans

The Group completed a securitisation transaction in February 1999 when it sold a pool of residential mortgage loans totalling $220 million to the Series 2000-1 APOLLO Trust (the Trust). The current balance of those securitised loans is $123 million.

The Trustee has funded its purchase of the mortgage loans by issuing floating-rate pass-through debt securities. The securities issued by the Trust do not represent deposits or other liabilities of the consolidated entity or Company.

Neither the consolidated entity nor Company stands behind the capital value and/or performance of the securities or the assets of the Trust. The consolidated entity does not guarantee the payment of interest or the repayment of principal due on the securities. The consolidated entity is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support. The consolidated entity has no right to repurchase any of the securitised loans and has no obligation to do so.

Notes to the financial statements

For the year ended 30 June 2001

12. PROVISION FOR IMPAIRMENT

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Banking activities				
General provision				
Balance at the beginning of the financial year	82	77	80	73
Charge against the statement of financial performance	-	5	1	7
Restatement to partially reflect future income tax benefit (note 4)	10	-	10	-
Balance at the end of the financial year	92	82	91	80
Specific provision				
Balance at the beginning of the financial year	28	43	26	40
Charge against the statement of financial performance				
new and increased provisions	45	49	44	47
write-back of provisions no longer required	(9)	(28)	(9)	(27)
Bad debts recovered	1	1	1	1
Bad debts written-off	(32)	(37)	(29)	(35)
Balance at the end of the financial year	33	28	33	26
Total provision for impairment - banking activities	125	110	124	106

	CONSOLIDATED 2001 %	CONSOLIDATED 2000 %	COMPANY 2001 %	COMPANY 2000 %
The provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
specific provision	28.95	18.30	29.46	17.57
total provision	109.65	71.90	110.71	71.62
General provision as a percentage of risk weighted assets	0.59	0.55	0.59	0.55
Specific provision as a percentage of gross loans and advances	0.17	0.16	0.17	0.15
Insurance activities	$m	$m	$m	$m
General provision				
Balance at the beginning of the financial year	3	3	-	-
Charge against the statement of financial performance	1	-	-	-
Balance at the end of the financial year	4	3	-	-
Specific provision				
Balance at the beginning of the financial year	10	10	-	-
Balance at the end of the financial year	10	10	-	-
Total provision for impairment - insurance activities	14	13	-	-

Notes to the financial statements

For the year ended 30 June 2001

13. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Property				
Land				
Freehold land at cost	14	-	4	-
Freehold land at directors' valuation (1998)	-	17	-	4
	14	17	4	4
Buildings				
At cost	58	12	40	-
At directors' valuation (1998)	-	54	-	38
Accumulated depreciation	(13)	(9)	(10)	(7)
	45	57	30	31
Leasehold improvements at cost	42	38	9	8
Accumulated amortisation	(32)	(25)	(9)	(8)
	10	13	-	-
Total property	69	87	34	35
Plant and equipment				
Computer and office equipment, furniture and fittings, computer software and motor vehicles at cost	140	128	34	39
Accumulated depreciation	(96)	(81)	(33)	(35)
	44	47	1	4
Software development at cost	28	16	1	-
Total plant and equipment	72	63	2	4
Total property, plant and equipment	141	150	36	39

On applying revised AASB 1041, with effect from 1 July 2000, the consolidated entity elected to revert to the cost basis for measuring all land and buildings.

An independent valuation of the consolidated entity's land and buildings was carried out as at 31 December 2000 on the basis of open market values for existing use and provided a valuation of $106 million (Company: $49 million). As land and buildings are recorded at cost the valuation has not been brought to account (refer to note 2).

Notes to the financial statements

For the year ended 30 June 2001

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Software Development	Total
	$m	$m	$m	$m	$m	$m
Consolidated						
Carrying amount at the beginning of the financial year	17	57	13	47	16	150
Additions	-	2	4	16	23	45
Disposals	(3)	(9)	-	(1)	-	(13)
Transfers (to)/from plant and equipment	-	-	-	11	(11)	-
Depreciation expense (note 4)	-	(5)	(7)	(29)	-	(41)
Carrying amount at the end of the financial year	14	45	10	44	28	141
Company						
Carrying amount at the beginning of the financial year	4	31	-	4	-	39
Additions	-	-	-	-	1	1
Disposals	-	-	-	(2)	-	(2)
Transfers (to)/from plant and equipment	-	-	-	-	-	-
Depreciation expense	-	(1)	-	(1)	-	(2)
Carrying amount at the end of the financial year	4	30	-	1	1	36

14. INTANGIBLE ASSETS

	CONSOLIDATED		COMPANY	
	2001	2000	2001	2000
	$m	$m	$m	$m
Goodwill	200	200	-	-
Accumulated amortisation	(46)	(36)	-	-
Total intangible assets	154	164	-	-

Notes to the financial statements

For the year ended 30 June 2001

15. OTHER FINANCIAL ASSETS

	CONSOLIDATED		COMPANY	
	2001	2000	2001	2000
	$m	$m	$m	$m
Franchise systems - at cost	14	-	-	-
Provision for amortisation	(1)	-	-	-
	13	-	-	-
Franchise systems - at directors' valuation 1999	-	14	-	-
Provision for amortisation	-	(1)	-	-
	-	13	-	-
Accrued interest receivable	75	70	54	51
Prepayments	152	6	148	2
Deferred expenditure	21	12	21	12
Deferred acquisition costs on general insurance policies	41	30	-	-
Unrealised gains on derivative hedging positions (note 34)	598	329	598	329
Sundry assets	151	48	116	28
	1,038	495	937	422
Total other financial assets	1,051	508	937	422

On applying revised AASB 1041, with effect from 1 July 2000, the consolidated entity elected to revert to the cost basis for measuring franchise systems.

An independent valuation of the franchise systems was carried out at 31 May 2001 on the basis of current fair market value and provided a valuation range of $23.3 to $25.6 million. As franchise systems are recorded at cost, the valuation has not been brought to account (refer note 2).

16. DEPOSITS AND SHORT TERM BORROWINGS

	CONSOLIDATED		COMPANY	
	2001	2000	2001	2000
	$m	$m	$m	$m
Secured				
Long term securities issued maturing within 12 months	6	-	-	-
Unsecured				
Call deposits	4,735	3,467	5,215	4,109
Term deposits	4,544	4,960	4,544	4,960
Short term securities issued	4,724	4,165	4,724	4,165
Offshore borrowings	1,126	548	1,126	548
Long term securities issued maturing within 12 months	1,773	1,369	1,773	1,369
	16,902	14,509	17,382	15,151
Total deposits and short term borrowings	16,908	14,509	17,382	15,151

The secured borrowings, including the long term component shown in note 21, totalling $6 million (2000: $35 million) are secured by charges over various assets of certain controlled entities amounting to $102 million (2000: $96 million).

Notes to the financial statements

For the year ended 30 June 2001

17. PAYABLES

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Unpresented bank cheques	134	145	134	145
Accrued interest payable	166	171	165	170
Sundry creditors and accrued expenses	409	531	73	100
Total payables	709	847	372	415

18. PROVISIONS

Employee entitlements	34	32	-	-
Directors' retirement benefits	2	2	2	2
Dividends and distributions (note 26)	152	130	152	130
Other	78	59	14	7
Total provisions	266	223	168	139

19. OUTSTANDING CLAIMS AND UNEARNED PREMIUMS PROVISIONS

Outstanding claims - life insurance	14	15	-	-
Outstanding claims - general insurance	1,915	1,720	-	-
Unearned premiums - general insurance	414	393	-	-
Total outstanding claims and unearned premiums provisions	2,343	2,128	-	-

Outstanding claims provision - general insurance

Expected future claims (undiscounted)	2,263	2,045	-	-
Discount to present value	(348)	(325)	-	-
Liability for outstanding claims	1,915	1,720	-	-
Current	530	488	-	-
Non-current	1,385	1,232	-	-
	1,915	1,720	-	-

Notes to the financial statements

For the year ended 30 June 2001

19. OUTSTANDING CLAIMS AND UNEARNED PREMIUMS PROVISIONS (CONTINUED)

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

	2000 %	1999 %
For the succeeding and subsequent years:		
Inflation rate	7.5 - 9.5	7.5 - 8.5
Discount rate	5.5 - 6.4	5.0 - 6.4

The general insurance portfolio is weighted towards long-tail business whereby claims are expected to be settled progressively over approximately 20 years. The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 3.0 years (2000: 2.9 years).

20. LIFE INSURANCE GROSS POLICY LIABILITIES

	CONSOLIDATED		COMPANY	
	2001 $m	2000 $m	2001 $m	2000 $m
Non-Investment linked business	1,819	1,679	-	-
Investment linked business	832	684	-	-
Total life insurance gross policy liabilities	2,651	2,363	-	-

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

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2001. The actuarial report was prepared by Mr Rowan Ward, Appointed Actuary B Sc. FIAA, and indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

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

Policy liabilities have been calculated using the Margin on Services (MoS) method in accordance with Actuarial Standard 1.02 "Valuation Standard" issued by the LIASB under Section 114 of the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policy owners and premiums are received.

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

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

Notes to the financial statements

For the year ended 30 June 2001

20. LIFE INSURANCE GROSS POLICY LIABILITIES (CONTINUED)

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

Assumption	Basis of Assumption	Significant Changes
Investment earnings	Assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the product, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Rates varied from 5% (2000: 6.75%) for the cash sub funds to 9% (2000: 9%) for the balanced sub funds and 10% (2000: n/a) for the equity sub funds.	No changes in approach
Maintenance expenses	Per policy expense rates are based upon expected maintenance expenses in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for at rates appropriate to the taxation basis of the business.	None
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 3.0% (2000: 3.5%) was assumed.	None
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates vary by product, class of business, policy value and duration in force. Allowance is also made for cash withdrawals. Future long term rates of discontinuance assumed vary between 5% and 30%.	None
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None
Rates of taxation	The rates of taxation assumed are based on those applicable to the type of product.	None
Mortality - risk products	Mortality rates for risk products have been determined using the standard mortality table (IA90-92) with adjustments to allow for Suncorp Life & Superannuation Limited experience. Adjustments range from 80% to 140%. Table IA90-92 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1990 to 1992.	None
Mortality – annuitants	Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for expected mortality improvement. Tables IM/IF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.	None
Disability - lump sum	Disability rates on lump sum policies have been based on industry experience with adjustments to reflect Suncorp Life & Superannuation Limited experience.	Adjustments updated to reflect recent experience
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	Adjustments updated to reflect recent experience

Notes to the financial statements

For the year ended 30 June 2001

20. LIFE INSURANCE GROSS POLICY LIABILITIES (CONTINUED)

Assumption	Basis of Assumption	Significant Changes
Future supportable bonuses and interest credits to participating policies	Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cashflows equals the value of assets supporting the business. For traditional policies supportable bonus rates are set as a proportion of the latest declared rates – 83% for ordinary policies, 86% for superannuation policies. For investment account policies supportable rates vary between 3.8% and 8.7% after tax and fees. For participating whole of life and endowment business, the Company's policy is to set bonus rates such that, over long periods, the returns to policy owners are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholder with the valuation allowing for the shareholder to share in distributions at the maximum allowable rate of 20%. In determining policy owner distributions consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.	No changes in approach
Unit price growth	Unit prices are assumed to grow at a rate consistent with assumed investment earnings, tax rates and fees.	None

Solvency Requirements

The Life Act requires companies to meet prudential standards of solvency. The requirements are determined in accordance with the Actuarial Standard 2.02 "Solvency Standard" issued by the Life Insurance Actuarial Standards Board. Details of the amounts required to meet the standard are set out in note 31(e).

21. BONDS, NOTES AND LONG TERM BORROWINGS

	CONSOLIDATED		COMPANY	
	2001 $m	**2000 $m**	**2001 $m**	**2000 $m**
Secured				
Long term securities issued	-	35	-	-
Unsecured				
Long term securities issued	1,085	955	1,085	955
Offshore	1,945	2,102	1,945	2,102
	3,030	3,057	3,030	3,057
Total bonds, notes and long term borrowings	3,030	3,092	3,030	3,057

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For the year ended 30 June 2001

22. SUBORDINATED NOTES

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Fixed rate notes due October 2005	50	50	50	50
Fixed rate notes due August 2006	51	52	51	52
Fixed rate notes due November 2006	264	270	264	270
Perpetual floating rate notes	170	170	170	170
Total subordinated notes	535	542	535	542
The subordinated notes are represented as				
Qualifying tier two capital	535	542	535	542
Non-qualifying	-	-	-	-
	535	542	535	542

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

- In respect of notes issued by the Company, payments of principal and interest on the notes have priority over Company dividend payments only, and in the event of the winding-up of the Company, the rights of the note holders will rank in preference only to the rights of the preference and ordinary shareholders.
- In respect of notes issued by a controlled entity, payments of principal and interest on the notes will only be payable to the extent that, after such payment, the controlled entity remains solvent.
- In line with the Australian Prudential Regulation Authority's capital adequacy measurement rules perpetual floating rate notes are included in upper tier 2 capital. The term subordinated notes are included in lower tier 2 capital and are reduced by 20 percent for each of their last five years to maturity.

23. CONTRIBUTED EQUITY

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Issued and paid-up share capital				
369,665,671 ordinary shares each fully paid (2000: 321,415,234 each fully paid)	1,585	958	1,585	958
124,000,000 converting capital notes of $4.50 each fully paid (2000: 124,000,000)	558	558	558	558
7,200 ordinary shares each 45 cents partly paid (2000: 7,200 ordinary shares each 45 cents partly paid)	-	-	-	-
33,550 ordinary shares each 5 cents partly paid (2000: 38,950 ordinary shares each 5 cents partly paid)	-	-	-	-
2,000 non-participating shares each fully paid (2000: 2,000 each fully paid)	-	-	-	-
	2,143	1,516	2,143	1,516
Movements in ordinary shares during the year				
Balance at the beginning of the financial year	958	975	958	975
48,015,037 ordinary shares issued for cash	639	-	639	-
Associated transaction costs	(14)	-	(14)	-
Conversion of 18,500,000 converting capital notes to ordinary shares	-	83	-	83
12,273,328 ordinary shares bought back	-	(100)	-	(100)
230,000 ordinary shares issued due to exercise of options under the Executive Option Plan	2	-	2	-
Balance at the end of the financial year	1,585	958	1,585	958

Notes to the financial statements

For the year ended 30 June 2001

23. CONTRIBUTED EQUITY (CONTINUED)

Movements in converting capital notes during the year

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Balance at the beginning of the financial year	558	641	558	641
Conversion of 18,500,000 converting capital notes to ordinary shares	-	(83)		(83)
Balance at the end of the financial year	558	558	558	558

On 21 June 2001, 48,015,037 ordinary shares were issued at $13.30 per share by way of placement with institutional investors and AMP Life. The placement was part of the funding package for the acquisition of the Australian general insurance operations of AMP and GIO. Pursuant to the terms of the acquisition a further 12,135,338 shares will be issued to AMP Life, at the same price. The Company is also planning to issue $200 million in preference share capital as part of the funding of the acquisition and has received approval from shareholders at an Extraordinary General Meeting (refer note 47).

During the year 5,400 partly paid shares were converted to fully paid shares at an average price of $1.21. The calls on, and conversion of, partly paid shares were in accordance with the employee share acquisition scheme under which they were issued.

On 1 December 1996, the Company issued converting capital notes to Queensland Treasury Holdings Pty Ltd, maturing 30 November 2006. The notes carried a fixed distribution of 8.7 percent per annum. Subject to certain conditions, the notes could be converted into fully paid ordinary shares, on the basis of one ordinary share for each note, at any point in time until maturity. To 30 June 2000, 31 million notes had been converted, leaving 124 million notes on issue. In line with the undertaking given by the Queensland Government in respect of the Exchanging Instalment Notes (EINs) Series 2 where an exchange of one note for one ordinary share will occur by 31 October 2001, the remaining 124 million notes were converted to ordinary shares on 4 July 2001 (refer note 47).

Distributions were payable on the notes at a fixed rate of 8.7 percent per annum and are brought to account on an accruals basis. A binding private ruling has been received from the Australian Taxation Office confirming that the distributions are deductible for taxation purposes. The effective after tax funding cost of the distributions for the year is represented as follows:

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Distributions (note 26)	49	53	49	53
Income tax benefit (note 7)	(16)	(19)	(16)	(19)
	33	34	33	34

Notes to the financial statements

For the year ended 30 June 2001

24. RESERVES

	CONSOLIDATED		COMPANY	
	2001 $m	**2000 $m**	**2001 $m**	**2000 $m**
Preconversion reserve	13	13	13	13
Asset revaluation reserve	9	9	8	8
	22	22	21	21

Preconversion reserve

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

Asset revaluation reserve

The asset revaluation reserve was used to record increments and decrements on the revaluation of non-current assets as described in note 1 u). An amount of $8.5 million (Company: $7.7 million) is not available for future asset write-downs as a result of using the deemed cost election for land and buildings when adopting revised Accounting Standard AASB 1041 Revaluation of Non-Current Assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

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For the year ended 30 June 2001

25. RETAINED PROFITS

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Retained profits at the beginning of the financial year	380	244	79	31
Net profit attributable to members of Suncorp-Metway Ltd	395	335	185	247
Dividends (note 26)	(229)	(199)	(229)	(199)
Retained profits at the end of the financial year	546	380	35	79

26. DIVIDENDS

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Ordinary shares				
Fully franked at 34% interim dividend paid	77	67	77	67
Fully franked at 30% final dividend provided	103	77	103	77
Converting preference shares Series 2				
Fully franked base dividend paid	-	2	-	2
Converting capital notes				
Distribution provided	49	53	49	53
	229	199	229	199

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

The additional 48,015,037 shares issued relating to the acquisition of the Australian general insurance business of AMP and GIO will participate in the final dividend. The 124,000,000 shares arising from the conversion on 4 July 2001 of the converting capital notes will not participate in the final ordinary share dividend, in accordance with the Subscription Deed dated 16 October 1996.

Franking credits	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
The amount of dividends that would be fully franked at 30% (2000: 34%) after allowing for all tax payable in respect of the current year's profits and the payment of the proposed dividends	100	136	(71)	30
Franking credits in respect of dividends receivable from controlled entities	-	-	-	33
	100	136	(71)	63

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

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

Notes to the financial statements

For the year ended 30 June 2001

27. CASH FLOW INFORMATION

(a) Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Profit from ordinary activities after income tax	395	335	185	247
Classified as investing activities				
Income tax paid - investing activities	39	34	-	-
Non-cash items				
Amortisation				
Goodwill	10	10	-	-
Change in market value of trading securities	(40)	(4)	(6)	-
Change in market value of investments	(62)	(254)	-	-
Bad and doubtful debts expense	37	28	36	27
Depreciation of property, plant and equipment	41	43	4	6
Loss on disposal of property, plant and equipment	1	2	-	-
Change in assets and liabilities				
Gross up of GST on lease instalments included in operating payments	(27)	-	(27)	-
Net movement in tax balances	(33)	111	(10)	30
(Increase)/decrease in accrued interest receivable	(4)	32	(3)	2
(Increase)/decrease in prepayments and deferred expenses	(168)	(3)	(155)	2
Increase in excess of net market value of interests in subsidiaries	(13)	-	-	-
Increase in receivables and other financial assets	(215)	(20)	(88)	(22)
Increase/(decrease) in accrued interest payable	(11)	29	(5)	31
Increase/(decrease) in sundry creditors and other liabilities	(177)	117	(15)	9
Increase in outstanding claims provisions	194	12	-	-
Increase in unearned premiums provisions	21	19	-	-
Increase in life insurance policy liabilities	288	228	-	-
Increase in policy owner retained benefits	14	3	-	-
Increase in other provisions	21	10	7	2
Net cash inflow (outflow) from operating activities	311	732	(77)	334

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows are reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m	COMPANY 2001 $m	COMPANY 2000 $m
Cash and liquid assets	288	498	132	155
Receivables due from other financial institutions	12	189	12	189
Payables due to other financial institutions	-	(57)	-	(35)
	300	630	144	309

Notes to the financial statements

For the year ended 30 June 2001

28. SEGMENT INFORMATION

28(a) Industry segments

	Banking $m	General Insurance $m	Life Insurance $m	Other $m	Eliminations $m	Consolidated $m
2001 financial year						
Revenue outside the consolidated entity	1,709	1,224	848	42	-	3,823
Inter-segment revenue	29	-	7	7	(43)	-
Total revenue	1,738	1,224	855	49	(43)	3,823
Segment profit from ordinary activities before income tax and amortisation of goodwill	284	163	65	9	-	521
Segment assets	23,830	3,593	3,169	16	(947)	29,661
2000 financial year						
Revenue outside the consolidated entity	1,482	1,125	866	27	-	3,500
Inter-segment revenue	31	5	8	12	(56)	-
Total revenue	1,513	1,130	874	39	(56)	3,500
Segment profit from ordinary activities before income tax and amortisation of goodwill	229	211	75	7	(2)	520
Segment assets	21,225	3,238	2,948	34	(1,226)	26,219

The above industry segments derive revenue from the following activities:

Banking	Banking, finance and other services.
General insurance	General insurance services.
Life insurance	Life insurance and superannuation administration services.
Other	Funds management, financial planning, funds administration, and property management services.

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

28(b) Geographic segments

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

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING

29(a) Contribution to profit from ordinary banking activities

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m
Interest revenue	1,587	1,395
Interest expense	(1,073)	(920)
Net interest income	514	475
Other operating revenue		
Net profits on trading and investment securities	8	1
Net profits (losses) on derivative and other financial instruments:		
Realised	5	(14)
Unrealised	-	18
Fees and commission revenue	126	97
Other income	12	16
	151	118
Total income from ordinary banking activities	665	593
Operating expenses		
Staff expenses	(184)	(183)
Occupancy expenses	(16)	(29)
Computer expenses	(43)	(46)
Other operating expenses	(102)	(80)
Total expenses of ordinary banking activities	(345)	(338)
Contribution to profit from ordinary banking activities before bad and doubtful debts, amortisation of goodwill and income tax	320	255
Bad and doubtful debts expense (note 5)	(36)	(26)
Contribution to profit from ordinary banking activities before amortisation of goodwill and income tax	284	229

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

Notes to the financial statements

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29. SEGMENT INFORMATION - BANKING (CONTINUED)

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

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

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

	CONSOLIDATED					
		2001			2000	
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Trading securities	1,262	75	5.94	1,335	69	5.16
Gross loans, advances and other receivables	19,032	1,491	7.83	17,673	1,324	7.49
Other interest earning financial assets	386	21	5.44	110	2	2.20
Total interest earning assets	**20,680**	**1,587**	**7.67**	**19,118**	**1,395**	**7.30**
Non-interest earning assets						
Provision for impairment	(119)			(115)		
Property, plant and equipment	137			151		
Other financial assets	1,125			1,085		
Total non-interest earning assets	**1,143**			**1,121**		
Total assets	**21,823**			**20,239**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	15,453	811	5.24	14,632	692	4.73
Bonds, notes and long term borrowings	3,536	219	6.19	2,877	188	6.53
Subordinated notes	537	43	8.01	549	40	7.31
Total interest bearing liabilities	**19,526**	**1,073**	**5.49**	**18,058**	**920**	**5.10**
Non-interest bearing liabilities						
Other financial liabilities	566			512		
Total non-interest bearing liabilities	**566**			**512**		
Total liabilities	**20,092**			**18,570**		
Net assets	**1,731**			**1,669**		
Analysis of interest margin and spread						
Interest earning assets	20,680	1,587	7.67	19,118	1,395	7.30
Interest bearing liabilities	19,526	1,073	5.49	18,058	920	5.10
Net interest spread			2.18		2.20	
Net interest margin	20,680	514	2.48	19,118	475	2.48

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

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

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

	CONSOLIDATED	
	2001	**2000**
	%	**%**
Gross interest spread	2.20	2.24
Interest foregone on impaired assets	(.02)	(.04)
Net interest spread	2.18	2.20
Interest attributable to net non-interest bearing assets	.30	.28
Net interest margin	2.48	2.48

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

	CONSOLIDATED					
	2001 VS 2000 CHANGES DUE TO:			2000 VS 1999 CHANGES DUE TO:		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Interest earning assets						
Trading securities	(4)	10	6	(13)	1	(12)
Investment securities	-	-	-	-	-	-
Gross loans, advances and other receivables	104	63	167	93	(5)	88
Other interest earning assets	11	8	19	(1)	(1)	(2)
Change in interest income	111	81	192	79	(5)	74
Interest bearing liabilities						
Deposits and short term borrowings	41	78	119	91	4	95
Bonds, notes and long term borrowings	42	(11)	31	(79)	52	(27)
Subordinated notes	(1)	4	3	2	(1)	1
Change in interest expense	82	71	153	14	55	69
Change in net interest income	29	10	39	65	(60)	5

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29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(c) Banking capital adequacy

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

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

The measurement of risk weighted assets is based on:

a) a credit risk based approach wherein risk weightings are applied to balance sheet assets and to the credit equivalent of unrecognised financial instruments. Categories of risk weights are assigned based upon the nature of the counterparty and the relative liquidity of the assets concerned; and

b) the recognition of risk weighted assets attributable to market risk arising from trading and commodity positions. Trading and commodity balance sheet positions do not attract a risk weighting under the credit risk based approach.

During the financial year APRA issued Prudential Standard APS 110 Capital Adequacy. The standard clarifies the treatment of investments in subsidiaries. This has resulted in a reduction in the group's retained profits included in Tier 1 (now banking retained profits only), an increase in the intangible assets deducted from Tier 1 (now before accumulated amortisation attributable to non-banking controlled entities) and a reduction in the deductions from capital for investment in non-banking controlled entities (now net of goodwill).

	CONSOLIDATED	
	2001	**2000**
	$m	**$m**
Tier 1		
Share capital	1,585	958
Converting capital notes	558	558
Preconversion reserve	13	13
Retained earnings	137	380
Less: Goodwill	(201)	(164)
Less: Net future income tax benefits	-	(11)
Total Tier 1 capital	2,092	1,734
Tier 2		
Asset revaluation reserve	8	9
General provision for impairment, net of related future income tax benefit	80	82
Perpetual subordinated notes	170	170
Subordinated notes	365	372
Total Tier 2 capital	623	633
Deductions from capital		
Less: Investments in subsidiaries	(511)	(798)
Less: Guarantees and facilities to non-banking controlled entities	(10)	(10)
Total deductions	(521)	(808)
Total capital base	2,194	1,559

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29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(c) Banking capital adequacy (continued)

	CARRYING VALUE		CONSOLIDATED RISK WEIGHTS	RISK WEIGHTED BALANCE[1]	
	2001	2000		2001	2000
	$m	$m	%	$m	$m
Assets					
Cash, claims on Reserve Bank of Australia, shorter term claims on Australian Commonwealth Government and other liquid assets [2]	2,169	2,064	0%	-	-
Claims on banks and local governments	126	66	20%	25	13
Loans secured against residential housing	11,686	9,582	50%	5,843	4,791
All other assets	8,468	8,544	100%	8,468	8,544
Total banking assets [3]	22,449	20,256		14,336	13,348

	FACE VALUE	CREDIT EQUIVALENT	CONSOLIDATED RISK WEIGHTS	RISK WEIGHTED BALANCE[1]	
	2001	2001		2001	2000
	$m	$m	%	$m	$m
Unrecognised positions					
Guarantees entered into in the normal course of business	142	80	20-100%	78	61
Commitments to provide loans and advances	1,995	1,278	0-100%	976	1,194
Capital commitments	1	1	100%	1	31
Foreign exchange contracts	4,583	784	20-50%	163	137
Interest rate contracts	6,511	70	20-50%	16	10
Total unrecognised positions	13,232	2,213		1,234	1,433

	2001	2000
Assessed risk		
Total risk weighted assets	14,336	13,348
Total unrecognised position	1,234	1,433
Market risk capital charge	91	76
Total assessed risk	15,661	14,857
Risk weighted capital ratios	%	%
Tier 1	13.36	11.67
Tier 2	3.98	4.26
Deductions	(3.33)	(5.44)
	14.01	10.49

The capital adequacy ratio has increased at 30 June 2001 due to the issue of $625 million additional share capital as part of the funding of the acquisition of the Australian general insurance business of AMP and GIO. To complete the acquisition, the Company will raise further capital and will increase its investment in its wholly owned controlled entity Suncorp Metway Insurance Ltd by $1.25 billion. The total planned funding for the acquisition comprises $1 billion in Tier 1 capital and $250 million in Tier 2 capital. The deduction from total capital for the investment in Suncorp Metway Insurance Ltd will increase by $1.25 billion.

The converting capital notes were converted to ordinary shares on 4 July 2001 (refer note 47).

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(c) Banking capital adequacy (continued)

Notes:

(1) Claims secured by cash, government securities or guarantees from banks and governments reflect the risk weight attaching to the collateral security or a direct claim on the guarantor.

(2) Shorter term claims on the Australian Commonwealth Government are those with a residual term to maturity of less than 12 months, longer term claims are those with residual term to maturity greater than 12 months.

(3) Total banking assets differ from banking segment assets in note 28(a) due to the adoption of APRA's classification of intangible assets, deferred taxation, non-qualifying shareholdings in other entities and general provision for impairment for capital adequacy purposes.

29(d) Credit risk concentrations

Industry exposures associated with each asset class are detailed with respect to the banking assets of the consolidated entity excluding intergroup funding of $349m (2000: $600m). Details of credit risk amounts for contingent liabilities are set out in note 42 and for derivative financial instruments in note 34. Risk concentrations by asset class are as follows:

	CONSOLIDATED					
	Trading Securities	Investment Securities	Loans, advances and other receivables	Contingent Liabilities	Derivative Instruments	Total
2001 Financial Year	$m	$m	$m	$m	$m	$m
Agribusiness	-	-	1,773	9	-	1,782
Construction and development	-	-	1,567	497	-	2,064
Financial services	1,413	-	-	9	835	2,257
Hospitality	-	-	502	-	-	502
Manufacturing	-	-	364	-	-	364
Professional services	-	-	666	-	-	666
Property investment	-	-	2,160	-	-	2,160
Real estate - Mortgage	-	-	11,268	689	-	11,957
Personal	-	-	519	-	-	519
Government and public authorities	236	-	-	-	-	236
Other commercial and industrial	-	-	1,119	154	19	1,292
	1,649	-	19,938	1,358	854	23,799
Receivables due from other financial institutions						12
Total gross credit risk						23,811

In addition to 'Real estate - Mortgage', loans included in other industry categories totalling $389 million (2000: $409 million) are secured by residential mortgages.

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(d) Credit risk concentrations (continued)

	CONSOLIDATED					
	Trading Securities	Investment Securities	Loans, advances and other receivables	Contingent Liabilities	Derivative Instruments	Total
2000 Financial Year	$m	$m	$m	$m	$m	$m
Agribusiness	-	-	1,696	25	-	1,721
Construction and development	-	-	1,588	671	-	2,259
Financial services	866	1	-	15	712	1,594
Hospitality	-	-	441	-	-	441
Manufacturing	-	-	363	-	-	363
Professional services	-	-	626	-	-	626
Property investment	-	-	1,853	-	-	1,853
Real estate - Mortgage	-	-	9,820	627	-	10,447
Personal	-	-	526	-	-	526
Government and public authorities	97	-	-	-	-	97
Other commercial and industrial	-	-	1,039	184	9	1,232
	963	1	17,952	1,522	721	21,159
Receivables due from other financial institutions						189
Total gross credit risk						21,348

29(e) Credit risk concentrations - impaired assets

Risk concentrations by asset class are as follows:

	CONSOLIDATED					
	Total Risk	Impaired Assets	Specific Provision	Writes-offs	Recoveries	Net Write-off
2001 Financial Year	$m	$m	$m	$m	$m	$m
Agribusiness	1,782	36	2	-	-	-
Construction and development	2,064	8	1	-	-	-
Financial services	2,257	-	-	-	-	-
Hospitality	502	8	2	-	-	-
Manufacturing	364	9	6	-	-	-
Professional services	666	7	4	-	-	-
Property investment	2,160	37	6	4	-	4
Real estate - Mortgage	11,957	2	2	2	-	2
Personal	519	-	3	7	-	7
Government and public authorities	236	-	-	-	-	-
Other commercial and industrial	1,292	22	7	19	1	18
	23,799	129	33	32	1	31
Receivables due from other financial institutions	12					
Total gross credit risk	23,811					

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(e) Credit risk concentrations - impaired assets (continued)

	CONSOLIDATED					
2000 Financial Year	**Total Risk $m**	**Impaired Assets $m**	**Specific Provision $m**	**Writes-offs $m**	**Recoveries $m**	**Net Write-off $m**
Agribusiness	1,721	29	3	-	-	-
Construction and development	2,259	20	1	9	-	9
Financial services	1,594	-	-	-	-	-
Hospitality	441	19	4	-	-	-
Manufacturing	363	9	3	4	-	4
Professional services	626	5	1	-	-	-
Property investment	1,853	59	10	1	-	1
Real estate - Mortgage	10,447	5	1	2	-	2
Personal	526	-	-	6	-	6
Government and public authorities	97	2	-	-	-	-
Other commercial and industrial	1,232	21	5	15	1	14
	21,159	169	28	37	1	36
Receivables due from other financial institutions	189					
Total gross credit risk	21,348					

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(f) Impaired assets

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Non-accrual loans				
Gross balances				
with specific provisions set aside	80	98	80	94
without specific provisions set aside	49	71	46	69
	129	169	126	163
Interest reserved	(15)	(16)	(14)	(15)
Net balances	114	153	112	148
Specific provision for impairment (note 12)	(33)	(28)	(33)	(26)
Net non-accrual loans	81	125	79	122
Details of size of gross non-accrual loans				
Less than one million	48	61	44	58
Greater than one million but less than ten million	70	108	71	105
Greater than ten million	11	-	11	-
	129	169	126	163
Past due loans not shown as impaired assets	99	149	95	142
Interest revenue forgone on impaired assets				
Net interest charged but not recognised as revenue in the statement of financial performance during the financial year	19	19	19	17
Interest revenue on impaired assets recognised in the statement of financial performance				
Net interest charged and recognised as revenue in the statement of financial performance during the financial year	14	10	14	9
Analysis of movements in impaired assets				
Balance at the beginning of the financial year	169	160	163	147
Recognition of new impaired assets and increases in previously recognised impaired assets	72	95	71	94
Impaired assets written off during the financial year	(32)	(37)	(29)	(35)
Impaired assets which have been restated as performing assets	(80)	(49)	(79)	(43)
Balance at the end of the financial year	129	169	126	163

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(g) Large exposures

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

	2001 Number	2000 Number
20 percent to less than 25 percent	2	-
15 percent to less than 20 percent	-	2
10 percent to less than 15 percent	1	3
5 percent to less than 10 percent	3	5

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

29(h) Interest rate risk

Net interest income

The risk to the net interest earnings over the next twelve months from a change in interest rates is measured on at least a monthly basis. In relation to the tables below, risk is measured assuming an immediate one percent parallel movement in interest rates across the full yield curve. Other interest rate scenarios with variations in the size and timing of interest rate movements are also measured as part of the ongoing risk management process. However, they are not presented here. Potential variations to net interest earnings are measured using a simulation model which takes into account the projected change in asset and liability levels and mix.

The potential adverse changes in net interest earnings, expressed as a percentage of expected net interest earnings over twelve months, based on a one percent parallel rate move, are as follows:

	CONSOLIDATED	
	2001 %	2000 %
Average monthly exposure	2.11	0.47
High month exposure	3.96	1.24
Low month exposure	0.04	0.04

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(h) Interest rate risk (continued)

Market value

As a measure of longer term interest rate sensitivity, the banking entity utilises market value at risk (VaR) analysis. This analysis measures the potential adverse change in the net present value of assets and liabilities where repricing dates do not match.

The total cash flows are revalued under a range of possible interest rate scenarios using a VaR methodology. The interest rate scenarios are based on actual interest rate movements that have occurred over 3 month and 2 year historical observation periods. The measured VaR exposure is an estimate to a 97.5% confidence level of the potential loss that could occur if the balance sheet was to be held unchanged for a one month holding period. For example, VaR exposure of $1 million means that in 97.5 cases out of 100, the expected net present value will not decrease by more than $1 million given historical movements in interest rates.

The figures in the following table represent the net present value of any change in future earnings of existing assets and liabilities under the above probabilistic scenario. The calculation includes consideration for preference shares and capital notes distributions.

	CONSOLIDATED	
	2001	**2000**
	$m	**$m**
Average monthly exposure	16	25
High month exposure	33	29
Low month exposure	7	21

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

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

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(h) Interest rate risk (continued)

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

	CONSOLIDATED							
2001 Financial Year	**Balance Sheet Total $m**	**0 to 1 month $m**	**1 to 6 months $m**	**7 to 12 months $m**	**1 to 5 years $m**	**Over 5 years $m**	**Non-Interest Bearing $m**	**Weighted Average Rate %**
Financial assets								
Cash and liquid assets	134	25	-	-	-	-	109	1.0
Receivables due from other financial institutions	12	-	-	-	-	-	12	-
Trading securities	1,649	-	1,649	-	-	-	-	5.0
Investment securities	-	-	-	-	-	-	-	-
Loans, advances and other receivables	19,813	7,693	6,649	1,320	4,101	50	-	7.3
Other financial assets	652	-	-	-	-	-	652	-
Total financial assets	22,260	7,718	8,298	1,320	4,101	50	773	
Weighted average rate %		*6.8*	*6.9*	*7.5*	*7.8*	*8.0*	-	*7.1*
Financial liabilities								
Deposits and short term borrowings	16,908	4,693	10,775	1,288	152	-	-	4.6
Payables due to other financial institutions	-	-	-	-	-	-	-	-
Payables	359	-	-	-	-	-	359	-
Bonds, notes and long term borrowings	3,030	8	2,354	83	581	4	-	5.4
Subordinated notes	535	-	220	-	315	-	-	7.7
Total financial liabilities	20,832	4,701	13,349	1,371	1,048	4	359	
Weighted average rate %		2.9	5.2	5.6	6.7	9.7	-	4.8
Net assets	1,428	3,017	(5,051)	(51)	3,053	46	414	
Weighted average rate %		*5.4*	*5.9*	*6.5*	*7.6*	*8.2*	-	
Unrecognised financial instruments		-	2,497	(220)	(2,235)	(42)	-	
Weighted average rate %		-	5.1	6.3	6.3	6.4	-	
Net mismatch		3,017	(2,554)	(271)	818	4	414	
Cumulative mismatch		3,017	463	192	1,010	1,014	1,428	

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(h) Interest rate risk (continued)

	CONSOLIDATED							
2000 Financial Year	**Balance Sheet Total $m**	**0 to 1 month $m**	**1 to 6 months $m**	**7 to 12 months $m**	**1 to 5 years $m**	**Over 5 years $m**	**Non-Interest Bearing $m**	**Weighted Average Rate %**
Financial assets								
Cash and liquid assets	196	67	-	-	-	-	129	2.1
Receivables due from other financial institutions	189	189	-	-	-	-	-	6.0
Trading securities	963	-	917	46	-	-	-	6.2
Investment securities	1	1	-	-	-	-	-	0.0
Loans, advances and other receivables	17,842	7,538	4,680	1,465	4,017	57	85	8.1
Other financial assets	361	-	-	-	-	-	361	-
Total financial assets	19,552	7,795	5,597	1,511	4,017	57	575	
Weighted average rate %		*7.9*	*8.0*	*7.8*	*7.9*	*8.2*	-	*7.9*
Financial liabilities								
Deposits and short term borrowings	14,509	4,001	9,217	997	294	-	-	5.4
Payables due to other financial institutions	57	-	-	-	-	-	57	-
Payables	395	-	-	-	-	-	395	-
Bonds, notes and long term borrowings	3,092	-	2,235	82	771	4	-	6.4
Subordinated notes	542	-	170	-	372	-	-	7.4
Total financial liabilities	18,595	4,001	11,622	1,079	1,437	4	452	
Weighted average rate %		*3.4*	*6.2*	*6.3*	*6.4*	*9.7*	-	*5.6*
Net assets	957	3,794	(6,025)	432	2,580	53	123	
Weighted average rate %		6.4	6.8	7.2	7.5	8.3	-	
Unrecognised financial instruments		-	245	63	(271)	(37)	-	
Weighted average rate %		-	*6.2*	*6.6*	*6.1*	*6.4*	-	
Net mismatch		3,794	(5,780)	495	2,309	16	123	
Cumulative mismatch		3,794	(1,986)	(1,491)	818	834	957	

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(i) Maturity analysis of financial assets and liabilities

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

	CONSOLIDATED							
2001 Financial Year	At call	Over-draft	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Un-specified	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Assets								
Receivables due from other financial institutions	12	-	-	-	-	-	-	12
Loans, advances and other receivables	198	1,817	944	1,880	4,394	10,580	-	19,813
	210	1,817	944	1,880	4,394	10,580	-	19,825
Liabilities								
Deposits and short term borrowings	4,824	-	7,420	4,511	153	-	-	16,908
Bonds, notes and long term borrowings	-	-	55	161	2,809	5	-	3,030
Subordinated notes	-	-	-	-	50	315	170	535
	4,824	-	7,475	4,672	3,012	320	170	20,473
2000 Financial Year								
Assets								
Receivables due from other financial institutions	189	-	-	-	-	-	-	189
Investment securities	-	-	-	-	1	-	-	1
Loans, advances and other receivables	122	1,082	999	1,856	4,220	9,563	-	17,842
	311	1,082	999	1,856	4,221	9,563	-	18,032
Liabilities								
Deposits and short term borrowings	4,011	-	6,709	3,543	245	1	-	14,509
Payables due to other financial institutions	57	-	-	-	-	-	-	57
Bonds, notes and long term borrowings	9	-	43	112	2,923	5	-	3,092
Subordinated notes	-	-	-	-	-	372	170	542
	4,077	-	6,752	3,655	3,168	378	170	18,200

Notes to the financial statements

For the year ended 30 June 2001

29. SEGMENT INFORMATION - BANKING (CONTINUED)

29(j) Concentrations of deposits and borrowings

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

	CONSOLIDATED	
	2001	**2000**
	$m	**$m**
Australian funding sources		
Retail deposits	10,332	9,410
Wholesale funding	5,896	5,086
	16,228	14,496
Overseas funding sources		
Wholesale funding		
Asian debt instrument program	1,494	1,104
European commercial paper and medium term note market	2,751	2,529
	4,245	3,633
	20,473	18,129

Notes to the financial statements

For the year ended 30 June 2001

30. SEGMENT INFORMATION - GENERAL INSURANCE

30(a) Contribution to profit from ordinary general insurance activities

	CONSOLIDATED	
	2001	2000
	$m	$m
Direct premium revenue	824	788
Outwards reinsurance premium expense	(53)	(49)
Net earned premium	771	739
Direct claims expense	(810)	(684)
Reinsurance and other recoveries revenue	145	83
Net incurred claims	(665)	(601)
Acquisition costs	(81)	(81)
Other underwriting expenses	(110)	(97)
Operating expenses	(191)	(178)
Underwriting result	(85)	(40)
Investment revenue - Insurance provisions		
Interest, dividends, rent, etc	138	122
Realised gains on investments	17	3
Unrealised gains on investments	8	21
Total investment revenue - Insurance provisions	163	146
Insurance trading result	78	106
Other revenue	5	7
Investment revenue - Shareholder funds		
Interest, dividends, rent, etc	45	31
Realised gains on investments	(16)	-
Unrealised gains on investments	52	70
Other revenue	6	5
Other expenses	(7)	(8)
Total investment revenue - Shareholder funds	80	98
Contribution to profit from ordinary general insurance activities before income tax and amortisation of goodwill	163	211

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

Notes to the financial statements

For the year ended 30 June 2001

30. SEGMENT INFORMATION - GENERAL INSURANCE (CONTINUED)

30(a) Contribution to profit from ordinary general insurance activities (continued)

Suncorp Metway has entered into an agreement with AMP Life Ltd to acquire the Australian general insurance business of AMP and GIO for $1.24 billion. The agreement is conditional on receiving the relevant regulatory approvals and payment of the purchase consideration. At the date of this report, the agreement has not been completed with settlement anticipated to be on or around 30 September 2001.

For the purposes of preparing the consolidated financial statements of the economic entity, control of the AMP and GIO general insurance business will be effective from 1 July 2001. The consolidated financial statements will include the financial position, the results from operations and the cash flows of the AMP and GIO general insurance business from that date.

30(b) Net incurred claims

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

	2001			2000		
	Current Year $m	Prior Year $m	Total $m	Current Year $m	Prior Year $m	Total $m
Direct business						
Gross claims incurred and related expenses – undiscounted	917	(87)	830	835	(115)	720
Reinsurance and other recoveries - undiscounted	(141)	(13)	(154)	(77)	(6)	(83)
Net claims incurred - undiscounted	776	(100)	676	758	(121)	637
Discount and discount movements - gross claims incurred	(99)	76	(23)	(96)	59	(37)
Discount and discount movements - reinsurance and other recoveries	9	-	9	-	1	1
	686	(24)	662	662	(61)	601
Inwards reinsurance business						
Gross claims incurred and related expenses – undiscounted			3			(11)
Discount and discount movements - gross claims incurred			-			11
			3			-
Total net claims incurred			665			601

Exemption for inwards reinsurance business

Inwards reinsurance business is exempted from the disclosure requirement that net claims incurred be segregated between current and prior years.

Explanation of material variances

The major components of the prior year movements are:

- A release of prudential margin in respect of claim payments during the year;
- Unwinding of the discount allowed for in the provision and a small change in discount rate; and
- Reassessment of valuation assumptions (refer note 19).

Notes to the financial statements

For the year ended 30 June 2001

30. SEGMENT INFORMATION - GENERAL INSURANCE (CONTINUED)

30(c) Solvency ratio for general insurance business

	CONSOLIDATED 2001	CONSOLIDATED 2000
Adjusted net tangible assets ($m)	755	567
Required solvency margin ($m)	278	244
Solvency surplus ($m)	477	323
Solvency coverage	2.71	2.32

Required solvency margin is the greater of:

- $2 million
- 20% of premium income
- 15% of net outstanding claims provisions

31. SEGMENT INFORMATION - LIFE INSURANCE

31(a) Contribution to profit from ordinary life insurance activities

	CONSOLIDATED 2001 $m	CONSOLIDATED 2000 $m
Premium revenue	610	543
Outwards reinsurance expense	(13)	(14)
Net premium revenue	597	529
Equity securities	72	188
Debt securities	90	66
Property	59	55
Other	-	(2)
Investment revenue	221	307
Other revenue	13	12
Total revenue	831	848
Claim expenses	(396)	(486)
Reinsurance recoveries	11	11
Increase in net life insurance policy liabilities	(287)	(228)
Increase in policy owner retained profits	(14)	(3)
Other operating expenses	(80)	(67)
Total operating expenses	(766)	(773)
Profit from ordinary life insurance activities before income tax	65	75
Income tax expense attributable to profit from ordinary life insurance activities	(16)	(45)
Contribution to profit from ordinary life insurance activities	49	30

Notes to the financial statements

For the year ended 30 June 2001

31. SEGMENT INFORMATION - LIFE INSURANCE (CONTINUED)

31(a) Contribution to profit from ordinary life insurance activities (continued)

	CONSOLIDATED 2001 $m	2000 $m
Sources of life insurance operating profit		
Shareholder's operating profit in the statutory funds		
The shareholder's profit from ordinary activities after income tax in the statutory funds is represented by:		
Investment earnings on shareholder's retained profits and capital	10	11
Emergence of shareholder's planned profits	28	21
Experience profit	2	4
(Capitalised loss)/reversal of capitalised loss	1	(6)
	41	30
Shareholder's operating profit in the shareholder's fund		
Revaluation of subsidiary	9	-
Expenses	(1)	-
Shareholder's operating profit	49	30
Life Act policy owners' operating profit in the statutory funds		
The Life Act policy owners' profit from ordinary activities after income tax in the statutory funds is represented by:		
Earnings of policy owner retained profits	14	24
Emergence of policy owner planned profits	100	81
Experience loss	(2)	(4)
Life Act policy owners' profit from ordinary activities after income tax	112	101

Notes to the financial statements

For the year ended 30 June 2001

31. SEGMENT INFORMATION - LIFE INSURANCE (CONTINUED)

31(b) Net policy liabilities

	CURRENT BASIS [4]		PREVIOUS BASIS [5]
	2001	2000	2001
	$m	$m	$m
Components of net policy liabilities			
Best estimate liability			
Non-investment linked business			
Value of future policy benefits [1]	1,285	1,326	1,382
Value of future expenses	88	116	80
Value of unrecouped acquisition expenses	(59)	(52)	(59)
Balance of future premiums	(632)	(863)	(622)
	682	527	781
Investment linked business			
Value of future policy benefits [1]	913	786	913
Value of future expenses	37	31	38
Value of unrecouped acquisition expenses	(22)	(16)	(22)
Balance of future premiums	(108)	(126)	(108)
	820	675	821
Total best estimate liability	**1,502**	**1,202**	**1,602**
Value of future profits			
Non-investment linked business			
Policyholder bonuses [2]	819	834	743
Shareholder profit margins	212	212	188
	1,031	1,046	931
Investment linked business			
Shareholder profit margins	11	9	11
Total value of future profits	**1,042**	**1,055**	**942**
Total value of declared bonuses [3]	94	94	94
Total net policy liabilities	**2,638**	**2,351**	**2,638**

Explanatory notes

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

Restrictions on assets

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

Notes to the financial statements

For the year ended 30 June 2001

31. SEGMENT INFORMATION - LIFE INSURANCE (CONTINUED)

31(c) Managed assets and trustee activities

Managed assets

Assets of the InvestorChoice master trust totalling $49 million (2000: $12 million) are managed by a number of investment managers under the administration of Asgard Capital Management Ltd. Arrangements are in place to ensure that the asset management activities are separate from the consolidated entity.

Trustee activities

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

31(d) Disaggregated information by fund

Under the Life Insurance Act 1995, life insurance business is conducted within separate statutory funds which are distinguished from one another and the shareholders' funds. The financial statements of Suncorp Life & Superannuation Limited are lodged with relevant Australian regulators and show all major components of the financial statements disaggregated between each life insurance statutory fund and the shareholder's funds. Extracts of the disaggregated financial statements of the consolidated entity's life insurance business are set out below.

	NON-INVESTMENT LINKED STATUTORY FUND NO 1	INVESTMENT LINKED STATUTORY FUND NO 2	TOTAL STATUTORY FUNDS	SHAREHOLDER FUND
2001 Financial Year	$m	$m	$m	$m
Investment assets	2,191	873	3,064	37
Other assets	49	17	66	34
Policy liabilities	1,819	832	2,651	-
Liabilities other than policy liabilities	107	6	113	17
Policy owner retained profits	247	-	247	-
Retained profits	63	27	90	45
Capital transfers	5	25	30	(30)
Premium revenue	384	226	610	-
Investment revenue	155	50	205	16
Claims expense	(293)	(103)	(396)	-
Other operating expenses	(202)	(166)	(368)	(4)
Profit from ordinary activities before tax	46	7	53	12
Profit from ordinary activities after tax	30	11	41	8
Transfer of profits	(24)	-	(24)	24

Notes to the financial statements

For the year ended 30 June 2001

31. SEGMENT INFORMATION - LIFE INSURANCE (CONTINUED)

31(d) Disaggregated information by fund (continued)

2000 Financial Year	NON-INVESTMENT LINKED STATUTORY FUND NO 1 $m	INVESTMENT LINKED STATUTORY FUND NO 2 $m	TOTAL STATUTORY FUNDS $m	SHAREHOLDER FUND $m
Investment assets	2,122	733	2,855	22
Other assets	48	31	79	29
Policy liabilities	1,679	684	2,363	-
Liabilities other than policy liabilities	197	37	234	29
Policy owner retained profits	233	-	233	-
Retained profits	57	17	74	13
Capital transfers	5	25	30	(30)
Premium revenue	300	243	543	-
Investment revenue	225	80	305	2
Claims expense	(321)	(164)	(485)	-
Other operating expenses	(141)	(146)	(287)	(13)
Profit from ordinary activities before tax	63	13	76	(1)
Profit from ordinary activities after tax	26	5	31	-
Transfer of profits	(24)	-	(24)	24

31(e) Solvency requirements of the life insurance statutory funds

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

Notes to the financial statements

For the year ended 30 June 2001

31. SEGMENT INFORMATION - LIFE INSURANCE (CONTINUED)

31(e) Solvency requirements of the life insurance statutory funds (continued)

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

	CONSOLIDATED					
	STATUTORY FUND NO 1		STATUTORY FUND NO 2		TOTAL STATUTORY FUNDS	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Solvency requirement						
Minimum termination value	1,435	1,269	851	699	2,286	1,968
Other liabilities	107	197	6	38	113	235
Solvency reserve	371	398	6	8	377	406
	1,913	1,864	863	745	2,776	2,609
Assets available for solvency reserve						
Excess of net policy liabilities (includes policyholder bonuses) over minimum termination value	371	398	(19)	(15)	352	383
Net assets	68	62	52	42	120	103
Liability for policyholder retained profits at end of year	247	232	-	-	247	232
	686	692	33	27	719	718
Solvency reserve %	24.10	27.10	0.70	1.10	15.70	18.40
Coverage of solvency reserve	1.8	1.7	5.7	3.4	1.9	1.8

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

32. FINANCING ARRANGEMENTS

	CONSOLIDATED			
	2001	**2001**	**2000**	**2000**
	AVAILABLE	UNUSED	AVAILABLE	UNUSED
	$m	**$m**	**$m**	**$m**
Financing arrangements which are available to the consolidated entity (under normal financing arrangements)				
Standby facility	225	225	375	375

The standby facility is only available to the Company.

Financing arrangements which have been made available by controlled entities registered under the Financial Corporations Act (Australia) 1974 (contractually arranged for each client)				
Loan and lease facilities	-		228	

Notes to the financial statements

For the year ended 30 June 2001

33. RISK MANAGEMENT

33(a) General Framework

Management of risk throughout the consolidated entity is through a system of delegated limits. These limits govern the maximum amount and type of risk that can be assumed, severally by units within the consolidated entity and by the consolidated entity as a whole. The limits are delegated from the Board of Directors to executive management and then to relationship, investment and risk managers.

The risk management framework includes policies and procedures which detail a formal feedback process to the Audit, Business Risk and Compliance Committee, the Credit Committee and the Investment Committee of the Board. These committees are responsible for ensuring the consolidated entity has appropriate systems and policies and procedures to measure, monitor and report on risk management.

Feedback to Board committees and Executive committees is supported by regular reporting and compliance monitoring from the independent compliance and risk management areas of the consolidated entity such as Credit Bureau, Investment Compliance and Risk Management, Financial Markets Risk Management, Operational Risk Management and Internal Audit.

Insurance activities

General insurance activities

Suncorp Metway Insurance Ltd has an approved Risk Management Statement which has been accepted by APRA as appropriate guidelines for the use of derivatives.

Suncorp Metway Insurance Ltd operates three distinct investment portfolios, each with their own investment mandate, to assist in the overall management of the business:

- The domestic liabilities portfolio supports the technical reserves of Suncorp Metway Insurance Ltd excluding overseas claims liabilities. The investment mandate for this portfolio requires investments be held in non-risk assets, with in excess of 80% of investment funds being held in cash, short term securities and fixed interest securities. The portfolio is invested in a manner consistent with the expected duration of claims payments, ensuring any variation from a fully matched position is restrained.
- The overseas liabilities portfolio supports the run-off of off-shore liabilities in relation to previous inwards reinsurance activities.
- The shareholder's portfolio is tracked in relation to the investment of additional funds in support of working capital and retained earnings. To provide higher returns on capital maintained, the investment mandate for this portfolio requires more diverse investment strategies, including interests in equities, property, cash and fixed interest.

Life insurance activities

Suncorp Life & Superannuation Limited (SLSL) has an approved Risk Management Statement which has been accepted by APRA as appropriate guidelines for the use of derivatives.

SLSL has a shareholder and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund. Within the Capital Guaranteed Fund there are four sub-funds: Life Capital Guaranteed Funds Nos. 1 and 4, and Superannuation Capital Guaranteed Funds Nos. 1 and 4. Within the Investment Linked Fund there are eleven sub-funds: the Life Capital Stable Fund, the Balanced Life Fund, the Superannuation Stable Fund, the Balanced Superannuation Fund, the Multi Investment Fund, the MS Cash Pool Fund, the MS Capital Stable Fund, the MS Balanced Fund, the MS High Equity Fund, the Australian Equities Fund and the International Equities Fund. Each of these sub-funds has an investment mandate.

Notes to the financial statements

For the year ended 30 June 2001

33. RISK MANAGEMENT (CONTINUED)

33(b) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity policy is set by the Board to ensure that the consolidated entity has sufficient funds available to meet all its known and potential commitments.

Banking activities

Liquidity risk arises from mismatches in the cash flows of financial transactions or the inability of financial markets to absorb the transactions of the consolidated entity.

Policy and procedures also exist to monitor the liquidity of the financial markets within which the consolidated entity transacts business. The liquidity policy is managed within the Treasury department and is monitored independently by the risk management function on a continuous basis.

Insurance activities

The ability to make claims payments in a timely manner is critical to the business of insurance.

General insurance activities

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

The consolidated entity maintains a level of solvency in excess of the statutory requirements imposed by APRA. The level of solvency adopted reflects the significant long-tail liabilities on the consolidated entity's statement of financial position in relation to the Queensland Compulsory Third Party business.

Life insurance activities

The investment portfolio mandates ensure that sufficient cash deposits are available to meet day-to-day obligations.

33(c) Credit risk

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

Banking activities

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

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

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

Group Credit department manages the group credit risk accepted by the consolidated entity. Group Credit is responsible for managing the arrears on all loans and includes Secured Asset Management, a specialist unit which manages advanced problem loans. All Impaired Assets are managed within Group Credit.

Details of credit risk concentrations by industry for each of the major asset types are set out in note 29(d).

Notes to the financial statements

For the year ended 30 June 2001

33. RISK MANAGEMENT (CONTINUED)

33(c) Credit risk (continued)

Banking activities (continued)

The nature of credit risk varies between Business Banking and Retail Banking activities and is therefore managed differently.

Business banking

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

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

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

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

Retail banking

Separate credit policies for Retail Banking have been developed. The credit policies codify the standards for acceptance of new and additional applications. Credit scoring is used to approve many of the retail banking credit loans and the credit policies and lending policies are enforced by these systems.

Insurance activities

Credit risk occurs as a result of reinsurance arrangements and investment in financial instruments.

General insurance activities

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

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

Life insurance activities

The consolidated entity has no specific concentration of credit risk with a single counterparty arising from the use of financial instruments in managing the investment portfolio other than that normally arising through dealings on recognised exchanges and off exchange dealings (over the counter contracts). The counterparties to over the counter contracts are limited to companies with strong credit ratings from a recognised credit rating agency. These counterparties are normally banks operating in Australia.

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

Notes to the financial statements

For the year ended 30 June 2001

33. RISK MANAGEMENT (CONTINUED)

33(d) Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to have an effect on the earnings in a current/future reporting period.

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

Details of interest rate risk in relation to banking activities are set out in note 29(h).

Insurance activities

Interest rate risk arises from the investments in interest bearing securities. Any change in market value of investments as a result of changes in market interest rates is immediately recognised in the statement of financial performance.

General insurance activities

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

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

33(e) Foreign exchange risk

Foreign exchange risk arises from the effects of potential movements in exchange rates on open foreign currency positions. The objective of foreign exchange risk management within the consolidated entity is to minimise the impact on earnings of any such movements. Foreign exchange rate derivative products are used to assist in the management of foreign exchange risk.

Banking activities

The consolidated entity has arranged offshore borrowing facilities as part of the overall funding diversification process. These facilities have been fully hedged in respect of their potential foreign exchange risk, through the use of derivative financial instruments.

General insurance activities

The consolidated entity has ongoing obligations in relation to a number of outstanding claims which have arisen in relation to overseas business. The consolidated entity has ceased to accept new business from overseas and a specific investment portfolio has been established to ensure sufficient funds are set aside to accommodate all final settlements. The claims payments will be predominantly United States dollar based. The investment portfolio consists of cash and short term discount securities with a forward foreign exchange agreement.

Life insurance activities

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

Notes to the financial statements

For the year ended 30 June 2001

33. RISK MANAGEMENT (CONTINUED)

33(f) Discretionary market risk

Discretionary market risk is the risk of loss on the banking entity's discretionary positions from adverse financial markets' price movements. The banking entity's major discretionary market risks arise from interest rate risk and exchange rate risk. The banking entity uses historical simulation Value-at-Risk (VaR) and parallel yield curve shift measures to manage discretionary market risk. These measures are independently calculated and monitored on a daily basis. VaR is a statistical estimate of the potential loss that could be incurred if the banking entity's discretionary positions were maintained for a pre-defined time period. A 99% confidence level and a one-day holding period are used for the simulation. VaR and other risk sensitivity measures are aggregated to provide a measure of total discretionary risk. Correlation between interest rate and foreign exchange portfolios is not taken into account.

The uncorrelated VaR for the banking entity during the full year was as follows:

	CONSOLIDATED		
	Maximum VaR	Minimum VaR	Average VaR
	$000	**$000**	**$000**
2001 Financial Year			
Interest rate risk	739	27	240
Exchange rate risk	187	10	35
2000 Financial Year			
Interest rate risk	555	19	242
Exchange rate risk	187	8	38

33(g) Other financial instruments risk

Insurance activities

In addition to cash and interest bearing securities, the general insurance investment portfolios contain exposures to equity and property markets. These investments, integral to insurance activities, are measured at net market value and changes in market value are recognised in the statement of financial performance.

An overall downturn in the equities markets will impact on the future results of the consolidated entity. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of leading Australian companies and through the limited use of derivative financial instruments. Property investments are subject to regular valuations. This portfolio is actively managed to ensure that any adverse financial impacts are appropriately monitored.

33(h) Operational risk

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the consolidated entity conducts its business. Operational risk is managed through formal policies, documented procedures, business practices and compliance monitoring. An independent internal audit function also conducts regular reviews to monitor compliance with policy and regulatory requirements, and examines the general standard of control.

Notes to the financial statements

For the year ended 30 June 2001

34. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Banking activities

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

	FACE VALUE	CREDIT EQUIVALENT	FAIR VALUE
	$m	$m	$m
2001 Financial Year			
Exchange rate related contracts			
Forward exchange contracts	1,751	73	33
Cross currency swaps	2,813	710	593
Currency options	19	1	-
	4,583	784	626
Interest rate related contracts			
Interest rate swaps	6,105	66	(18)
Interest rate options	306	4	-
Interest rate futures	100	-	-
	6,511	70	(18)
Total derivative exposures	11,094	854	608
2000 Financial Year			
Exchange rate related contracts			
Forward exchange contracts	1,287	74	50
Cross currency swaps	2,492	597	279
Currency options	6	-	-
	3,785	671	329
Interest rate related contracts			
Interest rate swaps	3,166	37	10
Interest rate options	620	13	7
Interest rate futures	-	-	-
	3,786	50	17
Total derivative exposures	7,571	721	346

Notes to the financial statements

For the year ended 30 June 2001

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Insurance activities

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

The use of derivative financial instruments in the life insurance business to mitigate the risk of rising interest rates and equity markets includes the use of interest rate, futures contracts and exchange traded interest rate and equity options.

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

	CONSOLIDATED			
	2001 AVERAGE INTEREST RATE **%**	**2001** NOTIONAL PRINCIPAL AMOUNT **$m**	**2000** AVERAGE INTEREST RATE **%**	**2000** NOTIONAL PRINCIPAL AMOUNT **$m**
General insurance				
Less than one year	5.5	445	6.0	716
Life insurance				
Less than one year	5.4	744	6.3	584

Notes to the financial statements

For the year ended 30 June 2001

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Insurance activities (continued)

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

	CONSOLIDATED			
	2001 FAIR VALUE **$m**	**2001** FACE VALUE **$m**	**2000** FAIR VALUE **$m**	**2000** FACE VALUE **$m**
General insurance				
Total interest rate futures contracts	465	517	746	761
Total forward foreign exchange contracts	27	26	64	66
Equity futures	(98)	(98)	(106)	(111)
	394	445	704	716
Life insurance				
Total interest rate futures contracts	(69)	268	222	460
Total forward foreign exchange contracts	(27)	350	(18)	97
Equity futures	51	126	28	27
	(45)	744	232	584

Notes to the financial statements

For the year ended 30 June 2001

35. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	CONSOLIDATED			
	2001 CARRYING VALUE **$m**	**2001** NET FAIR VALUE **$m**	**2000** CARRYING VALUE **$m**	**2000** NET FAIR VALUE **$m**
Financial assets				
Cash and liquid assets	288	288	498	498
Receivables due from other financial institutions	12	12	189	189
Trading securities	1,649	1,649	963	963
Investment securities	6,095	6,095	5,565	5,565
Loans, advances and other receivables	20,146	20,196	18,067	18,051
Other financial assets	673	673	394	394
Financial liabilities				
Deposits and short term borrowings	16,908	16,991	14,509	14,586
Payables due to other financial institutions	-	-	57	57
Payables	709	709	847	847
Bonds, notes and long term borrowings	3,030	3,045	3,092	3,097
Subordinated notes	535	548	542	549
Asset and liability hedges - unrealised gains/(losses)	-	(23)	-	9

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

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

Financial assets

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

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

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

Notes to the financial statements

For the year ended 30 June 2001

35. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

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

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

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

Contingent financial liabilities

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

Other unrecognised financial instruments

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

Notes to the financial statements

For the year ended 30 June 2001

36. DETAILS OF CONTROLLED ENTITIES

Suncorp-Metway Ltd

Controlled entities of Suncorp-Metway Ltd

Metway Credit Corporation Limited
Suncorp Metway Staff Pty Ltd
Metway Leasing Limited
Metway Star Limited
Abbott & Williams Pty Ltd (1)
Derringhurst Pty Ltd (1)
Excelle Pty Ltd
SIS Super Pty Ltd (1)
SME Management Pty Ltd
QIDC Limited

Suncorp Finance Limited

Controlled entities of Suncorp Finance Limited

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

Graham & Company Limited

Controlled entities of Graham & Company Limited

Graham & Company Securities Limited

Hooker Corporation Limited

Controlled entities of Hooker Corporation Limited

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

Metfin Capital Pty Ltd

Controlled entities of Metfin Capital Pty Ltd

Metway Nominees Pty Ltd
Shelbourne Investments Pty Ltd

Suncorp Metway Insurance Ltd

Controlled entities of Suncorp Metway Insurance Ltd

LJ Hooker Financial Services Limited
The Park Road Property Trust (63% interest)
Suncorp Metway Risk Management Pte Limited (Incorporated in Singapore) (2)

Suncorp Metway Investment Management Limited

Controlled entities of Suncorp Metway Investment Management Limited

SUNCORP Custodian Services Pty Ltd
SUNCORP Property Management Limited
Controlled entities of SUNCORP Property Management Limited
Carindale Management Limited (3)

Suncorp Life & Superannuation Limited

Controlled entities of Suncorp Life & Superannuation Limited

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

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

(1) A number of controlled entities are small proprietary companies. Accordingly, they are not required to produce, and have not produced, audited financial statements.

(2) Audited by another member firm of KPMG International.

(3) Audited by Ernst & Young.

Notes to the financial statements

For the year ended 30 June 2001

37. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

(a) Acquisition

On 29 June 2001 Suncorp Property Management Limited purchased Carindale Management Limited for a consideration of $293,473. The net assets of Carindale Management Limited at the date of purchase were $293,473.

(b) Disposal

During the financial year the consolidated entity deregistered the following small proprietary companies which had ceased to trade:

SUNCORP Asset Management Limited
Metway Corporation Limited
SUNCORP General Investments Limited
Grahco Investments Pty Limited
Plant Location International (Australia) Pty Ltd
SUNCORP Staff Super Pty Ltd

During the financial year, the consolidated entity disposed of its investments in Lizars Investments Pty Limited, Malk Investments Pty Limited and Eddsvoid Pty Limited.

Consideration	**$**
Cash consideration	37,854,629
Net assets of controlled entities disposed	
Capitalised expenditure	27,102,196
External loan	(9,437,056)
Deferred tax liability	(2,645,862)
Excess of investments in controlled entities over net assets	18,818,215
	33,837,493
Profit on disposal of controlled entities	4,017,136

Notes to the financial statements

For the year ended 30 June 2001

38. FIDUCIARY ACTIVITIES

The consolidated entity manages funds on behalf of third parties. At 30 June 2001 the value of these assets under management was $779 million (2000: $820 million). These assets are not controlled by the consolidated entity and, therefore, are not consolidated.

39. RELATED PARTY INFORMATION

Directors and director related entities

The names of each person who held the position of director of the Company during the financial year were:

R John Lamble AO	Martin D E Kriewaldt
W Steven Jones	Rodney F Cormie
Frank C B Haly AO	John D Story
James J Kennedy AO, CBE	Dr Ian D Blackburne (appointed 3 August 2000)

Mr R Patrick Handley was appointed a director on 23 July 2001.

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

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

Loans to directors

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

	CONSOLIDATED	
	2001	**2000**
	$000	**$000**
Loans to director - WS Jones	400	400

The current interest rate payable is 6.82 percent. The principal amount is repayable at any time before 17 November 2017. Interest received on the loan was $27,626 (2000: $27,673). The loan is secured by registered mortgage over Mr Jones' residence.

	CONSOLIDATED	
	2001	**2000**
	$000	**$000**
Balance at the beginning of the financial year	400	400
Advanced during the year	-	-
Repayments made	-	-
Balance at the end of the financial year	400	400

Notes to the financial statements

For the year ended 30 June 2001

39. RELATED PARTY INFORMATION (CONTINUED)

Shareholdings

The number of shares and exchanging instalment notes held by directors of the Company and director related entities in the Company are set out below:

Shares	ORDINARY SHARES **2001**	ORDINARY SHARES **2000**	SERIES 2 PREFERENCE SHARES **2001**	SERIES 2 PREFERENCE SHARES **2000**
Balance at the beginning of the financial year	270,748	218,712	-	508
Directors no longer in office		(21,000)	-	-
Series 1 EINs converted to shares	-	72,000	-	-
Series 2 Preference Shares converted to ordinary shares		943	-	(508)
Net purchases (sales) on market	54,500	93	-	-
Balance at the end of the financial year	325,248	270,748	-	-

Notes	EXCHANGING INSTALMENT NOTES SERIES 1 **2001**	EXCHANGING INSTALMENT NOTES SERIES 1 **2000**	EXCHANGING INSTALMENT NOTES SERIES 2 **2001**	EXCHANGING INSTALMENT NOTES SERIES 2 **2000**
Balance at the beginning of the financial year	-	72,000	114,000	149,000
Series 1 EINs converted to shares	-	(72,000)	-	-
Net purchases (sales) on market	-	-	-	(35,000)
Balance at the end of the financial year	-	-	114,000	114,000

Directors of the Company and director related entities received normal distributions on these shares/notes. Details of the directors' shareholdings in the Company at the date of signing these financial statements are set out in the Directors' Report.

Share options

On 26 March 1997, two million options to subscribe for two million fully paid ordinary shares in the Company were granted under the Company's Executive Option Plan to Budmore Investments Pty Ltd, the trustee of the W S Jones Family Trust, of which Mr W Steven Jones (Managing Director) is a beneficiary. The price of the options were $5.51 each, being the weighted average market price of the Company's ordinary shares on the Australian Stock Exchange on the five consecutive trading days preceding the date the options were granted.

The options granted to Budmore Investments Pty Ltd for the benefit of Mr Jones are exercisable in three tranches:

- tranche 1 - maximum 650,000 shares on or after 6 July 1999 based on a market share price of not less than $6.00
- tranche 2 - maximum 700,000 shares on or after 6 July 2000 based on a market share price of not less than $6.50
- tranche 3 - maximum 650,000 shares on or after 6 July 2001 based on a market share price of not less than $7.00.

The conditions attached to the exercise of the options have been satisfied in respect to all tranches.

The total option price has been satisfied by Mr Jones executing a legally binding interest free Promise to Pay. Under the terms of the Promise to Pay, Mr Jones will be required to pay to the Company the total option price in respect of those options at the time they are exercised.

The options expire on the termination of services provided by Mr Jones or five years after the date the options were granted.

Notes to the financial statements

For the year ended 30 June 2001

39. RELATED PARTY INFORMATION (CONTINUED)

Other transactions of directors and director related entities

Financial instrument transactions

Financial instrument transactions between the Company and directors and director related entities during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on commercial terms and conditions no more favourable than those given to other employees or customers.

Transactions other than financial instrument transactions

The Company has agreements with non-executive directors providing for benefits to be paid on their retirement or death. The maximum benefit payable to a director is the total of annual fees paid by the Company to the director in respect of the last three years of service.

Mr J D Story is a partner in the firm of Corrs Chambers Westgarth, Solicitors, which from time to time renders legal services to the Company in the ordinary course of business. Fees paid to the firm during the financial year amounted to $1,290,813 (2000: $1,134,444).

Other transactions with directors and director related entities are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature.

These transactions are in the nature of personal investment, general insurance and life insurance policies.

Apart from the details disclosed in this note, no director or director related entity has entered into a material contract with the consolidated entity during the reporting period, and there were no material contracts involving directors or a director related entity existing at the end of the reporting period.

Transactions with entities in the wholly owned group and other related parties

The wholly owned group consists of Suncorp-Metway Ltd and its wholly owned and controlled entities disclosed in note 36.

Transactions between the Company and related parties in the wholly owned group consisted of advances made and repaid, dividends received and paid, insurance premiums received and paid, fees received and paid for administrative, property and portfolio management services, and interest received and paid. All these transactions were on a normal commercial basis.

Aggregate amounts resulting from transactions with members of the wholly owned group that have been included in the profit from ordinary activities before tax are disclosed in notes 3 and 4.

	COMPANY	
	2001 $m	**2000 $m**
Current amounts receivable		
Controlled entities	553	947
Current amounts payable		
Controlled entities	164	152

Notes to the financial statements

For the year ended 30 June 2001

40. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

40(a) Directors' remuneration

Total amount received or due and receivable by directors of the Company for the year ended 30 June 2001 was:

	BASE EMOLUMENT(1)	BONUS(2)	SHARES ISSUED(3)	OTHER COMPENSATION(4)	TOTAL COMPENSATION	RETIREMENT BENEFITS(5)	TOTAL
	$	$	$	$	$	$	$
Executive Director							
W S Jones	929,084	855,365	1,000	8,416	1,793,865	-	1,793,865
Non-Executive Directors							
R J Lamble	153,850	-	51,190	2,320	207,360	500	207,860
M D E Kriewaldt	114,250	-	-	9,140	123,390	15,750	139,140
I D Blackburne	68,783	-	-	5,503	74,286	12,610	86,896
R F Cormie	84,748	-	-	6,780	91,528	10,748	102,276
F C B Haly	86,940	-	-	-	86,940	-	86,940
J J Kennedy	80,500	-	-	6,440	86,940	7,667	94,607
J D Story	82,750	-	-	6,620	89,370	-	89,370

(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 2001.

(3) The $1,000 reflects shares to be issued to employees in respect of the year ended 30 June 2001. The $51,190 represents shares to be issued under the Non-Executive Directors' Share Plan.

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

(5) Represents the increase in the Provision for Retirement Benefits.

Notes to the financial statements

For the year ended 30 June 2001

40. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS (CONTINUED)

40(a) Directors' remuneration (continued)

The numbers of directors of the Company whose income from the Company or any related party falls within the following bands are:

	COMPANY	
	2001	**2000**
	Number	**Number**
Amount		
$50,000 to $59,999	-	1
$70,000 to $79,999	1	2
$80,000 to $89,999	3	1
$90,000 to $99,999	1	1
$110,000 to $119,999	-	1
$120,000 to $129,999	1	-
$160,000 to $169,999	-	1
$170,000 to $179,999	-	1
$200,000 to $210,000	1	-
$1,500,000 to $1,509,999	-	1
$1,790,000 to $1,799,999	1	-

The remuneration bands are based on the total compensation amount above as required by the Accounting Standards.

	DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY		DIRECTORS OF PARENT ENTITY	
	2001	**2000**	**2001**	**2000**
	$000	**$000**	**$000**	**$000**
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	2,640	2,397	2,554	2,358

Income received by non-executive directors of the Company and its controlled entities during the financial year amounted to $893,000 (2000: $794,000). At the Extraordinary General Meeting of Suncorp-Metway Ltd held on 14 March 1997, shareholders approved a maximum amount of income payable to such directors of $1,500,000.

40(b) Directors' retirement benefits

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$000	**$000**	**$000**	**$000**
Amounts provided during the current financial year in respect of non-executive directors of the Company and controlled entities in connection with retirement from office, being amounts previously approved by shareholders in a general meeting	47	298	47	298
Amounts paid or payable during the current financial year in respect of non-executive directors of the Company and controlled entities in connection with their retirement from office, being amounts previously approved by shareholders in a general meeting	-	253	-	253

Notes to the financial statements

For the year ended 30 June 2001

40. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS (CONTINUED)

40(c) 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 2001.

NAME (1)	BASE EMOLUMENT (2)	BONUS (3)	SHARES ISSUED (4)	OTHER COMPEN -SATION (5)	TOTAL COMPEN -SATION	OPTIONS GRANTED DURING THE YEAR (6)	EXERCISE PRICE	STRIKE PRICE	DATE FIRST EXERCISABLE	FAIR VALUE OF EACH OPTION GRANTED DURING THE YEAR (7)
	$	$	$	$	$		$	$		$
G J Moynihan	468,584	288,150	1,000	8,416	766,150	41,000	8.89	9.78	31 March 03	1.12
						42,000	8.89	10.31	31 March 04	0.99
						42,000	8.89	10.85	31 March 05	0.87
D Wilkie	431,584	291,077	1,000	8,416	732,077	50,000	8.89	9.78	31 March 03	1.12
						50,000	8.89	10.31	31 March 04	0.99
						50,000	8.89	10.85	31 March 05	0.87
M W Blucher	387,269	272,095	1,000	31,481	691,845	41,000	8.89	9.78	31 March 03	1.12
						42,000	8.89	10.31	31 March 04	0.99
						42,000	8.89	10.85	31 March 05	0.87
P S Johnstone	373,584	233,205	1,000	8,416	616,205	41,000	8.89	9.78	31 March 03	1.12
						42,000	8.89	10.31	31 March 04	0.99
						42,000	8.89	10.85	31 March 05	0.87
R N Reimer	315,972	196,077	1,000	25,278	538,327	26,000	8.89	9.78	31 March 03	1.12
						27,000	8.89	10.31	31 March 04	0.99
						27,000	8.89	10.85	31 March 05	0.87

(1) The senior executives are those executives responsible for 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 2001.

(4) Reflects shares to be issued to employees to the value of $1,000 in respect of the year ended 30 June 2001.

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

(6) 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.

(7) 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.

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.

Notes to the financial statements

For the year ended 30 June 2001

40. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS (CONTINUED)

40(c) Executive officers' remuneration (continued)

The numbers of executive officers (including the Managing Director included in note 40(a) above) whose income from the Company or controlled entities falls within the following bands are:

	CONSOLIDATED		COMPANY	
	2001 Number	2000 Number	2001 Number	2000 Number
Amount				
$190,000 to $199,999	1	-	1	-
$440,000 to $449,999	-	1	-	1
$530,000 to $539,999	1	-	1	-
$610,000 to $619,999	1	-	1	-
$630,000 to $639,999	-	1	-	1
$640,000 to $649,999	-	1	-	1
$680,000 to $689,999	-	2	-	2
$690,000 to $699,999	1	-	1	-
$730,000 to $739,999	1	1	1	1
$760,000 to $769,999	1	-	1	-
$1,500,000 to $1,509,999	-	1	-	1
$1,790,000 to $1,799,999	1	-	1	-

The remuneration bands are based on the total compensation amount above as required by the Accounting Standard.

	CONSOLIDATED		COMPANY	
	$000	$000	$000	$000
Total income in respect of the financial year received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is $100,000 or more	5,337	5,337	5,337	5,337

41. REMUNERATION OF AUDITORS

	CONSOLIDATED		COMPANY	
	2001 $000	2000 $000	2001 $000	2000 $000
Audit services - KPMG				
- statutory audit	975	975	560	560
- half year review	190	225	100	100
Other services - KPMG	578	446	265	65
	1,743	1,646	925	725

Notes to the financial statements

For the year ended 30 June 2001

42. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

There are claims and possible claims against companies in the consolidated entity, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained and provisions have been made as deemed necessary. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position.

Details of contingent liabilities and commitments for which no provisions are included in these financial statements are as follows:

- The Company and Suncorp Metway Insurance Ltd (the purchaser) are committed to undertake the acquisition of the Australian general insurance business of AMP and GIO. The agreement is conditional on receiving the relevant regulatory approvals and is expected to be completed on or around 30 September 2001 (refer note 44).
- In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers, including commitments to extend credit, letters of credit and financial guarantees. The consolidated entity uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.
- The consolidated entity has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations.
- Certain controlled entities act as trustee for various trusts. In this capacity, the controlled entities are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business the consolidated entity enters into various types of investment contracts, including derivative positions, that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.
- The consolidated entity rediscounts commercial bills previously accepted or endorsed by a bank. In the event that a liability was to arise in respect of a commercial bill rediscounted, the consolidated entity would have a legal claim of an equal amount against other parties to the bill. The total face value of commercial bills rediscounted at 30 June 2001 is nil (2000: nil).
- During the 1997 financial year, a controlled entity of the ultimate parent entity disposed of its interest in Nexis Pty Limited. In accordance with the sale agreement, various undertakings and warranties have been provided to the purchasers. Two controlled entities of the Company have jointly been notified of a potential claim of approximately $4.8m in relation to non-performance obligations provided to the purchasers. Legal action has not yet commenced and no provision has been made.
- A controlled entity, Suncorp Metway Insurance Ltd, entered into lease securitisation and defeasance transactions in May 1993 under which Suncorp Metway Insurance Ltd is required to reassume the liability for instalment payments due under certain circumstances, such as default under its obligations as lessor or an unremedied breach of warranty, representation or covenant in relation to the original documents. The net present value of the total amount of principal and interest instalments outstanding as at 30 June 2001 is approximately $66 million (2000: $67 million). In the event of crystallisation of this liability, that entity would reassume the interest in the leasehold over the two properties.

  Suncorp Metway Insurance Ltd deposited funds into certain reserve fund accounts to cover its future lessor obligations and contributions arising from failure of rental income increases to meet movements in the Consumer Price Index. Suncorp Metway Insurance Ltd retains beneficial ownership of these accounts which are operated by the manager under the supervision of the trustee. At 30 June 2001 the balance of the reserve fund accounts was $6 million (2000:$6 million) and the balance of the rent accounts was $1 million (2000: $1million). The prospect of a resumption of liability has been reviewed and is assessed as highly improbable.

Notes to the financial statements

For the year ended 30 June 2001

42. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (CONTINUED)

Detailed below are the notional amounts of contingent liabilities and credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by the Australian Prudential Regulation Authority:

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$000	**$000**	**$000**	**$000**
Notional amounts				
Guarantees entered into in the normal course of business	142	118	142	118
Commitments to provide loans and advances	1,995	1,696	1,995	1,696
	2,137	1,814	2,137	1,814
Credit equivalent amounts				
Guarantees entered into in the normal course of business	80	62	80	62
Commitments to provide loans and advances	1,278	1,460	1,278	1,460
	1,358	1,522	1,358	1,522

43. LEASE COMMITMENTS

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Operating leases				
Aggregate future operating lease rentals contracted for but not provided in the financial statements are payable as follows:				
Not later than one year	28	27	28	27
Later than two years but not later than five years	62	63	62	63
	90	90	90	90

The consolidated entity leases property under operating leases expiring from 3-10 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the consumer price index or operating criteria.

44. EXPENDITURE COMMITMENTS

	CONSOLIDATED		COMPANY	
	2001	**2000**	**2001**	**2000**
	$m	**$m**	**$m**	**$m**
Expenditure contracted for but not provided in the financial statements is payable as follows:				
Not later than one year	1,239	2	1,239	-

The consolidated entity has entered into an agreement to acquire the Australian general insurance business of AMP and GIO for $1.24 billion. The amount of the purchase consideration will be adjusted for any changes in the net tangible assets of the business acquired that would be admissable to APRA for general insurance solvency requirements from 31 December 2000 to 30 June 2001, confirmed by independent audit. At this date the amount of any adjustment is not known.

Notes to the financial statements

For the year ended 30 June 2001

44. EXPENDITURE COMMITMENTS (CONTINUED)

The agreement is conditional on receiving the relevant regulatory approvals. It is anticipated that Suncorp Metway Insurance Limited (the purchaser) will be required to pay AMP Life the purchase consideration on or around 30 September 2001. At that date the Company must issue shares to AMP Life to the value of $250 million reduced by shares subscribed for prior to that date. The Company has guaranteed to AMP Life that the purchaser will meet its obligations under the agreement. The Company will fund Suncorp Metway Insurance Limited by subscribing for new ordinary shares. The purchase consideration will increase by $135 million if AMP Life's interests in certain joint ventures are also acquired. This acquisition has not yet been determined.

45. SUPERANNUATION COMMITMENTS

On 1 October 1998 the then SUNCORP Staff (Closed) Superannuation Plan was re-named the Suncorp Metway Staff Superannuation Plan and contributions from that date no longer purchased defined benefits, but accumulation benefits. Both the former Suncorp Metway QIDC Staff Superannuation Fund and the QIDC Superannuation Scheme transferred into the Suncorp Metway Staff Superannuation Plan at that same date. Some members of the former defined benefit plans elected to retain their benefits accrued to 30 September 1998 in defined benefit. Accordingly the Suncorp Metway Staff Superannuation Plan is still technically a defined benefit plan, although no contributions since October 1998 have actually purchased defined benefits.

In the case of defined benefit funds, an actuarial assessment of each fund is made not less than every three years. At the date of the last review of the Suncorp Metway Staff Superannuation Plan (effective 30 June 1999), the actuary (Mr N G Spencer BSc, FIAA), in his report dated 18 January 2000, concluded that the assets of the fund are sufficient to meet all the benefits payable in the event of the funds' termination, or the voluntary or compulsory termination of employment of each employee.

Employer contributions to the Suncorp Metway Staff Superannuation Plan during the year ended 30 June 2001 was $11 million (2000: $2 million).

Defined benefit assets at net market value and vested defined benefits of the Plan based on the most recent actuarial review are as follows:

	CONSOLIDATED	
	2001	**2000**
	$m	**$m**
Suncorp Metway Staff Superannuation Plan (formerly SUNCORP Staff (Closed) Superannuation Plan)		
Details last review as at 30 June 1999:		
Plan defined benefit assets at net market value	16	16
Total accrued benefits	(12)	(12)
Excess	4	4
Total vested benefits	13	13

(The amounts relate to the actuarial report for the period ending 30 June 1999)

Notes to the financial statements

For the year ended 30 June 2001

46. OWNERSHIP BASED REMUNERATION PLANS

At an Extraordinary General Meeting of the Company held on 14 March 1997, shareholders approved:

- an Exempt Employee Share Plan (EESP);
- a Deferred Employee Share Plan (DESP);
- an Executive Option Plan (EOP); and

at the Annual General Meeting on 1 November 2000, shareholders approved the establishment of the Non-Executive Directors' Share Plan (NEDSP) for the purpose of promoting participation of employees and directors in the ownership of the Company. Under the EESP, DESP and NEDSP an unrelated special purpose custodial plan company can acquire ordinary shares in the Company either in ordinary trading on the Australian Stock Exchange or from a new issue of ordinary shares by the Company.

Features of the Plans are as follows:

Feature	EESP	DESP	EOP	NEDSP
Eligibility	Employees having completed 12 months' service (or less at discretion of Board)	Employees having completed 12 months' service (or less at discretion of Board)	Executive officers or their associates as approved by Board	Non-Executive directors or their associates as approved by Board
Share / option allocation	Equal value per eligible employee on conditions as determined by Board	On conditions as determined by Board	At discretion of Board	Participation at the discretion of Board members
Price to employee / Non-Executive director	Nil or as part of remuneration Number of shares issued based on market value at date of issue	Nil, shares will be funded from or as part of remuneration Number of shares issued based on market value at date of issue	Option price: market value of underlying share at date of grant Exercise price: as determined by Board	Part of gross remuneration Number of shares based on market value at date of issue
Vesting	Fully vested, not subject to forfeiture	If provided as part of remuneration: fully vested If subject to performance: will vest when criteria satisfied	Exercise period: as determined by Board Lapse date: subject to certain conditions, the earlier of 5 years from date of grant and a date determined by Board at time of invitation to participate Price and performance hurdle as determined by Board	Fully Vested
Minimum holding period	3 years from date of allocation, or upon cessation of employment	None	As determined by Board	None
Plan maximum limit	5% of total shares on issue	5% of total shares on issue	Underlying shares of unexercised options: 5% of total shares on issue	5% of total shares on issue

Notes to the financial statements

For the year ended 30 June 2001

46. OWNERSHIP BASED REMUNERATION PLANS (CONTINUED)

Details of the shares issued under the EESP, DESP and NEDSP are as follows:

	Dates on which shares were issued	Total number of shares issued	Issue Price(s)	Total market value at dates of issue	Amounts received from employees
2001 Financial Year	1 October 2000 1 November 2000 23 February 2001 28 March 2001	757,513	$8.89, $11.72 & $11.35	$6,821,983	$3,506,679
2000 Financial Year	1 October 1999 22 March 2000	448,789	$8.07 & $7.87	$3,616,121	$1,167,182

During the financial year $3,388,500 (2000: $4,126,159) was provided to acquire shares to the value of $1,000 (2000: $750) for each employee eligible under the EESP. These shares wil be issued in October 2001.

In addition, the Company provided shares to the value of $743,462 (2000: $6,779) to eligible employees.

Other shares issued under the plans during the year were by way of salary sacrifice, where the amounts payable by the employees were equivalent to the market value of the shares acquired at the time of issue.

On 1 October 2000 7,382 (2000: 11,309) State of Queensland Exchanging Instalment Notes Series 2 (Notes) were issued to staff under the DESP at an issue price of $5.48 (2000: $5.33 and $4.86). The Company contributed $41,762 (2000: $66,910) to the purchase of the Notes.

On 3 November 2000 the Company contributed $77,500 (2000: Nil) for payment of the final instalment of the Notes held in the DESP.

Options may only be exercised within the limitations imposed by the Corporations Act 2001 and the Australian Stock Exchange Listing Rules. Under the Australian Stock Exchange Listing Rules, options may not be issued to Company Directors under an employee incentive scheme without specific shareholder approval. Shareholders approved the issue of options (and shares resulting from exercise of those options) to the Managing Director at the general meeting on 14 March 1997.

Notes to the financial statements

For the year ended 30 June 2001

46. OWNERSHIP BASED REMUNERATION PLANS (CONTINUED)

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	STRIKE PRICE	NUMBER OF OPTIONS HELD AT 30 JUNE 2001(2)	NUMBER OF OPTIONS HELD AT 30 JUNE 2000	FAIR VALUE OF EACH OPTION GRANTED DURING THE YEAR(3)
			$	$			$
26 Mar 1997	6 Jul 1999	26 Mar 2002	5.51	6.00	650,000	650,000	
26 Mar 1997	6 Jul 2000	26 Mar 2002	5.51	6.50	700,000	700,000	
26 Mar 1997	6 Jul 2001	26 Mar 2002	5.51	7.00	650,000	650,000	
10 Sept 1997	31 Mar 2000	10 Sept 2002	6.79	7.00	156,000	196,000	
10 Sept 1997	31 Mar 2001	10 Sept 2002	6.79	7.50	157,000	197,000	
10 Sept 1997	31 Mar 2002	10 Sept 2002	6.79	8.00	157,000	197,000	
17 Dec 1997	31 Mar 2000	17 Dec 2002	7.19	7.00	NIL	40,000	
17 Dec 1997	31 Mar 2001	17 Dec 2002	7.19	7.50	40,000	40,000	
17 Dec 1997	31 Mar 2002	17 Dec 2002	7.19	8.00	40,000	40,000	
15 Jan 1998	15 Jul 2000	15 Jan 2003	7.56	7.56	100,000	250,000	
16 Dec 1998	16 Jun 2001	16 Dec 2003	7.96	9.00	119,500	119,500	
16 Dec 1998	16 Jun 2002	16 Dec 2003	7.96	9.50	121,000	121,000	
16 Dec 1998	16 Jun 2003	16 Dec 2003	7.96	10.00	122,000	122,000	
3 Jun 1999	3 Nov 2001	3 Jun 2004	8.81	9.75	116,667	116,667	
3 Jun 1999	3 Nov 2002	3 Jun 2004	8.81	10.25	116,667	116,667	
3 Jun 1999	3 Nov 2003	3 Jun 2004	8.81	10.75	116,666	116,666	
3 Jun 1999	3 Nov 2001	3 Jun 2004	8.81	9.75	13,334	13,334	
3 Jun 1999	3 Nov 2002	3 Jun 2004	8.81	10.25	13,333	13,333	
3 Jun 1999	3 Nov 2003	3 Jun 2004	8.81	10.75	13,333	13,333	
6 Oct 1999	31 Mar 2002	6 Oct 2004	8.11	9.12	116,250	116,250	
6 Oct 1999	31 Mar 2003	6 Oct 2004	8.11	9.56	116,750	116,750	
6 Oct 1999	31 Mar 2004	6 Oct 2004	8.11	10.05	115,750	115,750	
6 Oct 1999	31 Mar 2002	6 Oct 2004	8.11	9.12	149,000	149,000	
6 Oct 1999	31 Mar 2003	6 Oct 2004	8.11	9.56	149,000	149,000	
6 Oct 1999	31 Mar 2004	6 Oct 2004	8.11	10.05	152,000	152,000	
1 Oct 2000	31 Mar 2003	1 Oct 2005	8.89	9.78	199,000	-	1.12
1 Oct 2000	31 Mar 2004	1 Oct 2005	8.89	10.31	203,000	-	0.99
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	10.85	203,000	-	0.87
1 Oct 2000	31 Mar 2003	1 Oct 2005	8.89	10.00	168,100	-	1.06
1 Oct 2000	31 Mar 2004	1 Oct 2005	8.89	10.49	169,400	-	0.94
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	11.02	172,500	-	0.83
					5,316,250	4,511,250	

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

(2) No options were exercised subsequent to balance date.

(3) 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. However, the valuation does not take into account any performance hurdles attaching to the options.

During the year 230,000 options (2000: nil) were exercised under the Executive Option Plan. 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. In addition to those options shown above, 80,000 (2000: 35,000) options expired in respect of employees who resigned. No options expired during the year ended 30 June 2001.

The market price of the Company's shares at 30 June 2001 was $15.00 (2000: $8.62).

Notes to the financial statements

For the year ended 30 June 2001

47. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

On 4 July 2001 the remaining 124,000,000 converting capital notes were converted to ordinary shares of the same number. The converted shares will not participate in the 2001 final ordinary share dividend, in accordance with the Subscription Deed dated 16 October 1996.

An extraordinary general meeting was held on 10 August 2001 at which shareholders approved the issue of up to 2.5 million preference shares at an issue price of $100 per share and the issue of a maximum of 12,135,338 ordinary shares to AMP Life. Shareholders also ratified the issue of ordinary shares as described in State of Affairs in the Directors' Report. The issue of additional shares is in relation to the acquisition of the Australian general insurance business of AMP and GIO (refer Likely Developments in the Directors' Report).

Directors' declaration

For the year ended 30 June 2001

The directors declare that the financial statements and notes set out on pages 35 to 121:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

a) the financial statements and notes are in accordance with the Corporations Act 2001; and

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

This declaration is made in accordance with a resolution of the directors:

John Lamble

R John Lamble AO

Chairman

Steve Jones

W Steven Jones

Managing Director

Brisbane

14 August 2001

Independent Audit Report to the members

For the year ended 30 June 2001

Scope

We have audited the financial report of Suncorp-Metway Ltd for the financial year ended 30 June 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 47 and the directors' declaration set out on pages 35 to 122. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of Suncorp-Metway Ltd is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

KPMG

KPMG

Ian Fraser

Ian H Fraser
Partner

Brisbane 14 August 2001

Ratio definitions

For the year ended 30 June 2001

ITEM	DEFINITION
Diluted shares	Comprises ordinary shares including partly paid shares, preference shares, capital notes and outstanding options.
Earnings per Share	Basic earnings per share is calculated by dividing the earnings of the company for the financial year by the weighted average number of ordinary shares of the company outstanding during the financial year.
Group Efficiency Ratio	Operating expenses as a percentage of total operating income excluding General Insurance shareholder funds investment income and excluding the impact of life insurance Accounting Standard AASB 1038.
Interest Margin	Net interest income divided by average interest earning assets.
Interest Spread	The difference between the average rate on average interest earning assets and the average rate on average interest bearing liabilities.
Net Tangible Asset Backing - Basic	Shareholders' equity attributable to members of the Company less preference shares, converting capital notes, and intangibles divided by ordinary shares at the end of the period adjusted for partly paid shares.
Payout Ratio	Total dividends and distributions paid or provided divided by operating profit after tax.
Return on Average Shareholders' Equity – Basic	Operating profit after tax less preference dividends and capital note distribution divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares and converting capital notes. Averages are based on beginning and end of period balances.
Return on Average Total Assets	Operating profit after tax divided by average total assets. Averages are based on beginning and end of period balances.
Total Operating Income per FTEW	Total operating income divided by full time equivalent work force.

Shareholder & Noteholder Information

MAJOR SHAREHOLDERS

At 7 August 2001, the 20 largest holders of fully paid Ordinary Shares held 251,894,740 shares, equal to 51.04 percent of the total fully paid shares on issue.

	Number of Shares	%
Queensland Treasury Holdings Pty Ltd	142,500,000	28.87
Chase Manhattan Nominees Limited	20,404,231	4.13
Citicorp Nominees Pty Limited	12,324,161	2.50
National Nominees Limited	11,564,506	2.34
Citicorp Nominees Pty Limited	11,431,140	2.32
Westpac Custodian Nominees Limited	9,413,965	1.91
AMP Life Limited	7,012,533	1.42
Citicorp Nominees Pty Limited	4,245,718	0.86
RBC Global Services Australia Nominees Pty Limited	4,145,944	0.84
NRMA Nominees Pty Limited	4,064,888	0.82
Queensland Investment Corporation	3,635,249	0.74
MLC Limited	3,543,412	0.72
Citicorp Nominees Pty Limited	3,011,277	0.61
Commonwealth Custodial Services Limited	2,532,779	0.51
Zurich Australia Limited	2,410,428	0.49
Citicorp Nominees Pty Limited	2,215,064	0.45
Australian Foundation Investment Company Limited	2,017,651	0.41
Cogent Nominees Pty Limited	1,917,410	0.39
Citicorp Nominees Pty Limited	1,770,517	0.36
Cogent Nominees Pty Limited	1,733,867	0.35
	251,894,740	**51.04**

SUBSTANTIAL SHAREHOLDERS

At 7 August 2001, the following entries were contained in the register of substantial shareholdings, based on Substantial Holding Notices received:

	Number of Shares
Queensland Treasury Holdings Pty Ltd	142,500,000
Commonwealth Bank of Australia Group Companies	40,543,972

Shareholder & Noteholder Information

DISTRIBUTION OF SHAREHOLDINGS

(i) Fully paid Ordinary Shares at 7 August 2001:

RANGE	Number of Holders	% of Holders	Number of Shares	% of Shares
1-1,000 shares	61,326	64.88	31,614,256	6.40
1,001-5,000 shares	24,477	25.89	60,361,930	12.22
5,001-10,000 shares	5,277	5.58	37,310,946	7.55
10,001-100,000 shares	3,262	3.45	69,265,090	14.03
100,001- shares and over	170	.20	295,117,149	59.80
	94,512	**100.00**	**493,669,371**	**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) Partly paid Ordinary Shares at 7 August 2001:

	Number of Holders	% of Holders	Number of Shares	% of Shares
1-1,000 shares	4	25.00	3,100	8.36
1,001- 5,000 shares	11	68.75	28,150	75.97
5,001- 10,000 shares	1	6.25	5,800	15.67
10,001-100,000 shares	-	-	-	-
100,001- shares and over	-	-	-	-
	16	**100.00**	**37,050**	**100.00**

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.

HOLDERS OF NON-MARKETABLE PARCELS

At 7 August 2001 the number of shareholders with less than a marketable parcel for fully paid Ordinary Shares (1- 33 shares) was 189 (0.19 percent of shareholders) representing 2,940 shares.

Shareholder & Noteholder Information

MAJOR NOTEHOLDERS

At 7 August 2001, the 20 largest holders of Exchanging Instalment Notes Series 2 held 46,892,267 notes, equal to 32.91 per cent of the total notes on issue.

	Number of Notes	%
Brispot Nominees Pty Ltd	8,879,702	6.23
Westpac Custodian Nominees Limited	5,747,723	4.03
Chase Manhattan Nominees Limited	4,445,515	3.12
RBC Global Services Australia Nominees Pty Ltd	3,608,756	2.53
Citicorp Nominees Pty Limited	3,588,367	2.52
Queensland Investment Corporation	3,374,026	2.37
Citicorp Nominees Pty Limited	2,855,186	2.00
National Nominees Limited	2,626,983	1.84
MLC Limited	2,466,834	1.73
Elise Nominees Pty Limited	1,675,127	1.18
AMP Life Limited	1,227,480	0.86
Milton Corporation Ltd	880,000	0.62
Pan Australian Nominees Pty Limited	822,774	0.58
JP Morgan Custodial Services Pty Ltd	797,600	0.56
Commonwealth Custodial Services Limited	796,310	0.56
Fortis Clearing Nominees P/L	709,238	0.50
Tower Trust Limited	642,014	0.45
Questor Financial Services Limited	641,695	0.45
Citicorp Nominees Pty Limited	566,166	0.40
RBC Global Services Australia Nominees Pty Limited	540,771	0.38
	46,892,267	**32.91**

Substantial Noteholders

At 7 August 2001, there were no entries contained in the register of substantial unitholdings for Exchanging Instalment Notes Series 2.

Shareholder & Noteholder Information

DISTRIBUTION OF NOTEHOLDINGS

Exchanging Instalment Notes Series 2 at 7 August 2001:

RANGE

	Number of Holders	% of Holders	Number of Notes	% of Notes
1-1,000 notes	106,178	87.76	37,689,367	26.44
1,001-5,000 notes	13,141	10.86	30,345,215	21.29
5,001-10,000 notes	1,110	0.91	8,208,895	5.76
10,001-100,000 notes	498	0.41	10,900,161	7.64
100,001-notes and over	56	0.06	55,356,362	38.87
	120,983	**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 7 August 2001 the number of holders with less than a marketable parcel (1-33 notes) was 68 (0.05 percent of holders) representing 613 notes.

Shareholder Information

REGISTERED OFFICE

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

COMPANY SECRETARY

Clifford R Chuter

Information about Suncorp Metway is also available on the internet at www.suncorpmetway.com.au

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in the Grand Ballroom, Sheraton Hotel, 249 Turbot Street, Brisbane on Tuesday 16 October at 2.30pm.

SHARE AND NOTE REGISTRY

Shareholders and noteholders can obtain information about their share and note holdings by contacting the Company's share registry:
Douglas Heck & Burrell
Level 22, 300 Queen Street Brisbane Qld 4000
Telephone: (07) 3228 4219
Facsimile: (07) 3221 3149
Email: registries@dhb.com.au
Mailing address: Locked Bag 568, Brisbane, Qld. 4001

When seeking information shareholders and noteholders must provide their Security Reference Number (SRN) or their Holder Identification Number (HIN) which are recorded on their shareholder/noteholder statements.

CHANGE OF ADDRESS

Shareholders sponsored by Suncorp Metway (issuer sponsored) or EIN – Series 2 noteholders sponsored by the Queensland Government, must advise Douglas Heck & Burrell in writing, appropriately signed, of the amended details. Change of address forms can be obtained via our internet site.

Shareholders or noteholders sponsored by a broker (broker sponsored) should not advise the registry but advise their broker in writing of the amended details.

PAYMENT OF DIVIDENDS/INTEREST

Shareholders or noteholders who wish to have their dividends/interest paid directly into their bank, building society or credit union account should obtain a direct credit application form from the share registry or via our internet site.

REMOVAL FROM ANNUAL REPORT MAILING LIST

Shareholders or noteholders who no longer wish to receive a Concise Report or a Full Annual report should advise the share registry in writing, by fax, telephone or by email, quoting their reference number. A form is available via our internet site.

STOCK EXCHANGE LISTED SECURITIES

Suncorp Metway's securities listed on the Australian Stock Exchange are:
Ordinary Shares (code SUN)
Floating Rate Capital Notes (SUNHB)
Exchanging Instalment Notes - Series 2 (SMPGA), issued by the Queensland Government

OTHER INFORMATION

Suncorp-Metway Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Key Dates*

ORDINARY SHARES (SUN)

Final Dividend 2001	
Ex dividend date	10 September
Record date	14 September
Dividend paid	28 September
Interim Dividend 2002	
Ex dividend date	4 March
Record date	8 March
Dividend paid	1 April
Final Dividend 2002	
Ex dividend date	9 September
Record date	13 September
Dividend paid	1 October

EXCHANGING INSTALMENT NOTES SERIES 2 (SMPGA)

Interest paid (final)	30 September 2001
Notes exchange for ordinary shares	31 October 2001

FLOATING RATE CAPITAL NOTES (SUNHB)

2001	
Ex interest date	9 November
Record date	15 November
Interest paid	30 November
2002	
Ex interest date	11 February
Record date	15 February
Interest paid	4 March
Ex interest date	9 May
Record date	15 May
Interest paid	30 May
Ex interest date	9 August
Record date	15 August
Interest paid	30 August
Ex interest date	11 November
Record date	15 November
Interest paid	2 December

Metropolitan Permanent Building Society Trust

Financial Statements for the year ended 30 June 2001

STATEMENT OF FINANCIAL POSITION

As at 30 June 2001

	2001 $m	2000 $m
ASSETS		
Investments at cost (unquoted)		
2,000 non-participating shares each fully paid in Suncorp-Metway Ltd	1,000	1,000
EQUITY		
Initial sum	1,000	1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of the financial report are:

Basis of Preparation

The financial report of the Trust is a general purpose financial report which has been drawn up in accordance with the requirements of Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board, the provisions of the Trust Deed dated 23 March 1988 and the requirements of law. Except where otherwise stated, the financial report has been prepared on the basis of historical costs and does not take into account changing money values. These accounting policies have been consistently applied.

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

2. STATEMENT OF FINANCIAL PERFORMANCE AND STATEMENT OF CASH FLOWS

The Trust did not undertake any financial transactions during the year and as a result, no statement of financial performance or statement of cash flows has been prepared.

Metropolitan Permanent Building Society Trust

Financial Statements for the year ended 30 June 2001

TRUSTEE'S REPORT

For the year ended 30 June 2001

As Trustee of the above Trust we report for the year ended 30 June 2001 that:

- we hold in trust on behalf of the pre-incorporation members, 2,000 non-participating shares each fully paid in Suncorp-Metway Ltd;
- no dividends were received in relation to the 2,000 non-participating shares;
- the Trust Property was held and administered in accordance with the Trust Deed dated 23 March 1988.

J Wall

General Manager Corporate Clients
Permanent Trustee Australia Limited

Sydney 14 August 2001

Metropolitan Permanent Building Society Trust

Financial Statements for the year ended 30 June 2001

INDEPENDENT AUDIT REPORT TO THE BENEFICIARIES OF METROPOLITAN PERMANENT BUILDING SOCIETY TRUST

Scope

We have audited the financial report of the Metropolitan Permanent Building Society Trust for the financial year ended 30 June 2001, consisting of the statement of financial position, accompanying notes, and the Trustee's report attached. The Trustee is responsible for the financial report. We have conducted an independent audit of the financial report in accordance with Australian Auditing Standards in order to express an opinion on it to the beneficiaries of the Trust.

Audit Opinion

In our opinion, the financial report of the Metropolitan Permanent Building Society Trust is properly drawn up:

- so as to give a true and fair view of the state of affairs of the Trust at 30 June 2001, and the results and cash flows of the Trust for the financial year ended on that date;
- in accordance with the provisions of the Trust Deed dated 23 March 1988; and
- in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

KPMG

KPMG

Ian Fraser

Ian H Fraser
Partner

Brisbane 14 August 2001

INTERNET SITE

Suncorp Metway's internet site, **http://www.suncorpmetway.com.au** provides information on banking, insurance and investment products and services, sponsorships, financial results, company and shareholder information. You can apply on line for a transaction account, credit card, home loan, investment property loan, small business loan, share loan or personal finance loan. Or get a quote for your home or car insurance.

You can also use our internet banking services for your everyday banking or Suncorp Metway Share Trade to buy and sell shares.

ANNUAL REPORT

Copies of the full Annual Report (which includes the Concise Report and annual financial statements) can be obtained from Investor Relations **(07) 3835 5797** or through our internet site: **www.suncorpmetway.com.au**. Our site also includes our half year results and profit announcements.

PUBLICATIONS/ANNOUNCEMENTS

Should you wish to receive our publications and announcements by email as they are released, you can make this request through the Investor Information section on our internet site: **www.suncorpmetway.com.au**.

Contact Us

General enquiries	**13 11 55**
Quickcall phone banking	**13 11 25**
Insurance sales and enquiries	**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, financial planning	**1800 451 223**
Investment funds enquiries centre	**1800 067 732**
Business Banking service centre	**1300 651 125**
Small Business Banking	**1300 651 125**

SUNCORP METWAY

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