BANKING
INSURANCE
INVESTMENT

SUNCORP

Annual Report 2005

Contents

Front cover:

Australia's high incidence of skin cancer was the motivating force for Suncorp, in conjunction with the Queensland Institute of Medical Research and the Royal Lifesaving Society Queensland, to develop campaigns to help educate Queenslanders about the dangers of sun exposure and promote sun safe behaviour in our community.

Those magnificent men and their flying machines, known as the Darling Downs Aero Club, have been Suncorp customers since 1991. We take care of their business and investment needs through our Clifford Gardens Branch in Toowoomba. Branch Manager Wendy Swan recently took to the air with instructor Tim Berry.

Our Vision

To be the most desirable financial services company in Australia

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

Suncorp-Metway Ltd ABN 66 010 831 722

Our Values

> **Trust** – Keeping our promises
> **Honesty** – Talking straight, being genuine and ethical
> **Caring** – Listening carefully to others, working together to achieve shared goals
> **Respect** – Treating individuals with dignity
> **Fairness** – Treating people justly and equitably
> **Courage** – Taking accountability for results, being up front about mistakes and taking considered risks

These youngsters preferred coloured hair during the Leukemia Foundation's Shave-for-a-cure challenge.

A little puppy love during Volunteer Day at the RSPCA.

Company Profile

Suncorp is one of Australia's 20 largest listed companies, with a market capitalisation of around $11 billion, 175,000 shareholders and 546 million shares on issue. Our head office is in Brisbane, Queensland.

We are Australia's sixth largest bank and the fourth largest insurance group with assets of more than $48 billion and $12 billion funds under management. There are over 8,600 staff nationally.

The group also has a 50 percent share in RACQ Insurance Limited and RAA Insurance Limited, with the major motor clubs, RACQ (Qld) and RAA (SA), and RACT Insurance (100 percent) in Tasmania.

The main businesses are retail and business banking, general insurance, life insurance, superannuation and funds management with a focus on retail consumers and small to medium businesses. We have 4.2 million customers across Australia and strong market shares in most of our insurance business classes including home, motor and compulsory third party.

Our two brands are Suncorp and GIO, which is our main insurance brand outside of Queensland.

Financial Highlights

24%
BANKING $458m
Result driven by robust lending growth, high net interest margins, historically low bad debt write-offs and provisions.

40%
GENERAL INSURANCE $651m
Result driven by solid growth in premium revenue, favourable long tail claims experience, increased investment income.

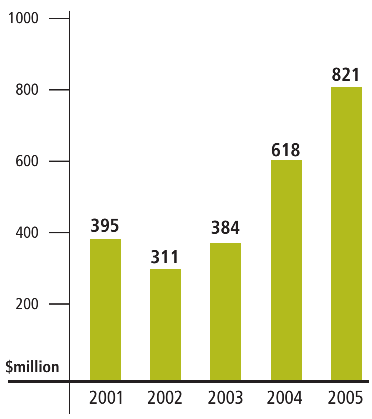
38%
WEALTH MANAGEMENT $91m
Result driven largely by strong investment earnings.

27%
UNDERLYING PROFIT $955m
Another year of strong operating performance of the business.

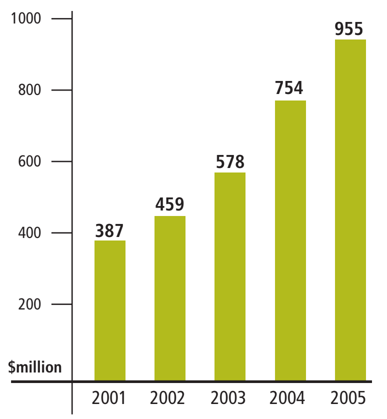
24%
FULL YEAR DIVIDEND 87cents

29%
EARNINGS PER SHARE CASH DILUTED $1.60

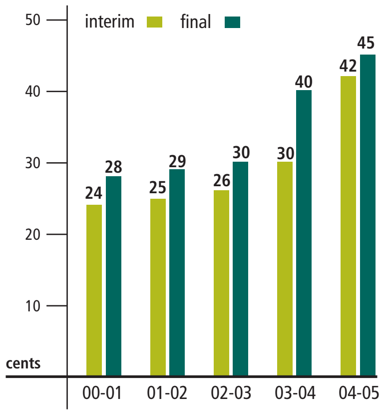
75cents
SPECIAL DIVIDEND
75 cents per ordinary share, fully franked



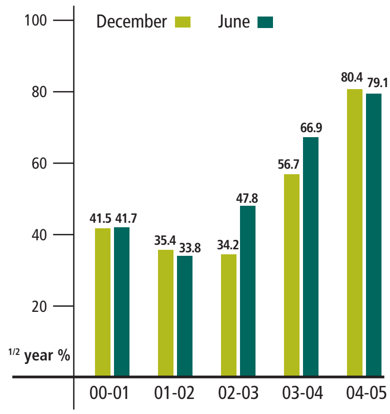
Operating profit after tax



Underlying profit
Excludes Life and Super policy owners' interests and tax



Dividends interim/final



Cash earnings per share diluted

Suncorp total shareholder return for the year 47%

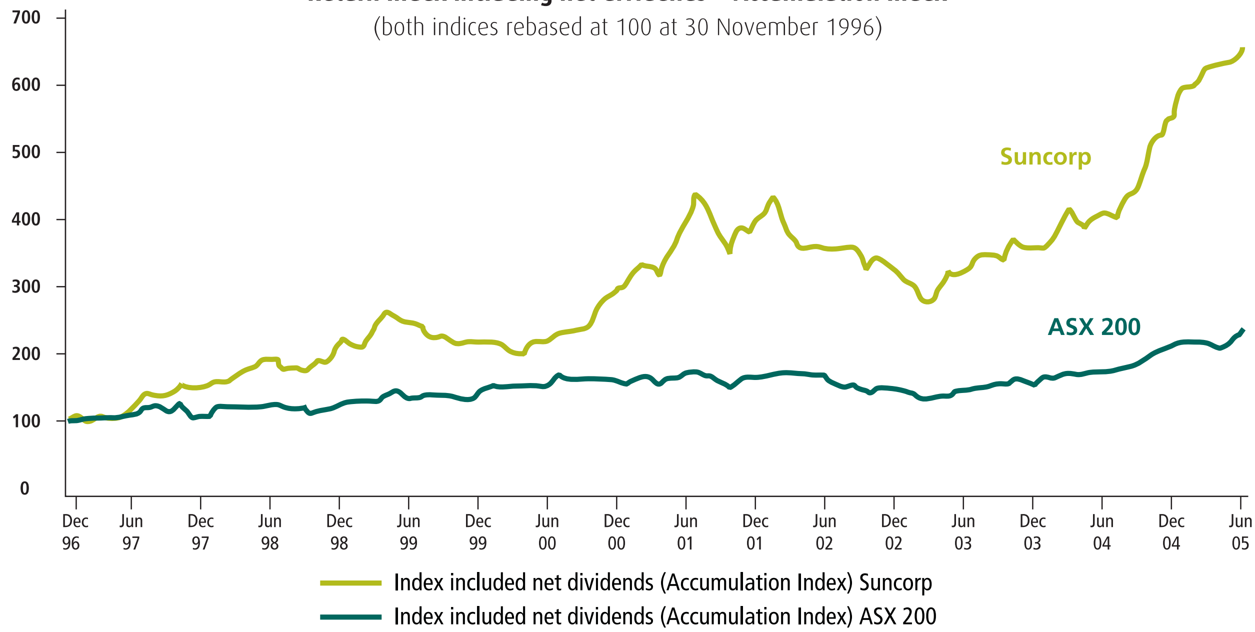
Mia Zimmerman, one of our friendly sales and services assistants at Bulimba, Queensland.

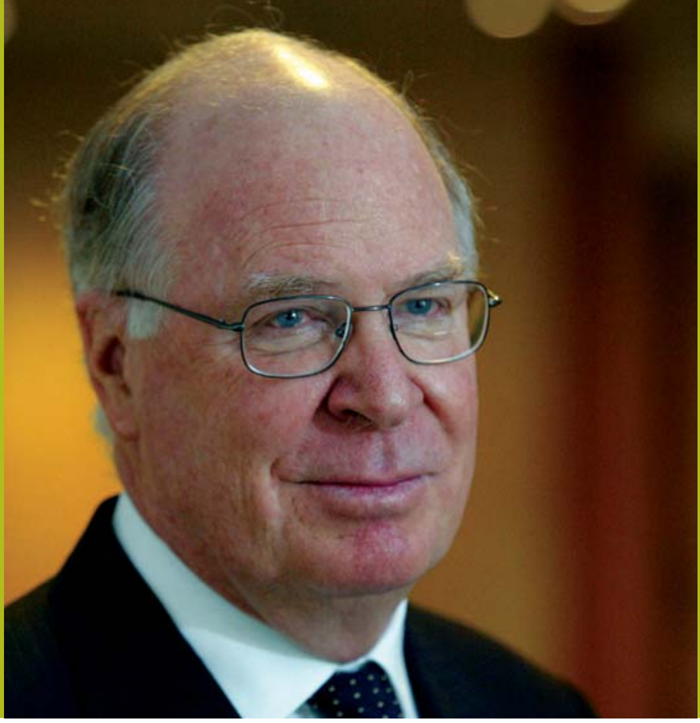
Suncorp has helped Fred and Mena Drake finance and develop their business - Absoe Business Equipment, their business premises and long term investment properties. From small beginnings in 1986, Absoe now employs over 50 people, the result of good ideas, planning and understanding bankers. Fred points out some of Absoe's massive storage facilities to Suncorp's Business Banking Manager Alan Gale.

Stock Performance: Suncorp versus ASX 200

Return Index including net dividends = Accumulation Index

(both indices rebased at 100 at 30 November 1996)





Dear Shareholder,

The 2005 financial year has been another very rewarding period for our Company.

The strength of our operations in banking, insurance and wealth management throughout Australia, but particularly in our home base in Queensland, is well reflected in our financial performance and in the performance of Suncorp shares over the 12 months to 30 June 2005. It represents a very satisfying outcome for our loyal shareholders.

During the past two years, John Mulcahy, and his management team have streamlined the group strategy, restructured the organisation and improved operational performance. Today we are a strong, performing company with a bright future.

The Board reiterates its confidence in the effectiveness of the group strategy and in the commitment of John and his team, indeed all Suncorp staff, to maximise the advantages of our unique financial services diversification to deliver the very best experience for our customers and to capitalise on the operating synergies that emerge right across the group.

Financial Performance Summary

I am very pleased to be reporting another set of excellent financial results.

Profit contributions from each of our three operating divisions lifted substantially during the year to 30 June 2005, leading to a 33 percent increase in group net profit after tax, to $821 million for the full year. This included a record half-year result of $408 million for the final six months of the year - up 21 percent on the prior corresponding period.

The results are summarised in the table below.

The **Banking Division** lifted profit before tax by 24 percent to $458 million, a strong result achieved despite a slowdown in the home lending and property development markets, and fierce competition for customer deposits. Lending grew by 15.6 percent, including securitised loans, above the total industry growth rate of 11.8 percent, with a strong performance delivered in both retail and business lending. The credit quality of our book remains strong.

In **General Insurance**, the pre-tax contribution to group profits increased by 40 percent to $651 million. This was another good result for the division, driven by solid growth in premium revenue, and excellent returns on investment funds. Also strongly beneficial to the result was the positive claims experience in personal injury classes, though this was offset by well above average storm activity during the year in short tail personal lines.

	Year ended Jun-05 $m	Jun-04 $m	Variance %
Profit Overview			
Banking	458	371	23.5
General Insurance	651	465	40.0
Wealth Management*	91	66	37.9
Other	9	43	(79.1)
Profit before tax and goodwill	**1,209**	**945**	**27.9**
Goodwill amortisation	(61)	(60)	1.7
Tax	(327)	(267)	22.5
Net profit	**821**	**618**	**32.8**

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

In **Wealth Management**, the pre-tax profit grew 38 percent to $91 million, largely driven by strong investment earnings with conditions in investment markets remaining favourable, and increased planned profits.

On any view, these are outstanding results, which reflect the significant improvements that have been made to every aspect of our operations. Our businesses are, however, complex, and that complexity flows through to our financial reporting. In assessing the quality of the performance, there are a number of factors that we need to take into account, and I will endeavour, at a high level, to outline the more important of those.

- Investment returns on the shareholders' funds held in our general insurance business, funds under management in our wealth management business and shareholder funds in the joint venture general insurance businesses are dependent upon the performance of the external investment markets. The market results for 2005 have been very good, and our returns reflect those results. To better assess our operating performance from one year to the next, we calculate our underlying profit, which disregards the returns on our investment funds. For 2005, the underlying profit increased by 26.7 percent. This increase demonstrates the operating strength of the businesses.

Chairman's letter to shareholders

'I am pleased to be reporting another set of excellent financial results...We are a strong performing company with a bright future.'

JOHN STORY, CHAIRMAN

• Our general insurance business is constituted by what are described as short tail and long tail businesses. The characteristic of the short tail business is that claims under the policies that we have issued will be substantially resolved during the year in which they were issued or shortly thereafter. The characteristic of the long tail business is that claims may not be made or resolved for a number of years following the year in which the policies were issued. This particularly includes claims in respect of personal injuries where the injuries must stabilise in order to assess the appropriate compensation.

The reporting of our performance for short tail insurance is relatively straightforward. We are in a position to estimate with relative accuracy the amount of the claims that have been made or will be made in respect of the policies issued during the year. In the case of long tail insurance, it is considerably more complicated. We must estimate, in respect of both the claims that have been made and which it is expected will be made, the amounts which we will be called upon to pay over a period extending well into the future. The very nature of insurance is that we be in a position to meet those claims, and for that purpose, amounts are set aside or provided out of the premiums that we have received in each year. With actuarial assistance, we not only estimate the present value of those future claims, but we provide a risk margin on top of that estimate to cover the uncertainties that are involved in making the estimate. These provisions are set out in our accounts.

The actuarial examination that is undertaken for each accounting period not only looks at the future claims that might arise in respect of policies issued during that period, but reassesses the estimates undertaken in respect of prior years that remain outstanding. With the benefit of developing experience, the provisions that have been made in respect of past periods may then be adjusted. If there is concern that those provisions may not be adequate, they will be increased, thereby reducing the profit which we would otherwise have made. If, however, the provisions are considered to be more than adequate, they will be reduced by the appropriate amount, and the amounts so released will increase the profit for the period.

In recent years, there was a trend which saw the awards of compensation for personal injuries emerging out of our legal system increasing to an extent which was beyond the level considered reasonable by community standards. The consequence of this increase was instability within the insurance system, significant increases in premiums and areas where public indemnity insurance simply became unavailable. In recognition of this trend, the Commonwealth and State Governments moved to amend the laws relating to those legal processes.

We are now seeing the benefit of those reforms. Firstly, there is now stability within the Australian insurance system, and Australian policy holders may be confident of the protection of the policies which they hold. Secondly, the increase in premiums has moderated and, in some instances, reduced. In particular, I refer to the premiums for compulsory third party insurance in Queensland which have reduced by 11 percent. Thirdly, these reforms have enabled us to make releases from the provisions that we made in prior years at a time when the reforms had not been introduced or where we were uncertain as to the outcome of those reforms. We estimate this year that, as a consequence, we have been able to release from our provisions an amount which is in excess of what we might otherwise have expected. This amount is in the order of $135 million. I emphasise that this release does not relate to the policies issued during the current year but is in respect of our prior years' provisioning.

Because our provisioning for each year includes both our best estimate of future claims and a risk margin over and above that estimate, it is reasonable to expect that in each year there will be releases from provisions with respect to the prior years' provisioning. The amount of the releases will depend upon the way in which our claims experience during the year has developed in relation to our estimates made in prior years. The year under review has seen a favourable experience as a consequence of the impact of the reforms. This will not, however, always be the case.

• Another factor to be taken into account in assessing the year under review is the impact of the storms. In assessing our underwriting risk, and the pricing of that risk, we take into account the historic patterns of the storm seasons in the areas in respect of which we issue policies. The experience during the year saw storm activity that substantially exceeded those historical patterns by a factor approximately 1.9 times.

• The outcome for our general insurance businesses for the year, therefore, has seen a very good result for our long tail business but a result that we would regard as below our expectations for the short tail business. Combining the two businesses, we have a result which we regard as very satisfactory indeed.

In particular, we have seen growth in the number of policies in force in all businesses, very encouraging premium growth in our short tail businesses and reductions in premiums in certain of our long tail businesses which reflects the more stable profile of the risks which we are assuming in those businesses. It is a diversified portfolio and we derive strength from that diversity.

• One of the factors contributing to our improved banking performance was a reduced charge for bad and doubtful debts. The amount was $28 million compared to $48 million in 2004. As a proportion of average loans, advances and other receivables, the bad debt charge amounts to just nine basis points for the year, which reflects the very high credit quality of the book. This outcome is attributable firstly to the prudent and well managed lending practices adopted within our retail and business banks. It is also a factor of the favourable economic conditions within Australia during 2004/05. The amount of the charge for bad and doubtful debts must inevitably be a factor of the overall economic circumstances. Whilst we can see no evidence of any deterioration in our credit quality, it would not be reasonable to expect the current historic low levels to be sustained indefinitely.

In summary, I re-iterate that it is an outstanding result based upon sustainable operating improvements built into our businesses during the past two years. It is, however, a result that should be seen in the context of the factors that I have outlined.

Dividend

The solid group profit result has enabled the Board to declare a final ordinary dividend of 45 cents per share, up five cents, taking the full year ordinary dividend to 87 cents per share, fully franked. This delivers on our commitment to provide consistently increasing dividends to shareholders.

The earnings per share, on a cash basis before goodwill, increased 29 percent to a record $1.60 for the year. The payout ratio for the full year was 59.9 percent.

Special Dividend

In my address to the AGM last year, I commented that the Company had accumulated a sizeable franking credit balance, which we clearly recognised as having value only in the hands of the shareholders. I would also note that the Company is in a strong capital position. Having examined ways to distribute surplus capital and franking credits, and in the context of the group's ongoing capital needs, we have announced a special dividend of 75 cents, fully franked, which will be paid in October 2005 at the same time as the final dividend.

This will be supported by a subordinated debt transaction of $200 million from the bank. The capital management initiative is aimed at adjusting our capital position closer to optimal levels.

Suncorp's share price continued to deliver strong capital appreciation for shareholders during the year. By year-end, the share price increased by 42 percent to $20.11 which, together with dividends paid, resulted in a 47 percent return for shareholders for the year ended 30 June 2005. Suncorp has remained in the top 25 of ASX listed companies based on market capitalisation, currently around $11 billion.

Regulatory Changes

In recent years we have seen some very significant regulatory changes. The impact of these will be reflected in our Annual Report from this year forward. It is not my intention to go into detail here but to summarise for you some of the key changes, which you can read about more fully in the Financial Notes.

From 1 July 2005 all Australian companies that prepare financial reports under the Corporations Act will need to comply with **IFRS** (International Financial Reporting Standards), an accounting language and framework for financial reporting that is being adopted by many countries. Conversion to IFRS has been a significant burden for all Australian companies and it is to be hoped that the move towards global consistency and increased financial visibility will provide benefits to substantiate that burden. You will see changes in the way we report such things as loan impairment provisions and fee income in our next set of results, but the significance of the changes will be fully explained.

Compliance with the **Basel II** framework has required the development of improved systems capability, and enhancements to data management abilities. In the bank, this has included implementing vastly improved risk management systems. The Company's Basel II program is well advanced, and there is every confidence that compliance will be achieved across our operations by the prescribed date of January 2008. It is a principle of Basel II that, beyond compliance, there is a focus on the operational and strategic benefits that will flow from the availability of enhanced risk information.

The **CLERP 9** amendments to the Corporations Act took effect on 1 July 2004 with the great majority of changes affecting financial reporting from 1 July 2004 and hence are included in

Chairman's letter to shareholders

Blending the old and new. Suncorp has financed this exciting heritage listed former brickworks development in inner suburban Brunswick, Melbourne. Over the past four years, 77 townhouses and 156 apartments have been constructed. The final stage of the development will include another 45 apartments in new and existing heritage buildings, and conversion of the two remaining brick kilns and other heritage buildings into commercial and/or retail use.

this year's financial statements. The amendments have ushered in a wave of new rules governing matters as diverse as auditor independence, executive and director remuneration disclosure, financial reporting, shareholder participation and information, and management of conflicts of interest for financial services licensees. Suncorp has reviewed its current processes in order to ensure compliance with the new requirements.

In May and June this year, APRA published a number of revised draft Prudential Standards affecting risk and financial management of general insurers, and corporate governance of banks, general insurers, life companies and superannuation funds, and fitness and propriety requirements for their respective directors, trustees and senior managers. The Company has already implemented corporate governance changes (for example, in the structure and responsibilities of our Board and its committees), so as to reflect industry best practice as exemplified in the ASX Corporate Governance. However, a number of other proposed changes are extensive and complex, and Suncorp maintains an open dialogue with the regulator with the hope of producing a workable standard that is beneficial to the interests of both shareholders and policy holders. APRA is targeting implementation of the revised Standards by July 2006, subject to industry feedback.

Outlook

Your Board and Management remain optimistic about the future.

In general terms macro economic fundamentals remain strong and conducive to growth. GDP growth at approximately 3 percent is still relatively robust, inflation is in check, unemployment is at record lows and interest rates appear to have stabilised.

There are, however, signs of competition intensifying in a number of markets, particularly in the mortgage and deposit markets in retail banking and in the commercial sector in general insurance. We believe that Suncorp is well equipped to meet the challenges effectively and can continue to gain market shares in most of its key segments whilst maintaining pricing discipline.

We continue to have confidence in the diversified financial services model and the capabilities of the management team, who have delivered another first class result in 2005.

We expect underlying operating performance to again be strong but the extent of profit increases will be dependent upon the impact of matters such as those that I outlined earlier in this letter, in particular, the performance of the investment markets, claims experience in both our long tail and short tail insurance businesses and the economic climate affecting credit quality.

Acknowledgments

This has been an exceptionally busy year for your Board. To better achieve our objectives of good corporate governance, we restructured our board committee system, with effect from October 2004. A new Risk Committee was constituted, which encompasses the responsibilities of risk and compliance. The Audit Committee now focuses on audit and assurance. All non-executive directors are members of both committees and it would be expected that our two executive directors would attend all meetings by invitation, except for those times when the committees meet in the absence of management. This structure is designed to ensure that we meet all regulatory obligations through the operation of the committees, leaving board meetings focused on the development of strategy and on review of the operational performance of the group.

This structure does constitute a significant burden for directors, and, either as a board or through the committee structure, we are meeting in excess of 20 times a year.

I thank each member of the Board for their unstinting commitment and support.

Rod Cormie will retire from the Board at the conclusion of this year's AGM. On behalf of the Board, management and shareholders, I thank Rod for the great contribution that he has made. Rod joined the Board in 1996, at the time of our merger, having previously served as a director of QIDC from 1990. He was chairman of our Credit Committee and a member of the Investment Committee, until the committee restructure in October 2004. During this period of service, we have valued his wisdom, his commercial acumen and his enthusiastic commitment to the best interests of the Company.

Thank you also to John Mulcahy, his management team and all the staff for their efforts and contribution during the year, and to you, our shareholders, for your continuing support.

John Story, CHAIRMAN

Dear Shareholder,

It is very satisfying to reflect on another good year for Suncorp and to know that the strategic direction we embarked on over two years ago has resulted in a strong performing organisation and that we are producing excellent outcomes for all of our stakeholders.

A record $821 million net profit is a great result, driven once again by many operational improvements across the group and underpinned by excellent investment returns and good economic conditions.

Banking

The Banking Division delivered a 23.5 percent increase in pre-tax profit to $458 million for the year. A highlight of the result was the strong lending performance right across the division, despite a softening in property markets. Total receivables, including securitised assets, reached $34.8 billion at June, up 15.6 percent for the period and outperforming the industry at 11.8 percent.

In Business Banking, the relationship management model continues to support ongoing increased sustainable growth in a slowing market. Business lending increased 17.7 percent to $14.4 billion, compared to 11.5 percent for the Industry. Strong growth was achieved in Commercial (SME), Corporate and Development Finance lending, with good growth in interstate markets, attributable to the value we place on our relationship with the brokers. Despite prolonged drought conditions along the eastern seaboard, Agribusiness receivables increased 15.2 percent in a strong turnaround for the year.

	Year ended		
	2005 $m	2004 $m	Change %
Banking Profit			
Net interest income	771	656	17.5
Other operating income	162	177	(8.5)
Operating expenses	(447)	(414)	8.0
Bad and doubtful debts expense	(28)	(48)	(41.7)
Pre-tax profit	**458**	**371**	**23.5**

	Half Year ended				Jun 04 vs Jun 05
	Jun-05 $m	Dec-04 $m	Jun-04 $m	Dec-03 $m	Change %
Financial Performance					
Banking	238	220	194	177	22.7
General Insurance	310	341	250	215	24.0
Wealth Management*	49	42	30	36	63.3
Other	4	5	37	6	(89.2)
Profit before tax and goodwill	**601**	**608**	**511**	**434**	**17.6**
Goodwill amortisation	(30)	(31)	(30)	(30)	-
Income Tax	(163)	(164)	(144)	(123)	13.2
Net profit	**408**	**413**	**337**	**281**	**21.1**

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

Overcoming a softening of the home lending market, particularly in the second half of the year, the Retail Banking Division grew mortgage receivables by 14.5 percent for the year to $19.7 billion. This was above the annual Industry growth rate of 11.6 percent.

Growth in retail deposits continues to be a feature of the banking performance even though competition remains intense. The 13.4 percent increase, 4 percent higher that the annual industry growth rate, reflects the ongoing success of the award winning Everyday Options (EDO) transaction and savings account which has attracted more than $1.7 billion in retail funds since its launch in March 2004. The new similar Business Investment account is also showing early signs of success.

Net interest margins for the year increased to 2.33 percent compared with 2.27 percent in the previous year. This was due to an ongoing focus on the mix of the lending book towards higher margin business, improved liability spreads following increases in official interest rates, and earnings on our strong capital position.

Managing Director's letter to shareholders

'Our lines of business have performed well and delivering the results expected of a successful, focused organisation.'

JOHN MULCAHY, MANAGING DIRECTOR

Credit quality remains sound with gross impaired assets of $69 million, equal to .22 percent of gross loans and provisioning cover improving to 248 percent of impaired assets.

General Insurance

General Insurance pre-tax profits grew by 40 percent to $651 million for the year, driven by solid growth in premium revenue, favourable claims experience in long tail business and improved investment income. However the claims experience in home and motor business was affected by an abnormally high number of storm related claims costs, particularly in the second half of the year.

The Insurance Trading Results (ITR), which is made up of premium revenue, less claims costs and operating expenses, plus investment income earned on the funds held to pay claims, is the clearest indicator of the underwriting performance of the general insurance business, increased by 36 percent to $427 million. This equates to an insurance margin of 17.7 percent on net earned premium for the year. The full year margin outcome exceeded the previously stated long term ITR range of 11-14 percent largely due to releases from provisions held for long tail claims.

Gross written premium for the full year rose by 4.6 percent to $2.5 billion, driven by strong growth of risks in force. This highlights the positive momentum in the underlying business growth, despite a highly competitive operating environment, particularly in commercial lines, as well as the constraint to top-line growth from reducing prices across our compulsory third party portfolio.

The continued improvement in personal injury claims experience has brought stability and profitability to the compulsory third party schemes and public liability business. In particular, CTP premium rate reduction of up to 11 percent during the period continued to flow through to customers, but impacted gross written premium growth for the business. To illustrate, total gross written premium growth, excluding CTP, was solid at 8.2 percent for the full year, improving on the previous year's growth of 6.1 percent.

During the year a number of initiatives were implemented to grow the business and achieve cost savings.

We improved end-to-end marketing processes, undertook targeted marketing campaigns, expanded our distribution networks and optimised the performance of existing channels. We focused on customer service, honing in on high impact areas such as call response times as identified by our customers through feedback processes.

Our front line general insurance staff have been through an intensive sales and service training program called inFOCUS which has already produced outstanding results throughout Retail Banking.

And we successfully completed the rollout of our new 'risk engine' for the Motor business. Developed to provide much more sophisticated pricing techniques, it is now being extended to Home, and later Commercial Insurance.

	Year ended 2005 $m	2004 $m	Change %
General Insurance Profit			
Net premium revenue	2,412	2,184	10.4
Net incurred claims	(1,768)	(1,537)	15.0
Operating expenses	(513)	(480)	6.9
Investment income, tech provisions	296	148	100.0
Insurance Trading Result	**427**	**315**	**35.6**
Other income	51	39	30.8
Investment income, shareholder funds	199	130	53.1
Capital funding costs	(26)	(19)	36.8
Pre-tax profit	**651**	**465**	**40.0**

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

Wealth Management

Wealth Management profit before tax increased 38 percent to $91 million for the year. Once again the result benefited from strong investment earnings and a one-off item of $17 million.

Funds under Administration increased from $4.3 billion as at June 2004 to $5.2 billion as at June 2005. This increase was driven by strong net flows of $322 million up from $39 million in 2004, as well as strong investment earnings. New business sales in Suncorp products increased from

Expanding the Suncorp brand in the west. This recently completed stunning luxury apartment block in West Perth is one of several projects in Western Australia being financed through our Property Finance Division. We also provided finance for several land divisions including an UDIA award winning land subdivision with a canal development at Mariners Cove, Mandurah, and a multi-level office and retail property in Perth's CBD.

$404 million to $609 million, an increase of 51 percent.

Funds under Management totalled $11.9 billion as at June 2005, up from $11 billion at June 2004.

Throughout the year, our investment products held consistent top quartile positions over both the short and long term. Independent research agency van Eyk again awarded our flagship Australian Equities Fund an 'A' rating.

Wealth Management has benefited from the introduction of a number of new product offerings, including an additional five managed funds, a new term allocated pension and a new trauma risk protection product which will further enhance the ability of Suncorp Financial Planners to provide quality financial advice.

We are already well placed with a wide offering of funds management products to capitalise on the introduction of Super Choice from 1 July 2005 which allows many super fund members to choose where their retirement funds are invested.

Our Strategic Journey

All our lines of business have performed well and are delivering the results expected of a successful, focused organisation.

Let me take you back to the start of our strategic journey, where we are today and the goals we are striving to achieve.

When we first outlined our strategy in 2003, we said that Suncorp was at the start of a journey, to go from an under-performing company to a strong powerful corporate. To do this we established a clear imperative for the group – deliver superior value to our customers and investors by achieving excellence in our lines of business and then maximising the synergies across the group.

In the two years since, we've developed and implemented specific strategies for each of our key stakeholders – customers, employees, community and shareholders. We've clarified our structure, put in place our leadership framework, introduced performance management systems and strengthened our strategic capability.

We've sought to improve the ways in which we understand our customers' needs and manage our relationships with them. We're focused on designing the best solutions for them, how to do more business with them and how we retain their business longer. And we have continuously sought to improve our operating efficiency across all aspects of the business.

	Year ended		
	2005 $m	2004 $m	Change %
Wealth Management Profit			
Life company	64	57	12.3
Funds management	27	9	300.0
Pre-tax profit	**91**	**66**	**37.9**

Excludes Life and Super policy owners' interests, and tax

The results of this strategy, and the extent to which the organisation has embraced and executed it, are clear. Our lines of business are now performing at least as well, and in a number of cases better than their competitors.

Our customer satisfaction ratings have always been better than the major banks, but, according to independent researcher Roy Morgan, we have started to widen the gap.

Our customer retention performance has also improved significantly. Customers are doing more business with us, which we know aids retention and value.

We know that every player in the financial services market is trying to do the same thing - grow their revenue base by doing more business with their existing customers and acquire new customers. We believe we have fundamental advantages over our peers in that we have full ownership across the value chain from product manufacture to distribution in banking, insurance and wealth management, all under one roof.

This gives us greater information about our customers' needs, the ability to take into account the full relationship value in making pricing and servicing decisions and the ability to consistently manage and motivate our people in a way that is aligned to our strategic goals.

One of the most important areas of focus for us strategically is to strengthen our approach to customised solutions across the group. We think about the whole customer experience – not just about the product but the whole process, including what is the right distribution channel, how can we simplify application forms,

Sascha Fournel and Terence Cheong, two of our banking call centre consultants with a 'can do' customer focus. They are two of the 350 staff, 16 teams, who handle 55,000 retail and business banking and wealth management customer calls each week and 250,000 phone banking calls through the Ann Street Brisbane banking call centre.

streamline fulfilment requirements, apply value based pricing.

We are starting to see the advantages of this approach in new solutions including the My Business, My Home, Equipment Importer Package and Car Loan initiatives which are being positively received by the market. And we are beginning to design solutions for high value opportunities within our existing customer base such as providing business banking solutions for commercial insurance customers.

Despite the progress we have made on our strategic journey, we recognise that we have only just started to deliver and optimise the advantages of our model. By leveraging and focusing on our advantages we can make the move to the next stage in our strategic journey, and that really is going from a performing to a successful conglomerate.

Our People, Our Culture

Our people, our teamwork and our culture were the reasons that we have executed and exceeded expectations to date. They are the reasons that we will achieve the next step in our journey even though we know it's much harder to go from a performing to a successful conglomerate than moving from an under-performing to a performing organisation.

Our first Cultural Survey recently resulted in feedback from people in every line of business. The findings identified some of our key strengths in relation to our culture, as well as some of the challenges we face. We know that we have a 'can do' results-focused culture. Our people are prepared to take on challenges, deliver excellent service and positive outcomes. They believe we've got a great accountability structure, our roles are clear, they know what needs to be done for the success of the Company and want to be part of it.

Accountability includes being responsible for our own actions and accountable for the choices we make. We are serious about our values of honesty, trust, fairness, respect, caring and courage which are part of our everyday actions and behaviours. 'Walk the talk' is the way we describe living our values, and our Code of Conduct which sets out the standards of behaviour we require within the Company.

Outlook

So where are we today? We've definitely delivered and moved from being an under-performing to a performing organisation and we have implemented our strategy extremely well. The results we have delivered in the past five reporting halves are proof of our success to date.

At a macro level, the economy is still performing well, with GDP growth for the year forecast to be approximately 3 percent. And Queensland, where we have approximately 50 percent of our business, is expected to out-perform that average. Inflation is under control and unemployment at record lows. Interest rates are expected to remain stable with a relatively flat yield curve. Mortgage lending growth rates have now moderated from the historic highs of recent years to more normal levels of around 10 to 12 percent. Generally competition in all our markets is intensifying, particularly in the sectors where foreign interests are increasing their presence.

Banking

In Banking we would expect to continue to grow both our asset and retail deposit bases faster than the annual industry growth rates and consequently increase our market shares. Margins however, are expected to contract as a result of intensifying competition in both the mortgage lending and the retail deposits sectors, a slowing in growth in some of our higher margin segments such as development finance, a relatively flat yield curve and a reduction of excess capital.

With regard to credit, we see no indication of deterioration and credit conditions are likely to remain extremely strong. However, it would be unrealistic to expect loan losses to remain indefinitely at current historically low levels.

General Insurance

In General Insurance we would expect premium increases to moderate. Anticipated increases in personal lines will be partially offset by a continuing reduction in premiums in personal injury classes due to the benefits of Tort Law reform being passed onto customers, and increased competition in commercial lines. In terms of growth we expect to grow market shares in most of our product lines.

With respect to claims, we anticipate the potential size of long tail releases to moderate as premium prices realign with underlying valuation parameters. Weather events are clearly unpredictable but it is hoped that the 2004/05 experience, which was the worst storm period for the last nine years (excluding the 1999 Sydney hailstorms), will not be repeated. In addition, we are targeting significant claims cost efficiencies.

Managing Director's letter to shareholders

At the Buy-a-Butterfly Appeal launch, Hear and Say Centre. Meeting five year old Bethany, the 2005 appeal poster girl who has a cochlear implant and will go on to to grade 1 in a regular school next year.

We continue to believe that the medium to long term sustainable Insurance Trading Result (ITR) is in the range of 11 percent to 14 percent which is below the 17.7 percent achieved this year. However in the absence of any major weather events, we could expect to achieve an ITR towards the upper end, or even exceed this range in the near term.

Wealth Management

In our Wealth Management business, we anticipate growing our Funds under Administration faster than the industry average through increased sales and continuing strong customer retention.

An important source of sales growth will be our ability to increasingly penetrate the group's large banking and insurance customer bases for Wealth Management solutions. Increased competition and factors such as Super Choice are creating margin compression and we expect this to continue.

Overall we anticipate that equity markets will remain sound, though compared to the performance of the last two years, we expect that returns will moderate towards longer term norms.

Group

Therefore at group level, we expect a strong operating performance and an increase in market shares from the majority of our business lines, however increases in underlying profit will be slower if the General Insurance trading margin reverts to its long term sustainable range and if loan losses increase from current historic lows. We would expect our ordinary dividend growth to be at least 10 percent for the full year.

The journey ahead

Where do we want to be? We want to be a successful conglomerate – to get there it's important to continue to operate our strong lines of business and then get all the synergies available. It means we have to leverage all of our assets better than anyone else and that means enhancing all of our customer base by actually providing more solutions and giving them better customer service than anyone else.

It means everyone in Suncorp is heading in the same direction, a really high performing team.

In conclusion, I would like to thank the Suncorp team, my fellow directors and our shareholders for their support over the last 12 months and look forward to their ongoing support on the journey ahead.

JOHN MULCAHY
MANAGING DIRECTOR and CEO

We support excellence in business. 'Emporium', branded by property developer Anthony John (Anthony John Group Pty Ltd) as 'brave new living', has brought to Brisbane a Parisienne concept of shop top living within a group of seven individually designed multi-level buildings offering 232 residential apartments and 54 retail tenancies, some of which have attracted renowned national and international tenants.

Tony's vision was recognised by his peers at the Urban Development Institute of Queensland Awards for Excellence this year when he took out the major award for Best Urban Renewal Development in Queensland. Tony's success was doubly sweet for Suncorp! Not only is Suncorp a long time sponsor of the awards, both at state and national level, Suncorp also provided the finance for the highly successful project. The second and final stage of the development is about to commence. Tony is pictured with Brian Kerr, Suncorp's General Manager Property Finance Customers.

Group Executive

Hemant Kogekar, Peter Johnstone, John Mulcahy, Diana Eilert, Chris Skilton, Bernadette Inglis, Ray Reimer, Mark Blucher

Hemant Kogekar
MSc, B. Tech, Dip Banking, FAIBF
GROUP EXECUTIVE INFORMATION TECHNOLOGY
Hemant was appointed Group Executive Information Technology on 1 January 2005 and has responsibility for all IT systems, services and infrastructure. He joined Suncorp in 2003 as General Manager, IT Application Services. Prior to joining Suncorp in 2003, Hemant was CIO/IT Director for Citibank and Franklins (discount supermarket chain). He has held senior IT roles in the financial services sector in companies such as Perpetual, Chase-AMP and NAB.

Peter Johnstone LLB
GROUP EXECUTIVE HUMAN RESOURCES, PROJECTS & CENTRAL SERVICES
Peter Johnstone is responsible for a number of key divisions in the group including Human Resources, Corporate Projects, Strategic Procurement, Corporate Facilities, Workplace Change, Legal, Corporate Secretary and MIS. He was appointed to his current position in 2003. Since his key role in integrating the organisations in the original merger in 1996, Peter has been responsible for major transformation projects such as the GIO integration in 2001. He has also been responsible for the back office function of banking and insurance as well as information technology. Before joining Suncorp Peter led the business team which corporatised the former State Bank of South Australia and subsequently became General Manager Operational Support and General Counsel of the Bank of South Australia. He has over 30 years experience in finance, business and law.

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

Diana Eilert
MComm (Mktg & Finance), BSc (Pure Maths)
GROUP EXECUTIVE GENERAL INSURANCE
Diana Eilert joined Suncorp in 2003 as Group Executive General Insurance. She is responsible for Suncorp's General Insurance business, which includes such brands as Suncorp, GIO, AMP General, RACT Insurance and joint ventures with RACQ and the RAA. Diana has worked in financial services for over 20 years, commencing her career with NRMA Insurance. She has held executive and senior management roles in banking, insurance and investment. For the five years prior to joining Suncorp, Diana consulted to financial services and was a Principal with AT Kearney and a Partner with IBM.

Chris Skilton
BSc (Econ) (Hons), ACA (Eng & Wales)
CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR
Chris Skilton joined Suncorp in June 2001 as Chief Financial Officer. As CFO of the group, he is responsible for, Finance, Treasury, Risk, Compliance and Regulatory Affairs and Investor Relations. He was previously with Westpac where his final position was Group Executive, New Zealand and the Pacific Islands and prior to that Deputy Chief Financial Officer. Prior to Westpac, Chris was Managing Director and CEO of AIDC Ltd. Whilst still employed with AIDC Chris did a stint as acting CEO of the Australian Submarine Corporation, one of Australia's largest and most complex engineering projects. His wide professional experience also includes executive positions with Security Pacific Australia and the Barclay Group of Companies. He has over 20 years' direct experience in various senior roles in the finance sector. Chris has been a Director of Suncorp since 13 November 2002.

Bernadette Inglis MBA,BBus (Mktg)
GROUP EXECUTIVE WEALTH MANAGEMENT, GROUP STRATEGY AND MARKETING
Bernadette Inglis joined Suncorp in 2003 to take up a Group Executive role. She is responsible for the Wealth Management business as well as the design of the group's strategy and the management of the marketing function across Suncorp. Bernadette has over 20 years experience in the financial services sector. For the nine years prior to joining Suncorp she held a number of executive roles at the Commonwealth Bank.

Ray Reimer
GROUP EXECUTIVE BUSINESS BANKING CUSTOMERS
Ray Reimer is responsible for commercial banking, agribusiness, property finance, equipment finance, corporate and trade finance customers. He brings a wealth of business banking experience to the position having previously held executive business banking and other senior roles throughout his 28 years with the group. Ray commenced his banking career with the Agricultural Bank and later held retail and commercial banking positions in Metway Bank.

Mark Blucher AAIBF
GROUP EXECUTIVE RETAIL BANKING CUSTOMERS
Mark Blucher's key function is retail banking customer management, with responsibility for the profit and loss outcome, product management, distribution and processing. Mark joined Suncorp as General Manager Human Resources in September 1997 after having spent 19 years in a number of senior positions with the ANZ Bank's operation in New Zealand.

Retail Banking

'The good performance demonstrates the continued effectiveness of initiatives aimed at providing customers with excellent service and solutions.'

MARK BLUCHER, GROUP EXECUTIVE RETAIL BANKING CUSTOMERS

Retail Banking Profile

Retail Banking provides home and personal loans, transaction, savings and investment accounts, credit cards and foreign currency services for 799,000 customers nationally through 172 branches and agencies, call centres, internet banking and 461 ATMs. Customer sales and service is provided by 2,817 Retail Banking staff.

Retail Banking has total assets of $20.4 billion (including securitised assets) and total retail deposits of $15.3 billion. The Queensland market share in lending is over 13 percent and over 21 percent in retail deposits.

As part of the Suncorp group, Retail Banking undertakes the distribution of general insurance products primarily through the branch network and also manages the financial planning workforce located in the branches on behalf of Wealth Management.

Performance

The Banking Division (including Retail and Business Banking) reported a profit before tax of $458 million for the year, up 24 percent from $371 million in June 2004.

Retail Banking has again delivered a strong performance in home lending and deposits for the year despite a marked slowing in the housing sector and increasing competition from existing and new entrants for retail deposits. In both categories, we outperformed the market growth rates.

The home loan portfolio increased by 14.5 percent to $19.7 billion over the 12 months to June 2005, well above the market home loan growth rate of 11.6 percent. The good performance demonstrates the continued effectiveness of initiatives aimed at providing customers with excellent service and solutions. This has sustained new lending growth in a slowing market and improved retention of customers in a more competitive environment.

We continued to successfully expand on growth achieved through our broker distribution network. Assets generated through this channel amounted to 39 percent of the housing portfolio, up from 35 percent in June 2004. The broker network is expected to remain a dominant distribution channel for the Company in markets outside Queensland.

Credit performance has remained outstanding with few bad debts emerging. This is a very good performance for Retail Banking when we evidence the above market growth performance in a competitive market without any decline in overall credit quality.

Retail deposits (excluding Treasury) were up 13.4 percent to $12.7 billion over the 12 months to June 2005, well above the market deposits growth rate of 9.6 percent. This growth was driven by our award winning high interest bearing Everyday Options Account (EDO) which has attracted $2.5 billion and 146,000 customers since its launch in March 2004. Growth continues with around 6,000 new accounts each month. A business investment account was launched in February 2005 and is showing signs of early success with initial growth of over $100 million.

We have continued our strong customer focus with satisfaction and solutions being the two key touchstones for our strategy.

Over the last year we have had a strong focus on improving customer satisfaction. Initiatives such as focusing on the fast resolution of customers' problems have been very successful. Over the last 12 months, the percentage of customers who are satisfied with Suncorp has risen by 5.6 percent, from 72.3 percent to 77.9 percent as measured by independent researcher Roy Morgan Research. This is more than double the improvement of 2.2 percent for the total Australian market covering all institutions. As a further measure of the improvement in customer satisfaction, customer complaints are down 29 percent over the prior year.

Our focus has also been on designing and delivering solutions for our customers. For the small business owners we have introduced My Business – a five product, one application form, one fee structure small business package. This has been closely followed by My Home, which puts together a complete solution of products including a home loan, savings, credit card, personal lending, general insurance and financial planning for customers who are investing or buying a property.

Last year we also developed much stronger relationships with those home loan brokers we identified as our preferred partners. We've had excellent results in both volumes and also in feedback from those brokers about the level of service that we provide. Having been successful in cross-selling to our existing retail banking customers, we are now launching initiatives to our broker-introduced customers to sell them additional products and services.

In reviewing our branch network, we decided not to rush in and build infrastructure outside Queensland. So we have focused on our home state, maximising existing infrastructure and developing services in areas where we can best meet customer demands. During the year we opened branches in Bulimba in Brisbane, and merged the Aitkenvale and Cranbrook branches in Townsville to a brand new site. In New South Wales we relocated Shellharbour branch to a site that better caters for our customers, a strategy that contributed to the growth of deposits outside of Queensland by 41 percent for the year.

In a move designed to help us become the leading provider of merchant solutions in Queensland, increase business and extract more cost savings synergies across the group, we signed a seven-year agreement with electronic commerce and payment services company First Data Corporation. This will enable us to process credit card transactions for retailers and merchants in-house, using the back-end technology provided by First Data.

The icing on the cake for us was a string of industry awards including Best Regional Bank from the Australian Banking and Finance Magazine, CANNEX 5-star ratings for Suncorp Clear Options, Everyday Options and Smart Saver. And recently we were named for the second year running as Personal Investor Magazine Savings Institution of the Year and Transaction Account of the Year.

People

Customer service is a key strategy and we recognise that our people are vital to enabling success in this area. We launched a range of programs to increase the satisfaction and reduce the turnover in our workforce, for example, the creation of comprehensive induction programs to ensure our staff are skilled and motivated right from the start of their career with Suncorp. We have had very good results with staff satisfaction levels increasing 16 percent to 70 percent, and fewer staff leaving Retail Banking.

We also completed the implementation of inFOCUS to our front line staff. This sales and service program teaches skills and techniques that increase revenues and customer satisfaction and this has been fundamental to improve customer and staff satisfaction. Given this success, we are extending inFOCUS to all areas of Retail Banking.

Outlook

We expect home lending and deposits growth will continue to slow. Increasing competitor intensity will increase pressure on both fees and margins as competitors price for market share, particularly in the attractive Queensland market.

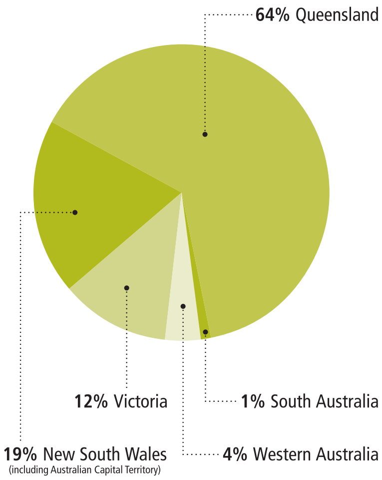
One of the main challenges we have is capturing a greater share of wallet from group customers. That means turning our attention to penetrating the general insurance and business banking customer base and offering retail banking products, thereby extending our customer service and customer solutions.

Our focus will be using customer service and customer solutions as the key strategies to continue the excellent performance in Retail Banking.

When excellent service counts, customer Rod Wilkins knows where to find it! And that is through Hayley Grant, Personal Banking Manager Chermside. "We needed some fast action on an investment loan application," explained Rod. "From the first day she understood exactly what we wanted to do. She got the process in motion immediately, arranging valuations etc; she kept us in touch almost daily with progress and had an immediate answer or solution for anything we asked her.

"She is well informed about the products and options available and has given quality and timely advice throughout. I hope we will be able to deal with Hayley in future and I look forward to our ongoing relationship with Suncorp." As a result of Hayley's customer service and a focus on customer solutions, Rod now has his credit card and four insurance products as well as his business accounts with us.

Retail Banking assets by state
$20.4b as at 30 June 2005



Business Banking

'Another strong performance in a healthy economic climate...business confidence remains solid with good growth prospects.'

RAY REIMER, GROUP EXECUTIVE BUSINESS BANKING CUSTOMERS

Business Banking Profile

Business Banking focuses on the needs of small to medium enterprises (SME) across five major areas of operation:

Commercial, providing working capital and term finance for customers needing more than $400,000;

Corporate, providing project and structured finance generally between $10 million and $70 million;

Agribusiness, providing financial services for rural producers and associated businesses;

Property Finance (includes development finance and property investment) providing finance mainly for residential developments, shopping centres and warehouses;

Equipment Finance, providing a suite of leasing products, mainly for financing vehicles and equipment.

Business Banking also provides savings and investment products.

Business Banking has total assets of $14.4 billion, more than 77,000 customers nationally, 56 outlets and 597 staff including a network of 209 Business Customer Relationship Managers.

Performance

The Banking Division (including Business and Retail Banking) reported a profit before tax of $458 million for the year, up from $371 million in June 2004.

Business Banking produced another strong performance in a healthy economic climate of low inflation and low interest rates. Although there has been a cooling of property markets and slower growth in the second half of the year, business confidence remains solid, with good growth prospects, particularly in the strong Queensland and Western Australia economies. Overall credit quality remains high.

Business lending remained strong, with receivables growing 17.7 percent for the year, well above the industry growth for that sector of 11.5 percent. The strongest growth of 30 percent was achieved in Commercial lending, predominantly made up of lending to SMEs. Competition in this market has strengthened, particularly as a result of the shift in focus from the slowing housing market to the SME market. Business Banking deposits were up 59 percent over the year.

During the year there was greater emphasis on the upper middle market, predominantly in New South Wales, with significant growth in high quality individual corporate clients and syndicated lending.

Our Property Division has also performed strongly, despite a slowing in the second half of the year. Queensland's continuing strong economy and population growth has had a positive effect on property development with a low level of residential vacancies across the state. Similarly low levels of vacancies exist in the commercial and industrial markets across the nation and this factor is driving solid demand in property investment. Credit quality remains excellent and interest margins strong.

Despite drought conditions across the eastern states, Agribusiness has had a particularly strong result, with receivables growing 15 percent to $2.6 billion for the year. Recent rains brought a more positive outlook for the rural community, and pricing has recovered in the sugar industry. Agribusiness credit quality improved over the year.

Equipment Finance, which is highly supportive of the SME market and agribusiness, was a strong performer in a highly competitive environment. Leasing assets grew by 10 percent over the year to $2.11 billion, the strong performance driven by good growth in car sales and expansion into the 'yellow goods' market, such as construction equipment and forklifts.

Outside of Queensland the value we place on our relationship with the brokers is giving us a significant advantage. Two years ago when we selected brokers to grow our interstate business we focused on factors that aligned their interests with those of Suncorp. At the same time we acknowledged the importance of the existing relationship between the broker and the client and how we can build on that with product and service solutions. Results have continued to exceed all expectations with broker-introduced business growing from 26.3 percent in June 2003 to 52.8 percent in June 2005 for interstate Commercial Banking receivables.

Early in 2004 we launched a major project based on world best practice in business banking relationship management. Through that project, and by better understanding the financial needs of our most valuable customers, we have developed a strategy to increase our exposure across the group by the number of products that we sell. And we have achieved that, increasing products

per relationship-managed customers from eight products to 11.5 products – an excellent result! This reflects the outcome of an external customer satisfaction survey that showed Business Banking customers are generally more satisfied with their relationship with us than our competitors' customers are with them. The survey also showed that our customers were more likely to recommend us than to recommend our competitors.

To assist our sugar cane grower customers achieve long term sustainability, we offered them a free program designed to lift productivity and reduce costs. Called CROP (Combined Recommendation on Productivity), the program has the potential to directly effect 23 percent of Queensland's cane growing area with the ability to deliver over three years a net increase in cane production of 17 percent. Early trials in North Queensland this year have been very successful with a high customer participation rate.

People

We are very much in a people business and we are also in a very tight labour market. Retaining and attracting new people has become much more difficult, but we are putting in place strategies that focus on career management and career development, and participation in the group's graduate program and student recruitment initiatives. Last year we introduced the Better Care Project, a wellbeing, health and fitness program for Business Banking staff. This has been so successful that it is intended to be launched into the wider group.

Outlook

We expect a slowing down of economic conditions and strengthening competition but our relationship banking model continues to support ongoing, sustainable growth. However, Queensland's economy and growth is likely to remain strong.

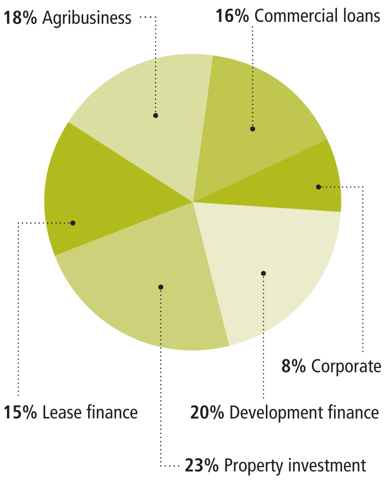
We will continue to seek new industries in which to specialise, such as hotels, clubs and management rights, and to enhance those in a wider geographical sense where we are already quite renowned, for example, sugar and retail centres. Developing the customer solutions for these industries will give us strong growth, help customer retention and give us some premium pricing.

We are confident that with the focus on customer solutions we will continue to outperform the market.

Business Banking assets by state - $14.4b as at 30 June 2005	%
Queensland	55
New South Wales (incl. Australian Capital Territory)	28
Victoria	14
Western Australia	2
South Australia	1

"We grow plants and people" says Wendy Erhart, innovative business woman award winner and co-owner with husband Graham of Withcott Seedlings, the largest supplier of vegetable seedlings in the southern hemisphere. Suncorp has witnessed the phenomenal growth of these valued clients since 1989. The business began in their backyard 22 years ago with a few thousand seedlings, and $800. Today the company supplies 900 farms with 340 million seedlings and has enjoyed a 25 to 30 percent growth every year since 1983. Their environmentally friendly business utilises growing techniques than can help achieve organic certification for crops, and all water on site is recycled using a system which is ingeniously combined with quarantine management. Wendy and Graham are pictured with Damien Joyce, Business Banking Manager, Toowoomba.

Business Banking Portfolio by state
$14.4b as at 30 June 2005



General Insurance

'Continually improving our customer experience is a top priority for the business.'

DIANA EILERT, GROUP EXECUTIVE GENERAL INSURANCE

General Insurance Profile

Suncorp is Australia's fourth largest general insurance group with annual premium revenue of $2.5 billion. We take care of the insurance needs of 3.7 million customers nationally, providing personal insurance (home, motor, compulsory third party), commercial insurance for small to medium sized businesses, and workers' compensation in NSW, WA, ACT and Tasmania. We provide cover for some 1.4 million motor cars, 1.3 million homes and nearly 300,000 businesses.

Suncorp is our main brand in Queensland, RACT insurance in Tasmania, and GIO throughout the rest of Australia.

We also own half shares in insurance joint ventures operated with motor clubs in Queensland and South Australia.

We hold substantial market shares nationally and continue to be market leaders in our home state of Queensland in motor insurance (30 percent), home (31 percent) and CTP (53 percent). We are a major insurer in other states for motor, home, commercial and CTP. In addition we manage workers' compensation services for NSW employers and the NSW Government.

During the year we paid out over $1billion in claims to more than 400,000 customers who called on us for support following disasters.

Performance

In General Insurance, profit before tax grew by 40 percent to $651 million as a result of solid growth in premium revenues, particularly in personal lines and favourable claims experience in long tail classes such as compulsory third party insurance, workers' compensation and liability, and improved investment returns.

Our personal home and motor businesses – which comprise 48 percent of our business - grew over 8 percent during the year. Particularly pleasing was the strong growth in our Queensland businesses, where our risks grew by around 4.8 percent. This was despite intense competition.

In our commercial business, gross written premium increased 5 percent to $575 million for the year in an intensely competitive market. We made a decision to maintain our rates at profitable levels regardless of softening premium rates in some classes.

In CTP, the impact of falling premiums in Queensland and NSW, principally as a result of an improved claims environment, was offset by continued strong risk in force growth across both states, despite aggressive competition in Queensland as insurers attempt to grow their market share.

We underwrite workers' compensation in WA, ACT and Tasmania. Total gross written premium for the three regions increased 18.1 per cent for the year, driven predominantly by improved retention rates, good relationship management and good customer service. In NSW, GIO will provide, from July 2005, claims management services in workers' compensation, motor vehicle, liability, property and miscellaneous claims for approximately 150 government agencies following a new contract with the NSW Treasury Managed Fund, a self-managed scheme which was established by the NSW Government 15 years ago. This is a good outcome for GIO, who have managed the scheme since its inception.

Suncorp participates in insurance joint ventures with motoring clubs in Queensland and South Australia. The joint venture contribution for the year to June 2005 was $26 million, up from $19 million the previous year, mainly due to increased investment returns.

With an eye on profitable growth, we implemented a series of new business initiatives, including investing in our Suncorp and GIO brands, upgrading our distribution channels, improving cross-sell opportunities and refining our segmentation, lifting our sales management and training, and improving our marketing effectiveness.

General Insurance is distributed through many distribution channels, and we are working closely with Retail and Business Banking to maximise the financial solutions we are providing to our Queensland customers. A pilot program for our Queensland commercial customers, Referrals in Action, has already generated hundreds of referrals, sales, new premiums and loans, proving to be a real winner for both businesses. We have also worked with the retail bank to deliver customer solutions.

Continually improving our customer experience is a top priority for the business. Throughout extensive customer surveys we have identified which

areas matter most to customers and opportunities to improve our services and products.

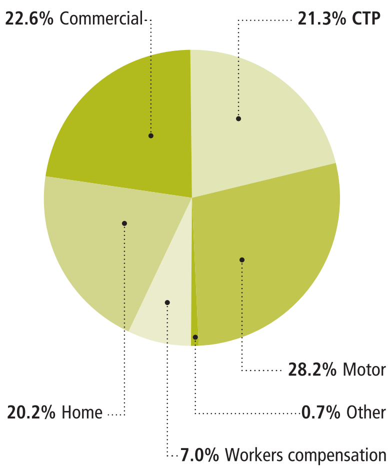
- We introduced our 'First Call Resolution' program right across all our call centres with the aim of solving the customer's problem at the first point of contact. The outcome has been very satisfactory, with the 'First Call Resolution' rate increasing by 73 percent to 92 percent in the last six months.
- To minimise the trauma for customers following major storms or events, our Event Response Management initiative aims at delivering superior customer response times. The result has been an increase of 25 percent for calls answered within 60 seconds.
- Other initiatives have included improving the intermediary quote turnaround time, cutting documentation and focusing on segmenting the market and designing attractive product services. To start, we have just upgraded our GIO Rewards program, which rewards customers who hold multiple policies with GIO.
- In June 2005 we launched an automated on-line premium quote facility for GIO Comprehensive Motor, Home Buildings and Home Contents.
- As a recognised expert in home insurance, we launched 'virtual safe' in April, an on-line facility to store many vital pieces of financial information needed when disaster strikes. The password protected and encrypted software, which can be

Anthony and Helen Mutch, Kellyville, will never forget the violent storms that struck Sydney on 19 February 2005. That day Helen and her baby daughter were on the ground floor of their house, unaware that the roof and upper level of their house were on fire after being struck by lightning but thanks to alert neighbours, they escaped to safety. Fire damage was isolated to the roof and upper level but the remaining part of the house was severely affected by smoke and water damage. GIO had assessors on the scene within an hour and temporary repairs were organised to ensure the house was safe and to avoid further damage. The Mutchs' received an emergency payment and alternative rental accommodation arranged.

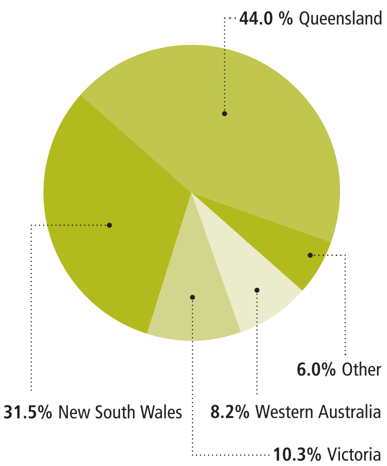
The family has now moved back into the repaired house, six weeks ahead of schedule and are ecstatic with the way their claim has been handled!

Pictured with the Mutch family is assessor Mark Barbarich.

General Insurance Portfolio Premium $2.5b as at 30 June 2005



General written premium by state $2.5b as at 30 June 2005



General Insurance

downloaded free from the Suncorp website, lets you keep a room-by-room record of your assets. More than 4,000 people have already taken advantage of the 'safe' to protect their valuables and important documents.

A new 'risk engine', a sophisticated computer-based program which enables us to better align the pricing of an individuals risk with their risk profile, was successfully rolled out for our comprehensive motor business in September 2004. We have now introduced a risk engine for our home insurance business in Queensland. The results so far are encouraging and we plan a rollout to all states and brands in the coming year, along with new customer solution packages, particularly for growing niche markets.

We relaunched the GIO brand last year and call volumes lifted marginally as a result. We are currently undertaking market research and changing our campaign approach in the lead up to a revigorated targeted marketing campaign in the coming year.

Community

As part of our ongoing commitment to the community, we have continued to support not-for-profit community organisations (NFPOs). Three years ago, in an Australian first, Suncorp, together with the Queensland Government, introduced a scheme that enabled the state's community organisations to band together to purchase public liability insurance. Australia-wide we now insure over 1,400 Not for Profits, and work with some of these organisations to implement risk management programs. During April we announced a 10 percent decrease in prices for our NFPOs.

People

We have worked hard at creating an environment that attracts, develops and retains good people whilst continuing to improve overall business performance. We are continuing to build on our leadership framework, a skill based management performance program which has been adopted across the whole Company. And we have introduced into General Insurance inFOCUS, the sales and service training program that is driving improved performance in Retail Banking, and which we expect will deliver a similar performance benefit in call centre sales and direct sales forces.

Outlook

Our focus is now on better targeting our customers, improving our marketing and sales performance further and delivering customer solutions. We have established the necessary basics which have already contributed to our improved results. We are focused on better pricing and reducing claims costs to drive greater margins.

We expect the commercial market to remain soft over the short to medium term but we are maintaining our rates to ensure ongoing profitability.

The outlook for the Queensland CTP market is expected to remain relatively stable, though other insurers will be endeavouring to grow their market share through pricing and distribution initiatives.

There was more storm activity than usual in the second half of the year. Major storms in NSW and Victoria in early February and in South East Queensland in late June affected nearly 28,000 motor, home and commercial customers. We paid more than $190 million in storm related claims for the year, mostly in the second half. In the aftermath of the storms, many homeowners discovered they were underinsured. The storms were a timely reminder for people to review their insurance cover. Over the year we paid out more than $1.5 billion in claims to people who suffered financial misfortune.

GIO's Russell Petrie, David Cosgrave and Gavin Parkinson with other Insurance assessors examine some of the hundreds of hail-damaged cars at Gosford Showground, New South Wales, following the storms in February.

Photo courtesy Newspix. Photographer Ruttyn.

Wealth Management

'Providing complete financial services for our customers is the central plank in our group strategy.'

BERNADETTE INGLIS GROUP EXECUTIVE WEALTH MANAGEMENT, GROUP STRATEGY AND MARKETING

Wealth Management Profile

Wealth Management has two divisions – the Life Company and the Asset Management operations.

Within the Life Company we provide a comprehensive range of products and services to over 143,000 individual and small business customers through a network of over 190 financial advisors and corporate agents. Products include superannuation (personal and employer sponsored), managed investments (unit trusts and wrap service), life insurance (death, trauma and disability) and financial planning and advice.

In Asset Management we manage $11.9 billion, including $4.5 billion superannuation and managed investments for customers, $1.6 billion in wholesale funds, and $5.8 billion from reserves of our general insurance business.

Performance

Wealth Management has delivered a profit before tax of $91 million for the year to June 2005, up 38 percent from $66 million for June 2004. The increase was again driven mainly by strong investment returns.

Equity markets have rewarded investors for the second consecutive year and the managed funds and superannuation industry has seen a return of positive inflows following a cooling of the residential property sector. New business sales increased 21 percent for the year to $658 million.

Providing complete financial services solutions for our customers is the central plank in our group strategy. With strong collaboration between our investment and wealth management teams, we have been able to place Suncorp products at the centre of our offer to our customers.

To further enhance the ability of Suncorp Financial Planners to provide quality financial advice, three product initiatives were completed in 2005 – the addition of five managed funds, a new term allocated pension and a female/children trauma product. Customers have also recognised the value which our consumer credit insurance/personal loan package offers, with the takeup rate of this offer increasing from approximately 20 percent a little over a year ago to almost 70 percent this financial year.

The superannuation industry has continued to make transformational and regulatory changes. The introduction of Super Choice from 1 July 2005 will allow many super fund members to choose where their retirement funds are invested. We are well placed to support our customers on this major change and have enhanced our product offerings to new and existing fund members, reducing fees and insurance premiums and giving fund members greater fund choices. We have also introduced a binding death option which enforces a member's beneficiary choice rather than leaving the decision in the hands of the trustees as has traditionally been the situation. The proposed reduction to the superannuation surcharge also makes superannuation more attractive than ever.

New regulations designed to further protect superannuation members are expected to come into force on 1 July 2006. These new regulations ensure trustees maintain appropriate internal controls and safeguards over the management of members funds, giving members greater peace of mind over the security of their retirement savings.

Our People

We are continuing to ensure that our people are equipped, capable and well skilled to operate in a complex industry. We are also ensuring that there are career opportunities and leadership development capabilities available to our people, not just Wealth Management, but opportunities across the group.

Investment Performance

Throughout the year, our investment products held consistent top quartile positions over both the short and long term by delivering superior returns.

The Balanced Superannuation Portfolio achieved an outstanding result by

occupying the industry's top quartile for eight consecutive years as at 30 June 2005. This performance has achieved industry recognition by being awarded Standard and Poor's Balanced - Dynamic Fund Manager of the Year. Our cash and capital stable funds also outperformed industry benchmarks. The Australian Cash Trust has now achieved top quartile performance for eight consecutive years. Independent research agency van Eyk again awarded our flagship Australian Equities Fund with an A rating being one of only four Australian Equity style-neutral Managers to achieve this rating.

Outlook

Our challenge is to continue to grow our Wealth Management business by servicing our banking and insurance customer bases with appropriately tailored wealth management solutions as they go through life stages and life events. A focus on superannuation as a result of the introduction of Super Choice offers opportunities for us as people review their retirement strategies and look to boost savings.

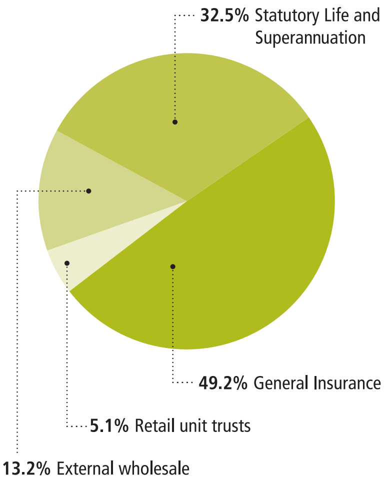
One of the important elements of wealth creation is to protect and provide for family members when unforseen circumstances arise. Industry research continues to highlight that many Australians run the risk of not having sufficient income in the event of serious illness. While many Australians may have some degree of insurance as part of their superannuation, the right amount of insurance cover remains a large question mark for most Australians. We believe that the renewed interest in superannuation creates opportunities for our people to put investment and insurance solutions in place to assist our customers to achieve their lifestyle goals.

"She has signed me up for everything!" says Sue Lindwall, from Sandgate, of her Financial Planner Anne-Marie Britten. Sue is grateful that Anne-Marie is looking after her financial needs. Having started with a regular savings plan in Suncorp's managed funds four years ago, Sue now has a gearing plan to escalate her retirement savings and supplement her superannuation. Not qualifying for sick leave in her employment, Sue also understands the importance of protecting her hard-won salary. Income Protection and Term Life, with a total and permanent disability policy, will provide her with financial security if the worst happens and she can no longer earn an income.

	benchmark	Suncorp results
	%	%
Investment Performance - 12 months to 30 June 2005		
Australian Cash	5.64	5.99
Australian Fixed Interest	7.79	8.19
World Fixed Interest	12.33	12.83
Australian Equities	26.35	29.88
World Equities	0.57	-0.61
Listed Property Trusts	18.1	18.67

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

Funds under Management
$11.9b as at 30 June 2005



Our People

Ride 4 Research - 1,000 klms in eight days for staff raising funds for skin cancer research.

We have employees who are prepared to go that extra yard to assist customers with their financial needs.

Brendan Mole is a single, career orientated guy with solid financial goals. Looking for a tax effective, strong asset growth, wealth accumulation strategy, he sought our expertise for alternatives to his current investments. With the managed fund market in mind, and taking on more debt to grow his wealth, we ensured that Brendan had adequate cover to protect his income in the event that he should be injured, sick and unable to work. Happy with his investments, and secure in the knowledge he is adequately insured in case disaster strikes, he now refers his mates to his Financial Planner Joanne Perriman to get more of the same good financial advice!

Our People

At Suncorp we strive to ensure that our people have a fulfilling, challenging and rewarding experience from the time they join us. The benefit for Suncorp is that we have employees who are well skilled and committed, prepared to go that extra yard to assist customers with their financial needs. This all adds up to the customer having a great experience with us.

We have continued to invest in the development of our people so that we have the right skills and the right people in place for the ongoing success of the Company. During the year we introduced a comprehensive orientation program for new employees which gives them the necessary understanding and knowledge to quickly assimilate into their roles. We also introduced a career planning tool that enables our people to set goals and establish development plans to help achieve their career aspirations within Suncorp. Our remuneration and reward model has been further refined, to ensure

We have 8,498 (Full Time Equivalent) Suncorp and GIO staff throughout Australia, predominantly in Queensland and New South Wales

Retail Banking (includes LJ Hooker)	2,656
Business Banking	574
General Insurance	3,205
Wealth Management	335
Finance	468
Information Technology	930
HR, Projects and Central Services	326
Chief Executive Office	4

Staff work one day a year for the charity or community activity of their choice. Beneficiaries during the year have included Lifeline, Life Education, RSPCA, Hear and Say Centre, Toowoomba Blood Bank, Meals on Wheels and Ozanam House in Melbourne.

that we appropriately recognise individual and team performance.

A new certified agreement was put into place in October covering approximately 4,000 staff. The resounding 'yes' vote we received from our people on the terms of the agreement is proof that our people are committed to Suncorp and it's continuing success.

We believe in hearing what our people think about Suncorp and acting on that feedback. Over the year our staff participated in two surveys. The first was our Employee Engagement survey which assesses the level of commitment our people feel towards Suncorp. Some 86 percent of staff responded to the survey and the result was a pleasing increase in engagement over the previous year. This year we also ran our first Cultural Survey, the purpose of which was to better articulate 'how we want things done around Suncorp' and consequently give people greater say in how their company operates. We are very focused on delivering the right culture in order to maintain our success.

Our defined set of values that we expect our people to live by – honesty, trust, fairness, respect, caring and courage – both in our relationships we build with our customers and with each other, are now firmly established. During the year we launched a new Code of Conduct to reflect these values and reaffirm the standards to which we expect our people to behave.

We have recently committed to delivering a workplace environment that provides our people with the best opportunity to perform, that fosters a culture of collaboration and teamwork. The first staff to experience a new Suncorp workplace will be those in the refurbished Pitt Street office in Sydney early next year, and in Brisbane in mid 2006, when 1,800 staff from three current Suncorp offices relocate to the brand new Brisbane Square premises. This is a long-term strategic initiative that will be implemented over a five-plus year timeframe and encompasses all major non retail sites throughout Australia.

Work...and beyond

Our Family Day program is an extension of our workplace practices, encouraging informal networking, supporting work/life balance and enhancing Suncorp as a family-friendly workplace. The program focuses on the participation of families in major community events such as the Bridge to Brisbane and Sydney's City to Surf fun runs, and family events such as barbecues, visits to zoos and museums and special screenings of family movies. Nearly 5,000 family members enjoyed a range of activities during the year.

In building our relationships with the community, and to show we care by giving something back, not just in money but in time and expertise, we initiated Volunteer Day, which gives each employee one day's paid leave per year to devote to the community. Over 30 percent of staff have already given their time to a range of charities and community activities such as gift wrapping, RSPCA, Meals on Wheels, Hear Kids Calendar, gardening working bees, and the Oxfam Walk.

Our Community

GIO's major sponsorship was the Sydney Festival's "Jazz in the Domain" and "Symphony in the Domain" free outdoor concert. Set in Sydney Botanic Gardens, the two events attracted almost 200,000 people.

More than 21,000 people participated in 2005 Bridge to Brisbane Fun Run.

For over 100 years Suncorp has been part of the community, providing financial services to individuals and businesses and paying insurance claims for thousands of customers when disaster strikes. The way we do things at Suncorp is reflected in the support we give to the community, through our volunteer days for charity and the funds we raise through special events, to the sponsorship we provide to organisations who provide research and benefits that help make Australia an even better place to live.

Australia's high incidence of skin cancer was the motivating force behind Suncorp's initiative this year to develop campaigns, in conjunction with the Queensland Institute of Medical Research, the Sunshine Coast Life Guard Service and the Royal Lifesaving Society Queensland, to help educate Queenslanders about the dangers of sun exposure. In a fund raising event in support of QIMR's research into skin cancer, over 100 staff from all over Australia rode from Rockhampton to the Gold Coast – 1,000kms in eight days - and raised over $305,000 – the largest amount ever raised from such an event for QIMR. Co-inciding with the ride, QIMR and Suncorp presented a number of well attended free public seminars to raise awareness about skin cancer and being safe in the sun.

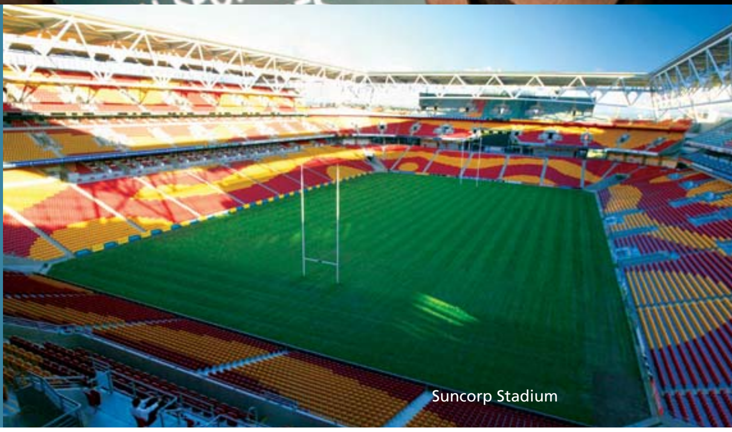
QIMR was the beneficiary of the 2005 Sunday Mail Suncorp Bridge to Brisbane Fun Run. The ever popular Fun Run, one of Brisbane's largest community events, continues to attract record numbers of runners and raises thousands of dollars for charity each year. Suncorp has been a co-naming rights sponsor of the event since 1997. Over $1.4 million has been raised for various charities throughout the life of the event including the Youth Enterprise Trust, the Hear and Say Centre, Royal Women's Hospital, The Endeavour Foundation and Guide Dogs Queensland. The monies raised for QIMR from the event will go towards purchasing a liquid handling robot which is urgently required to process samples from families and individuals suffering from melanoma, as well as developing a world-class 'immunotherapy' patient treatment program. The 2005 event attracted 21,000 runners including up to 3,000 Suncorp staff and their families.

Hear and Say Centre

During the year staff have raised money through raffles, sponsored swimming events and other activities for the Hear and Say Centre. Two major events, the Buy-a-Butterfly appeal and the inaugural Suncorp Queensland Business Leaders Dinner, raised over $200,000 which will create additional places for hearing impaired children to join the centre's unique therapy program, which teaches profoundly deaf or hearing impaired children to listen and speak, following a cochlear implant.

Customers, too, have been contributing to the Hear and Say Centre through their internet banking transactions. The 'Charity Donation Scheme' enables customers to round up their bills to the nearest dollar when paying online through BPay. The difference is then credited to the Centre. The charities will be rotated regularly, with QIMR being the beneficiary over the summer months, to co-incide with Suncorp's skin cancer promotion.

Channel 7's Sunrise Presenter David Koch interviews former Wallabies captain Phil Kearns at a Suncorp corporate event prior to the recent Wallabies v South Africa match


Suncorp Stadium

Queensland Cricket

Suncorp's partnership with Queensland Cricket is now entering its 15th year and we are proud to be the major support sponsor. Our Regional Cricket Program helps to take cricket to outlying areas of the state by conducting coaching clinics and school visits. For the first time, our sun safe program was integrated into the sponsorship with volunteers spraying sunscreen onto patrons at the ING Cup Final in Brisbane. Proceeds raised at the match were donated to QIMR in the fight against skin cancer.

The Wallabies

A feature of our major sponsorship with the Australian Rugby Union has been the GIO Ballboys campaign, promoted this year on Channel 7's Sunrise program. Viewers could nominate a young Australian hero aged 7-15 years who deserved to be rewarded with a special, once-in-a-lifetime opportunity to meet the Wallabies and undertake ballboy duties during a test match. Entries were judged on the nominee's selfless 'can do' attitude, their positive contribution to the community and their optimistic Aussie approach to help others, with four ballboys being selected from over 1,000 entries.

Suncorp Queenslander and Young Queenslander of the Year Awards

Suncorp sponsors the Queenslander of the Year Award which has been running for 20 years and recognises outstanding people from many disciplines and walks of life. The 2005 awards, which are regarded as the state's highest citizenship honour, attracted more than 110 nominations from across the state. This year's winner of the Suncorp Queenslander of the Year award was Dr Geoff Hill, an internationally renowned researcher in bone marrow transplants. His work has helped medical professionals around the world to better understand and treat leukemia. The Suncorp Young Queenslander of the Year Award, established in 1989 to recognise inspirational young Queenslanders for their charitable, sporting or cultural contributions to the state was this year won by Alen-Igor O'Hran, a Yugoslavian refugee from Rockhampton who has overcome extraordinary hardship to start a new life in Australia. He graduated from university with First Class Honours in Law as well as a Distinction Degree in Business and the Dean's Award for Excellence. He is an Associate to the Honourable Justice Dutney, Central Judge of the Supreme Court of Queensland.

Other community support

Suncorp continued its support of the Youth Enterprise Trust (YET) in 2005, a wilderness-based program for disadvantaged young Australians. Other fundraising activities during the year included the Tsunami appeal, for which more than $600,000 was raised by staff and customers for World Vision and the Leukemia Foundation's Shave-for-a-Cure challenge, raising over $65,000 for those affected by leukemia.

Board of Directors

John D Story BA, LLB, FAICD

Chairman Age 59

Director since January 1995, Deputy Chairman since June 2002 and Chairman since March 2003. John Story is non-executive Chairman of the law firm Corrs Chambers Westgarth and is a director of CSR Limited and TABCORP Holdings Limited. He is President of the Queensland Council of the Australian Institute of Company Directors as well as being a member on its national board.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
Australian Magnesium Corporation Limited	30.11.01	04.05.05
CSR Limited	12.04.03	
Jupiters Limited and subsidiaries	17.04.91	13.11.03
Ruralco Holdings Limited	27.04.88	18.08.03
TABCORP Holdings Limited	29.01.04	

Rodney F Cormie

BCom, AAUQ, ASA, FSIA, FAICD

Non-executive Director Age 72

Director since December 1996. Rod Cormie is Chairman of Magellan Petroleum Australia Limited. He has had extensive experience as a company director and was a director of the Queensland Industry Development Corporation from 1990 until 1996 when it became part of the Suncorp-Metway Ltd Group.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
Magellan Petroleum Australia Limited	14.03.80	

James J Kennedy

AO CBE DUniv (QUT) FCA

Non-executive Director Age 71

Director since August 1997, Jim Kennedy is a Chartered Accountant and a director of GWA International Limited, Qantas Airways Limited and the Australian Stock Exchange Ltd.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
Macquarie Goodman Management Ltd	26.10.00	24.01.03
Macquarie Goodman Funds Management Ltd	31.05.94	05.02.04
GWA International Limited	28.08.92	
QANTAS Airways Ltd	18.10.95	
Australian Stock Exchange Ltd	26.02.90	

Ian D Blackburne

MBA, PhD, BSc (First Class Hons)

Non-executive Director Age 59

Director since August 2000. Ian Blackburne is Chairman of CSR Limited and the Australian Nuclear Science & Technology Organisation and is a director of Mayne Group Limited and Teekay Shipping Corporation. He is the former Managing Director of Caltex Australia Limited and spent 25 years in the petroleum industry.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
CSR Limited	01.09.99	
Mayne Group Limited	01.09.04	
Teekay Shipping Corporation (NYSE)	08.09.00	

Cherrell Hirst

AO MBBS, BEdSt, DUniv(Hon), FAICD

Non-executive Director Age 60

Director since February 2002. Cherrell Hirst is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. She is Chairman of Peplin Limited, Chair of the Board of Trustees of the Brisbane Girls Grammar School and Deputy Chairman of Queensland BioCapital Funds Pty Ltd. She is a director of Australasian Medical Insurance Limited, ImpediMed Limited, and was a director of Metway Bank from July 1995 to December 1996. Dr Hirst was Chancellor of Queensland University of Technology from 1994 to 2004 and is a director of Opera Queensland Limited and the Breast Cancer Network of Australia, which are not-for-profit organisations.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
Hutchison's Child Care Services Limited	16.01.04	23.04.05
Peplin Limited	17.08.00	

John Story, Rod Cormie, Jim Kennedy, Ian Blackburne, Cherrell Hirst, Bill Bartlett, John Mulcahy, Chris Skilton, Martin Kriewaldt

William J Bartlett
FCA, CPA, FCMA, CA (SA)
Non-executive Director Age 56

Director since 1 July 2003. Bill Bartlett is a director of Reinsurance Group of America Inc., RGA Reinsurance Company of Australia Limited, Peptech Limited, Retail Cube Limited and MoneySwitch Limited. In December 2004 he was appointed as consultant for the Treasury and Financial Reporting Council in respect of auditor independence. He has had 35 years experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He also has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board since 1994. He holds an honorary position on the boards of the St James Ethics Centre, the Bradman Foundation and the Bradman Museum.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
Peptech Limited	10.08.04	
Retail Cube Limited	10.05.04	
Reinsurance Group of America Inc. (NYSE)	26.05.04	

John F Mulcahy
PhD (Civil Engineering), BE (First Class Hons) Executive Director, Chief Executive Officer Age 55

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

Chris Skilton
BSc (Econ), ACA
Executive Director, Chief Financial Officer Age 51

Director since 13 November 2002. Chris Skilton was appointed Chief Financial Officer of Suncorp-Metway Ltd in June 2001. He has over 20 years experience in various senior roles in the finance sector and was previously Deputy Chief Financial Officer, then Group Executive for New Zealand and the Pacific Islands with Westpac Banking Corporation. Chris has also held the position of Managing Director and Chief Executive Officer of AIDC Ltd, during which time he was also appointed as acting CEO of the Australian Submarine Corporation, one of Australia's largest and most complex engineering projects. He has also held executive positions with Security Pacific Australia and Barclay Group of Companies.

Martin D E Kriewaldt
BA, LLB (Hons), FAICD
Non-executive Director Age 55

Director since 1 December 1996, Martin Kriewaldt was a director of the Suncorp Group from 1990 and Chairman at the time of the merger that formed the Suncorp-Metway Ltd Group in 1996. He is Chairman of Opera Queensland Limited, and a director of Campbell Brothers Limited, GWA International Limited, Oil Search Limited and Peptech Limited. He provides advice to Allens Arthur Robinson and Aon Holdings Australia Limited and is a member of the Redeemer Lutheran College Council.

Listed company directorships held since 1 July 2002

company name	appointed	resigned
Acuity Investment Management Ltd	24.09.03	04.12.03
Campbell Brothers Limited	12.06.01	
GWA International Limited	25.06.92	
Oil Search Limited (Group)	16.04.02	
Peptech Limited	24.10.03	

Directors' Report

Your directors present their report on the consolidated entity ("Suncorp") consisting of Suncorp-Metway Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2005.

Directors

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

John D Story
(Chairman)

John F Mulcahy
(Managing Director)

William J Bartlett

Dr Ian D Blackburne

Rodney F Cormie

Dr Cherrell Hirst AO

James J Kennedy AO CBE

Martin D E Kriewaldt

Christopher Skilton
(Chief Financial Officer and Executive Director)

Particulars of the directors' qualifications and experience and details of directorships of other listed companies are set out under Board of Directors in the Annual Report.

Company secretaries

Clifford R Chuter B Bus was appointed to the position of company secretary in March 1997 following the merger of Metway Bank Limited, the Suncorp Group and QIDC. Prior to the merger Mr Chuter held the role of company secretary with the Suncorp Group.

Thomas W Collier B Bus, CPA was also appointed company secretary in February 2001 and has over 15 years company secretarial experience within the banking and finance industry.

Principal activities

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

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

Group's objectives

The group's strategic journey to become a 'powerful corporate' is discussed in the Managing Director's Letter to Shareholders. The next step in that journey is to move from a 'performing conglomerate' to a 'successful conglomerate'. As a successful conglomerate our objective is to deliver returns better than our banking, general insurance and wealth management peers by leveraging the synergies possible as a financial services conglomerate to generate increased value to the customer and thereby value to the investor.

To achieve this objective we have set ourselves the following tasks:

- Understanding customer needs by:
  - Deepening and extending Customer Value Analysis
  - Deepening analytical capability
  - Improving Management Information Systems capability
  - Building segment based plans
- Managing customer relationships by:
  - Refining and embedding Customer Management Hierarchy
  - Embedding the measurement of customer value
- Designing group solutions by:
  - Continuing to refine and improve natural fit packages and product integration
  - Focusing on designing customer solutions
  - Extending whole of customer based pricing
- Acquiring, leveraging and retaining the customer base.

Operating and financial review

Overview of the consolidated entity

Consolidated profit from ordinary activities before amortisation of goodwill and related income tax expense for the year ended 30 June 2005 was $1,353 million (2004: $1,031 million). Consolidated net profit attributable to members of the parent entity was $821 million (2004: $618 million). The significant increase is a result of increased profit contributions from all lines of business and in particular general insurance activities, as explained in the Managing Director's Letter to Shareholders in the Annual Report.

The following table demonstrates returns to shareholders over the past five years:

	2005	2004	2003	2002	2001
Net profit attributable to members of the parent entity ($m)	821	618	384	311	395
Basic earnings per share (cents)	148.65	112.77	69.82	58.00	106.61
Dividends per share (cents)(1)	87	70	56	54	52
Change in share price ($)	5.91	2.60	(0.71)	(2.69)	6.38

(1) excludes the special dividend of 75 cents per share subsequently declared by the Directors.

Financial position and capital structure

The group has a strong financial position with the net assets attributable to shareholders increasing during the financial year from $4.0 billion to $4.5 billion. Additional capital has been raised through retained profits, the dividend reinvestment plan and exercise of options. Retained profits have not yet deducted the final dividend of 45 cents per share amounting to $246 million or the special dividend amounting to $409 million, which is discussed below.

The strong capital position of the group is demonstrated by the Bank's adjusted common equity ("ACE") ratio of 6.85 percent and capital adequacy ratio of 11.5 percent, and the General Insurer's minimum capital ratio multiple of 1.88 times the statutory minimum. These ratios are significantly above the requirements of APRA being 9.5 percent and 1.25 times respectively and Board targets of 10 percent and 1.6 times respectively.

Some of the capital held is surplus to what is required for the group's anticipated growth.

The Company has announced a special dividend of 75 cents per share to shareholders, payable in October 2005. To maximise the distribution to shareholders the special dividend will be preceded with a subordinated debt transaction of $200 million from the Bank. This capital management initiative is aimed at returning surplus capital to the Company's shareholders, returning our capital position to target levels and improving our Tier 1 / Tier 2 ratios.

Impact of legislation and other external requirements

From 1 July 2005 the consolidated entity is required to comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") issued by the Australian Accounting Standards Board. The expected impact of the resulting changes in accounting policies is disclosed in Note 2 to the financial statements.

The Chairman's Letter to Shareholders addresses other legislative changes that affect the consolidated entity. There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the consolidated entity.

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

Significant changes in the state of affairs

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

The Company undertook a Euro 500 million, five year floating rate note issue, equivalent to approximately AUD 860 million in October 2004.

During the financial year the Company raised subordinated notes through its controlled entity, Suncorp Metway Insurance Ltd ("SMIL") for the first time. In September 2004, SMIL issued $200 million in subordinated debt, split between fixed and floating tranches. The proceeds were then repatriated to the Bank via a special dividend.

During the course of the financial year, the Company also completed two securitisation transactions:

Month	Amount	Titled
September 2004	AUD 700 million	APOLLO Series 2004-2
March 2005	EUR 564 million+ AUD 1 billion	APOLLO Series 2005-1E

These transactions represented the seventh and eighth trusts that Suncorp has established and further demonstrated our ongoing ability to access diverse investor markets.

Review of principal businesses

Information on the principal businesses of the consolidated entity can be found in the business line operations section, Chairman's Letter to Shareholders and the Managing Director's Letter to Shareholders.

Dividends

A fully franked 2005 interim ordinary dividend of $228 million (42 cents per share) was paid on 1 April 2005. A fully franked 2005 final dividend of $246 million (45 cents per share) has been declared by directors. In addition, a fully franked special dividend of $409 million (75 cents per share) has been declared by directors.

Further details of dividends provided for or paid are set out in the notes to the financial statements.

Corporate Governance Statement

The Board of Directors of the Company is responsible for the Corporate Governance of Suncorp and its controlled entities (collectively the "Suncorp Group"). This statement outlines the main Corporate Governance practices and policies that have been established by the Board and were in place throughout the 2004/05 financial year, unless otherwise stated, to ensure the interests of shareholders are protected and the confidence of the investment market in the Company is maintained. Those practices and policies are current as at the date of this Statement, which is 26 August 2005.

In establishing the Corporate Governance framework, the Board has considered best practice governance standards, including the "Principles of Good Corporate Governance and Best Practice Recommendations" published by the ASX Corporate Governance Council ("Council") in March 2003.

That document articulated 10 core principles and 28 recommendations that the Council believes underly good corporate governance and included guidelines to assist companies in complying with the principles and best practice recommendations.

All listed companies are required to disclose the extent to which they depart from these principles and recommendations during the reporting period.

The Corporate Governance policies, procedures and practices of Suncorp have been developed and implemented by the Board and management over many years and are consistent with the principles and best practice recommendations published by the Council. During the 2004/05 financial year there were no departures from those recommendations which should be disclosed to shareholders.

A more detailed description of the structures and practices Suncorp has in place to address each of the principles and best practice recommendations is available on the Suncorp website at www.suncorp.com.au.

Board Of Directors

Role of the Board

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

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

The Board generally meets on a monthly basis to consider matters relevant to the group's operations and performance however additional meetings are held as required. The Board also meets with senior management at least twice a year to consider matters of strategic importance to the group.

Prior to each meeting of directors, the non-executive directors meet in the absence of executive directors and any other management representatives.

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

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

Composition of the Board

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

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

- The Company's Constitution provides that at every Annual General Meeting, one third of the directors, excluding the Managing Director, shall retire from office but may stand for re-election. The Board confirm to shareholders whether they support the election of each retiring director in a statement that accompanies the Notice of Meeting.
- Board composition is reviewed periodically by the Nomination & Remuneration Committee, either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board and the ongoing need to align those skills with the strategic demands of the group.
- A Board appraisal is conducted annually, as explained elsewhere in this Statement, which includes an assessment of future requirements in relation to Board composition based on the above criteria and overall Board performance.

Once it has been agreed that a new director is to be appointed, a search is undertaken, usually using the services of external consultants. Nominations are subsequently received and reviewed by the Board. When undertaking such a review, the following principles, which form part of the Board Charter, are applied:

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

Director independence and conflicts of interest

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

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

Based on these criteria, which are summarised below and which are consistent with the ASX guidelines, the Board considers all current directors, other than the Managing Director John Mulcahy, (director since January 2003) and the Chief Financial Officer, Chris Skilton (director since November 2002), to be independent.

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

Director	Term in Office (at the date of this statement)
John Story (Chairman)	10 years 7 months
Bill Bartlett	2 years 2 months
Ian Blackburne	5 years 1 month
Rod Cormie	8 years 9 months
Cherrell Hirst	3 years 7 months
Jim Kennedy	8 years 1 month
Martin Kriewaldt	8 years 9 months

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

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

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

(a) Director Associations with a Professional Advisor or Consultant

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

Mr Story is the non-executive Chairman of Corrs Chambers Westgarth Lawyers, which provided legal services to the Suncorp Group throughout the year.

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

Another director, **Mr Kriewaldt** provided advice to AON Holdings Australia Limited and Allens Arthur Robinson Lawyers throughout the year. Those firms provided insurance brokerage and legal services respectively to the Suncorp Group.

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

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

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

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

(b) Tenure in Office

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

As disclosed previously in this Statement, the longest tenure of a director on the Suncorp Group parent entity Board is ten years and seven months, although two current directors, Messrs Kriewaldt and Cormie were directors of the Suncorp and QIDC entities respectively for some seven years prior to the merger with Metway Bank Limited in December 1996. The Board do not consider those service periods to have in any way interfered with the respective directors' ability to act independently and in the best interests of the Company.

Board appraisal

An appraisal of the Board is conducted annually, with an independent consultant engaged to facilitate the process every second year. The Chairman of the Board conducts the appraisal every other year, however the same methodology and processes (as summarised below) are followed each year.

During the 2004/05 reporting period, the Chairman conducted the appraisal through interviews with each director, with the main aims being to:

- Assess the effectiveness of the Board as a whole in meeting the requirements of its Charter;
- Assess the performance and contributions of individual directors in assisting the Board fulfil its role; and
- Identify aspects of Board or director performance that require improvement.

A summary of the views expressed during the interviews in relation to each of the above matters or any other matters that directors believe are relevant, was provided to directors in a report prepared by the Chairman and the Board as a whole discussed the report and any recommendations for change or improvement were agreed. Progress against each of the recommendations is assessed in subsequent Board reviews.

Following the interview process and where applicable, the Chairman may also meet with individual directors to discuss any issues that may have arisen during the interview stage in relation to that director's performance.

The Board also met, in the absence of the Chairman, to discuss the performance of the Chairman. The Chairman of the Audit Committee prepared a report on those discussions, which the Board collectively discussed with the Chairman.

Director remuneration

A Remuneration Report, which explains the remuneration policies and structures in place for Suncorp directors over the reporting period and includes full details of directors' benefits and interests, commences on page 38 of the Directors' Report.

Director and senior management dealings in Company securities

The Suncorp Constitution permits directors to acquire securities in the Company, however the Board has adopted a share dealing policy that prohibits directors and senior management from dealing in the Company's securities or exercising options any time whilst in possession of price sensitive information and for a 30 day period prior to:

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

The following approvals must also be obtained before a director or officer can deal in the Company's securities:

- Directors (including the executive directors) must advise the Chairman of the Board;
- The Chairman must advise the Chairman of the Audit Committee; and
- Senior managers must advise the Managing Director.

The granting of approval to deal in the Company's securities is co-ordinated by the company secretary who is also responsible for reporting all transactions by directors and senior managers to the Board.

In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange (ASX), the Company advises the ASX of any transaction conducted by directors in securities in the Company.

The share dealing policy is made available to employees through the Company's internal compliance and governance intranet sites and an advice on the terms of that policy is issued to all senior managers at least twice a year, usually at the time of the release of the Company's annual and half-year financial results.

Full details of this policy are also available on the Company's website under 'Corporate Governance'.

Independent professional advice

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

Director education

The Company has an informal process to educate new and existing directors about the nature of the business, current issues, and the corporate strategy.

For new directors, this is achieved through meetings with the CEO and each member of the Group Executive which are held soon after their appointment to the Board.

Throughout each year, presentations are provided to the Board and Board committees by management or industry experts on matters relevant to the Suncorp business. The appointment of all non-executive directors to each of the group's main Board committees (Audit and Risk) has also given each director wider exposure to the group's operations and business.

Directors also participate in off-site strategy sessions at least twice a year.

Board Committees

In order to provide adequate time for the Board to concentrate on strategy, planning and performance enhancement, the Board has delegated certain specific duties to Board committees. To this end three Board committees have been established to assist and support the Board in the conduct of its duties and obligations.

Primarily in response to the complexity of the Suncorp mix of businesses and to reflect the growing emphasis on risk management from a whole of enterprise perspective, the structure of the group's Board committees was changed effective from 1 October 2004, in the manner outlined below.

The functions of the Audit, Business Risk & Compliance Committee, the Credit Committee and the Investment Committee are now performed by the Audit Committee and the Risk Committee. The roles of these committees are detailed later in this report.

Also, in recognition of the important role played by the committees as part of the group's overall governance structure, all non-executive directors have been appointed members of the Audit and Risk Committees.

The structure and operation of the Nomination & Remuneration Committee was unaffected by these changes.

Each of the committees has its own charter, which is approved by the Board and which defines the respective committees' roles and responsibilities. Copies of the charters are available on the Company's website under 'Corporate Governance'.

The number of meetings held by each committee over the year and details of directors' attendance at those meetings are provided on page 37 of the Directors' Report.

Audit Committee

The primary role of this Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of the group's financial and operational control environment.

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

- Reviewing prudential supervision reports and monitoring management responses;
- Reviewing statutory reports and returns for lodgement with APRA;

- Reviewing half-year and annual financial statements and reports prior to consideration by the Board;
- Reviewing and assessing reports from management, the Approved Actuary, the Appointed Actuary and the external auditors in relation to matters impacting on the half-year and annual financial statements;
- Implementation of Australian equivalents to International Financial Reporting Standards and associated accounting policy changes;
- Audit planning – reviewing and approving audit plans as submitted by both internal and external auditors and agreeing areas of audit emphasis and audit approach; and
- Reviewing internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, that appropriate and prompt remedial action is taken by management.

Independence

At all times throughout the reporting period, the members of the Audit Business Risk & Compliance Committee and subsequently the Audit Committee, as detailed below, were independent, non-executive directors. To further enhance the independence of the audit functions, (both internal and external) there were no management representatives on either of the Committees during the year, 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 and the provision of non-audit services by the external auditor is reviewed by the Committee to ensure the integrity of the auditor's independence is not prejudiced.

Membership

As stated earlier, all non-executive directors of the Company were appointed members of the Audit Committee from 1 October 2004 and Mr W J Bartlett was appointed Chairman of the Committee at that time. Prior to that date, the functions of the Audit Committee were performed by the Audit, Business Risk & Compliance Committee, whose members comprised I D Blackburne (Chairman), M D E Kriewaldt, J J Kennedy and W J Bartlett.

At the date of this Statement, the qualifications of the members of the Committee satisfy the requirements of the ASX guidelines. Details of those qualifications are provided in the directors' profile section.

Risk Committee

The role of the Risk Committee is to provide an oversight across the group for all categories of risk through the identification, assessment and management of risk and monitoring adherence to internal risk management policies and procedures.

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

- Enterprise Risks – monitoring the Basel II program of work and implementation of the group wide risk management framework;
- Balance Sheet, Liquidity and Market Risk – reviewing and monitoring prudential reports, performance reports and compliance with policy limits. Assessing and approving investment strategies and mandates;
- Credit Risk – reviewing and assessing loan portfolio reports, asset quality reports, credit and counterparty limits, bad debt provisioning and reinsurance counterparty provisioning. Assessing credit approvals and monitoring and approval of delegated credit authorities;
- Insurance Risk – reviewing and monitoring reinsurance debtor reports;
- Operational Risk – reviewing and assessing operational risk reports and assessing business continuity plans; and
- Compliance Risk – reviewing due diligence reports and monitoring compliance with regulatory requirements including Financial Services Reforms.

Membership

As stated earlier, all non–executive directors of the Company were appointed members of the Risk Committee from 1 October 2004 and Dr I D Blackburne was appointed Chairman of the Committee at that time. Prior to that date, the functions of the Risk Committee were performed by the Audit, Business Risk & Compliance Committee (ABR&CC), the Board Credit Committee and the Investment Committee whose members comprised:

ABR&CC: I D Blackburne (Chairman), M D E Kriewaldt, J J Kennedy and W J Bartlett

Board Credit Committee: R F Cormie (Chairman), J J Kennedy, C Skilton, C Hirst and W J Bartlett.

Investment Committee: M D E Kriewaldt (Chairman), R F Cormie, C Skilton and C Hirst.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee is responsible for making recommendations to the Board on:

- Appointment and removal of directors;
- The remuneration of directors and the remuneration and performance targets of the Managing Director;
- Appointments to and terminations of Senior Executive positions reporting to the Managing Director;
- Remuneration and human resource policy matters; and
- Board and management succession planning.

Membership: J D Story (Chairman), I D Blackburne, C Hirst.

Risk Management and Internal Controls

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

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

- **Financial Reporting** – The Board receives reports monthly from management on the financial performance of each business unit within the Suncorp Group. The reports include details of all key financial and business results reported against budget, with regular updates on yearly forecasts. The Managing Director and Chief Financial Officer attest to the integrity of the financial reports provided to the Board each month and provide a written statement to the Board, in relation the Suncorp Group's half-year and annual statutory accounts, that meets the requirements of ASX recommendations 4.1, 7.2.1 and 7.2.2.

- **Continuous Disclosure** – The Company has in place policies and procedures to ensure all shareholders and investors have equal access to the Company's information and that all price sensitive information in relation to the Company's listed securities is disclosed to the ASX, in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules.

  The Manager Investor Relations has primary responsibility for all communications with the ASX and all Company announcements are available via the Company's website at www.suncorp.com.au, following release to the ASX. A copy of the Company's disclosure policy is available on that website under 'Corporate Governance'.

- **Compliance** – Policies and procedures are also in place to ensure the affairs of the Suncorp Group are being conducted in accordance with good corporate governance practices. These procedures also ensure executive management and the Board are made aware, in a timely manner, of any material matters affecting the operations of the Suncorp Group that may need to be disclosed in accordance with the Company's disclosure policy, referred to above.

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

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

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

  Procedures are also in place to ensure all material correspondence between group entities and their primary regulators, including APRA and ASIC, is referred to the Board or relevant Board Committee in a timely manner.

Code Of Conduct

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

The various policies and procedures that are in place to support this philosophy, are contained in the Suncorp Group Code of Conduct (Code) which is available on the Company's website under 'Corporate Governance'.

The Company monitors compliance with the Code and its various other policies using an internal due diligence system, as described earlier in this Statement under 'Risk Management and Internal Controls'.

Matters after the end of the financial year

For the reporting period beginning on 1 July 2005, the consolidated entity must comply with AIFRS as issued by the Australian Accounting Standards Board. The potential impact of adopting AIFRS is detailed in note 2 to the financial statements.

The Company has completed an $800 million securitisation via the APOLLO Series 2005-2 Trust. The transaction, which is the sixth domestic issue, settled on 19 July 2005. Consistent with the previous offshore transaction in March 2005 it includes low-doc loans, representing approximately 9.5 percent of the total pool of mortgages.

Other than the matters previously discussed, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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.

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.

Subsequent to year end the directors have declared a special dividend of 75 cents per fully paid ordinary share, amounting to $409 million and payable on 3 October 2005. The special dividend will be preceded with a qualifying (Lower Tier 2) subordinated debt issue for $200 million.

As part of the Basel II framework, the bank is implementing enhanced risk management systems. Implementation of the Suncorp Basel II program plan commenced in May 2004 and is well advanced. There is every confidence that there will be compliance across Suncorp's operations by the prescribed date of January 2008. Basel II involves development of systems capability and data management to enhance the measurement of risk.

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

Insurance of officers

During the financial year ended 30 June 2005, 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 total 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*.

Options

The Company no longer grants options over unissued ordinary shares to employees as part of their remuneration. Ordinary shares in the Company were issued during the year ended 30 June 2005 on the exercise of options granted in previous financial years under the Executive Option Plan. These are set out in the notes to the financial statements. Remuneration of directors and executives as set out in the Remuneration Report (pages 38 to 48 of the directors' report) includes a portion of the fair value of options granted which is allocated to this financial year.

Directors' interests

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

	Fully Paid Ordinary Shares	Options over Ordinary Shares
J D Story	74,491	-
J F Mulcahy [1]	600,000	-
W J Bartlett	8,981	-
I D Blackburne	19,599	-
R F Cormie	15,735	-
C Hirst	4,052	-
J J Kennedy	20,000	-
M D E Kriewaldt	48,658	-
C Skilton[1]	428,265	116,667

(1) Includes shares held by the trustee of the Executive Performance Share Plan. Beneficial entitlement to those shares remains subject to satisfaction of specified performance hurdles. (J F Mulcahy: 400,000 shares; C Skilton: 115,810 shares).

Directors' meetings

The number of directors' meetings (including meetings of committees of directors[1]) and number of meetings attended by each of the directors of the Company during the financial year were:

	Board of Directors		Audit Committee[1]		Risk Committee[1]		Nomination & Remuneration Committee		Audit, Business, Risk and Compliance Committee[1]		Investment Committee[1]		Credit Committee[1]	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
J D Story	11	11	3	3	5	5	3	3	2	2[2]	1	1[2]	2	2[2]
J F Mulcahy	11	11	3	3[3]	5	5[3]	-	-	2	1[3]	-	-	-	-
W J Bartlett	11	11	3	3	5	5	-	-	2	2	1	1[2]	2	2
I D Blackburne	11	11	3	3	5	5	3	3	2	2	-	-	-	-
R F Cormie	11	10	3	3	5	5	-	-	2	2[2]	1	1	2	2
C Hirst	11	11	3	3	5	5	3	3	2	1[2]	1	1	2	2
J J Kennedy	11	11	3	3	5	5	-	-	2	2	-	-	2	2
M D E Kriewaldt	11	10	3	3	5	5	-	-	2	2	1	1	-	-
C Skilton	11	11	3	3[3]	5	5[3]	-	-	2	2[3]	1	1	2	2

(1) The committees of directors were restructured in September 2004 – the Audit, Business Risk & Compliance Committee, Investment Committee and Credit Committee ceased to operate and the new Audit and Risk Committees were formed.

(2) Denotes committee meetings attended by directors who were not committee members.

(3) Mr Mulcahy and Mr Skilton attend Audit Committee and Risk Committee meetings at the invitation of those committees. In accordance with accepted good governance practice there are no management representatives appointed as members of the Audit Committee.

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.

Remuneration Report

The Suncorp Remuneration Report for 2005, as presented below, has been prepared for consideration by shareholders and contains the following information:

- Suncorp Group Remuneration Policy
- Executive Remuneration Approval Process
- Executive Remuneration Structure
  - Overview of Executive Remuneration Structure
  - Fixed Pay
    - Reporting Fixed Pay Outcomes
  - Short Term Incentives
    - Determination and Allocation of Short Term Incentives
    - Balanced scorecards
  - Company Performance and Short Term Incentives
  - Long Term Incentives
    - Executive Performance Share Plan
    - LTI Performance Measures
    - Performance Periods
    - Suncorp Executive Option Plan (EOP)
  - Company Performance and Long Term Incentives
- Executive Service Agreements
  - Group Executives
  - Chief Executive Officer
- Executive Directors' and Executive Officers - Remuneration Tables
  - Total Remuneration
  - At Risk Remuneration
  - Proportion of remuneration at risk
- Non-executive Directors' Remuneration Policy and Structure
- Non-executive Directors' - Remuneration Tables

Suncorp Group remuneration policy

The Suncorp Group remuneration policy, as defined in the structures and practices described in this report, is based on the following principles and strategies:

- The remuneration framework is to be structured to support the Suncorp vision and business strategies and reward performance that enhances shareholder value on a sustainable basis;
- Individuals are to be rewarded on the basis of their contribution to Suncorp's overall performance and the achievement of personal, business unit and corporate objectives in the context of Suncorp's cultural objectives and strategies;
- Business performance factors that are measurable and directly linked to the Suncorp vision, business strategies and shareholder value, are to be the basis for determining the level of variable or at risk pay;
- The remuneration system is to be structured to place an emphasis on performance based pay while appropriately managing the fixed cost of labour;
- The remuneration system is to be a component in the overall Employee Value Proposition through which high performing employees are attracted and retained;
- The remuneration system, when coupled with Suncorp's performance management system, should encourage Suncorp's objective of embedding a high performing, customer focused team culture.

The policy applies to the remuneration arrangements for all persons employed by Suncorp including executive directors, company secretaries and senior managers. The remuneration policy relating to non-executive directors is discussed in the 'Non-executive Directors' Remuneration Policy and Structure' section of this report.

The Nomination & Remuneration Committee, which comprises three non-executive directors, is responsible for making recommendations to the Board on remuneration policy. Further information on the role of this committee, its responsibilities and membership, is contained in the Corporate Governance Statement, commencing on page 31 of this Directors' Report.

Executive remuneration approval process

The following approval processes apply in relation to establishing performance targets, assessing performance against targets and setting remuneration outcomes within the Suncorp remuneration policy framework.

- The Board (in the absence of the executive directors) approves the remuneration of the Chief Executive Officer (CEO), based on the recommendations of the Nomination & Remuneration Committee.
- The Nomination & Remuneration Committee approves the remuneration of Group Executives, based on the recommendations of the CEO.
- The CEO approves the performance targets and remuneration of General Managers, based on the recommendations of the Group Executives. The CEO also approves the performance targets of the Group Executive.

Executive remuneration structure

Overview of executive remuneration structure

The Suncorp executive remuneration structure as explained below, applies to the CEO, Group Executives (who report directly to the CEO) and General Managers, (who report directly to Group Executives). At the date of this report there were some 50 executives comprising those groups, including all executive directors and the company secretary.

The executive remuneration structure comprises a fixed component and a variable or 'at risk' component. The proportion of fixed and variable remuneration varies between levels of management, with the proportion of variable remuneration increasing in line with the seniority of the role.

The short and long term incentive schemes described below represent the variable component of executive remuneration and those schemes are structured to ensure outcomes are linked to actual and expected company performance. In summary, the short term incentive scheme is designed to reward individual performance on an annual basis and a key measure in determining the amount available for distribution is the Suncorp before tax profit during that period. The long term incentive scheme is designed to reward executives on the basis of the Suncorp's performance and the creation of shareholder value over a number of years, and the Suncorp share price and distributions to shareholders (compared with a peer group) are the key measures on which performance is assessed.

Fixed pay

This component of the remuneration structure is focused on the complexity of the executives role, the core role responsibilities and market relativities.

Fixed remuneration for executives is represented by a Total Employment Cost (TEC). TEC generally comprises a cash salary and superannuation contributions equivalent to 9 percent of the cash salary. Employees above a certain TEC level can elect to receive some of their cash salary in the form of other benefits, such as novated car leases and car parking. However all employees are entitled to nominate a percentage of their cash salary be paid as additional superannuation contributions or to acquire Suncorp shares under the Deferred Employee Share Plan.

The level of fixed remuneration paid to Suncorp executives (the CEO, Group Executives and General Managers) reflects the core responsibilities of each role and is reviewed each year in the context of the market in which Suncorp competes. Independent remuneration consultants are engaged each year to advise on and provide information in relation to changes in executive remuneration levels in the financial services sector. This advice assists the Nomination & Remuneration Committee in making a determination of the remuneration levels that are appropriate for Suncorp, relative to the market in which it competes.

Market relativity is an important consideration if Suncorp is to attract and retain an executive team capable of achieving and sustaining a level of performance above both our business competitors and those companies with which we compete for capital.

Reporting fixed pay outcomes

Shareholders should note when reviewing the remuneration outcomes for the year, as disclosed in the 'Executive Directors' and Executive Officers – Remuneration Tables' section, that the fixed pay outcomes reflect decisions by the Nomination & Remuneration Committee, made 12 months earlier.

Short term incentives (STI)

Suncorp has short term performance-based pay schemes for all eligible full time employees. There are two primary schemes in place, one for employees who are subject to the workplace Certified Agreement and one for employees who are subject to employment contracts, although there are also some separate schemes specifically designed for specialist or technical areas. Group Executives do not participate in those specialist schemes.

This component of the remuneration structure is focused on individual performance over a short period (normally a financial year), assessed in the context of the team, division, business unit and company performance and based on operational and financial measures.

Although the focus of this Report is the short term incentive scheme applicable to Suncorp executives, all Suncorp short term incentive schemes are designed with the same outcomes in mind and are based on the same principles outlined in the 'Suncorp Group Remuneration Policy' section.

Determination and allocation of short term incentives

At the end of each financial year, the Nomination & Remuneration Committee makes an assessment of group performance for that year, taking into account factors such as the overall quality of the financial result, market influences and the prevailing economic environment.

Based on that assessment, the Nomination & Remuneration Committee determines the amount to be made available for the payment of STI's across the Group (the STI pool) and how that amount will be allocated between the business units. The Committee also determines at this time the STI outcomes for individual Group Executives and makes a recommendation to the Board regarding the STI outcome for the CEO. Those amounts form part of the Group STI pool.

The business unit pool allocations are then further allocated among the various divisions by the relevant Group Executive following which team and individual allocations are made on a 'manager once removed' approval basis. However until individual performance assessments have been conducted and allocations determined on the basis of relative performance, no entitlement to an STI payment is created and the determination of such payments remains at the discretion of the Nomination & Remuneration Committee and the Board.

The amount available for allocation as an STI payment, stated as a percentage of fixed remuneration, varies between levels of management in proportion to the capacity of each level of management to influence the group's financial performance.

Subject to those considerations, the allocation decisions are based on the achievement of specific performance objectives and assessments of relative performance across the group. The balanced scorecard system discussed below is one of the tools used to monitor and assess performance across the group.

Balanced scorecards

The performance objectives for each business unit, division and executive are monitored using a system of balanced scorecards and progress in the achievement of the objectives is updated monthly.

The scorecard results for each General Manager within a business unit are combined to give a scorecard result for each Group Executive. The Group Executives' scorecards are then combined to form a group scorecard, which represents the CEO's accountabilities and responsibilities. The group scorecard and the business unit scorecards are presented to the Board each month for review.

The performance measures contained in the scorecards are a mixture of financial and non-financial indicators that are relevant to the group's four primary stakeholders: shareholders, employees, customers and the community, but which reflect the individual executive's overall accountabilities and responsibilities.

While the scorecard metrics are defined and measurable in an absolute sense, the Suncorp performance management system requires leaders to balance the scorecard result with the manner in which the results were obtained. Therefore assessments are made having regard for the corporate values and the general manner in which the executive is seen to be supporting the desired corporate culture. Leaders are expected to be exemplars of Suncorp's values and any failure in that regard puts at risk STI entitlements.

This process ensures there is ongoing assessment of individual and group performance and also helps align the reward system to key corporate strategies and the sustained performance of the group.

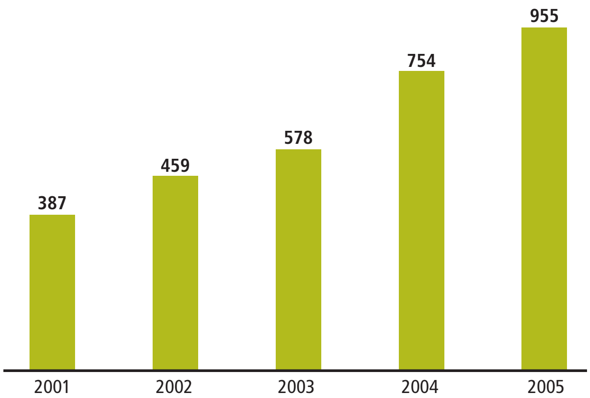
At other work levels within the group, performance is measured against objectives more specific to individual employees' areas of responsibility.

Employees can elect to receive performance linked bonus payments as cash or they can direct the payment, or a proportion thereof, into Suncorp shares in the Deferred Employee Share Plan or to a qualifying superannuation fund.

Company performance and short term incentives

Below is a five-year history of the group's underlying profit performance. As stated earlier, in determining the size of the Group STI pool, the Nomination & Remuneration Committee gives consideration to the financial performance of the group, a key measure of which is the group's profit in the performance period compared to prior periods.

Underlying profit $millions



Long term incentives (LTI)

This component of the remuneration structure is focused on corporate performance and creating shareholder value over a multi-year period. However long term incentives are also used to balance short term performance objectives with long term shareholder value.

Whilst short term incentives reward past performance it is essential that executives and senior management, as the group which has responsibility for achievement of sustained performance and strategy, have reward incentives linked to longer term company performance and to creating value for shareholders. Suncorp has established the Executive Performance Share Plan as the vehicle to achieve these objectives.

Executive Performance Share Plan

The Executive Performance Share Plan (EPSP), was established in December 2002, following the decision to discontinue the previous scheme, the Executive Option Plan (EOP), which is referred to later in this report.

Under the terms of the EPSP, performance shares are offered to executives as the long term incentive component of their remuneration package each year. The value of the annual offers, while subject to Nomination & Remuneration Committee or Board approval, will generally be determined as a percentage of the executive's TEC, based on competitive market remuneration practices.

Executives do not receive unconditional ownership of the shares (an allocation) until the associated performance targets have been achieved.

LTI performance measures

The structure of the EPSP provides a linkage between remuneration rewards, company performance and shareholder value by linking the executive's entitlement to performance shares, to the achievement of specified market linked performance targets.

The performance targets under the EPSP are based on the Suncorp Total Shareholder Return (TSR).

TSR is the return to shareholders provided by growth in the share price plus reinvested dividends, expressed as a percentage of the investment over a specified performance period. Importantly, in determining an executive's entitlement to shares, the Suncorp TSR result is compared to the TSR achieved by a comparator group comprising the top 50 ASX listed companies in the S&P/ASX 100 - excluding listed property trusts.

Relative TSR performance was chosen as an appropriate LTI performance measure for the following reasons:

- TSR is a clearly defined and measurable indicator of the level of value created for shareholders over a specified period and therefore, when used as the basis for determining remuneration rewards, provides a direct linkage between those rewards and shareholder wealth. That is, LTI rewards cease during periods of under-performance and increase when superior performance is achieved.
- Because the value delivered to executives is determined by the Company's level of relative performance, the effects of market cycles are minimised. That is, LTI rewards are reduced or cease during periods of under-performance, even in a rising market and superior performance is rewarded, even in a declining market.

It is also important when considering relative performance, to ensure the basis of comparison is appropriate. The comparator group selected for the Suncorp LTI scheme, (the top 50 ASX listed companies in the S&P/ASX 100 - excluding listed property trusts), was chosen because the companies that comprise that group are the most relevant from a business and shareholder perspective. That is, the comparator group comprises our major competitors in the financial services sector as well as companies that Suncorp competes with in the market for shareholder capital. Listed property trusts are excluded from the comparator group because factors influencing the performance of that sector are deemed to be materially different from those influencing the wider range of industries that make up the comparator group.

The TSR ranking for Suncorp at the end of a performance period, when compared to the TSR of the comparator group will determine an employee's entitlement to an allocation of shares, based on the following schedule:

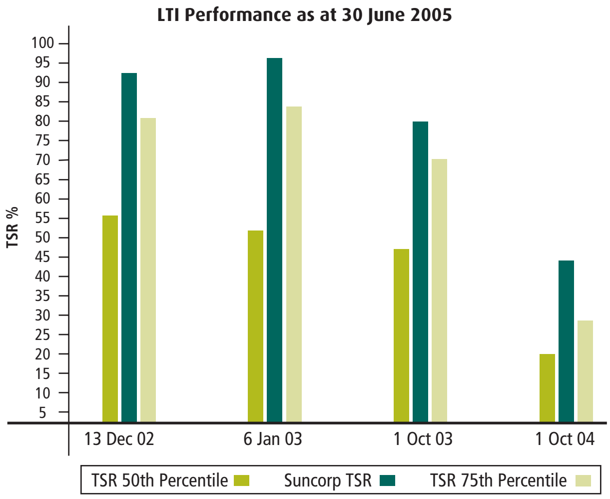
Company performance	% of shares allocated
Less than the 50th percentile	0%
At the 50th percentile	50%
75th percentile or above	100%

If the TSR ranking for Suncorp is above the 50th percentile an additional 2 percent of the shares will be allocated for each full 1 percent increase above the 50th percentile (on a straight line basis) up to 100 percent of the offered shares at the 75th percentile.

Because the EPSP has only been in place since 2002, a minimum performance period of three years has not yet been completed and therefore no determination can be made of executives' entitlements to the shares offered to date under that scheme.

However the following graph provides a performance summary for each offer made to date under the EPSP, for the period from the date of offer to 30 June 2005. The first offer under the EPSP was 13 December 2002, the next offer, on 6 January 2003, applied to the CEO only and subsequent annual offers (to all executives) were made on 1 October each year, commencing in 2003.

The graph demonstrates that over the performance period for each offer to 30 June 2005, the Suncorp TSR was greater than the 75th percentile of the comparator group of companies. This means that Suncorp outperformed over 75 percent of the companies in each comparator group in creating shareholder value, through an increased share price and reinvested dividends. If that result (at or above the 75th percentile) was extended to the end of a performance period, all shares offered under the EPSP would vest.



Performance periods

A performance period generally commences on the date of offer to the employee to participate in the EPSP and the first performance measurement point is three years after the offer date. The employee has the right to elect to receive an allocation of shares at that point based on the allocation schedule shown in the previous section of this report, or to extend the performance period a further two years.

If the employee elects to accept the year three performance result, any shares, subject to that same offer that are not allocated, are forfeited.

After year three, performance measurements are undertaken on a six monthly basis, in April and October each year, up to the end of year five. Employees electing to extend the performance period from three to five years waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five.

The employee's entitlement to an allocation of shares at the end of year five will be based on the highest performance measurement result recorded at any of the prescribed performance measurement points over the period from the end of year three to the end of year five inclusive. Shares not allocated at the end of year five are forfeited.

During a performance period, that is before shares are allocated to employees, the Trustee will receive dividends on those unallocated shares. The Trustee will pay tax on those dividends and the remaining after tax amount will be allocated to participating employees at the same time and in the same proportion the underlying shares are allocated to the employees.

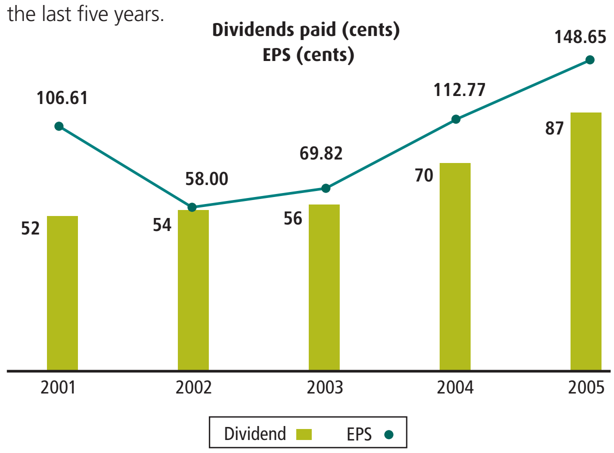
Suncorp Executive Option Plan (EOP)

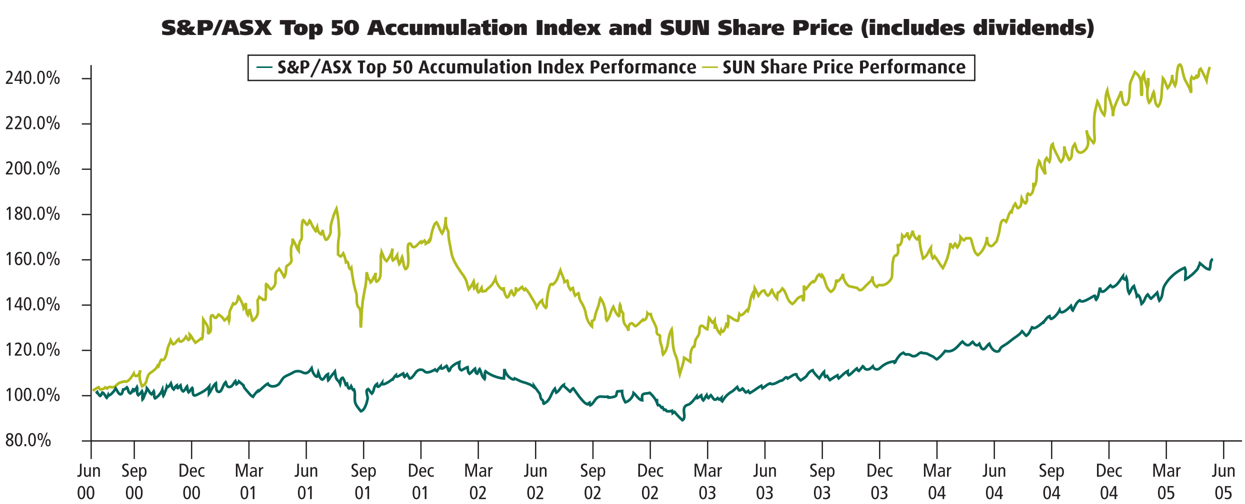
The EOP was established in 1997 following shareholder approval, as the long term incentive plan for Suncorp executives. However the EOP was discontinued in June 2002 and replaced by the EPSP as described. Some executives retain an entitlement to options under the EOP and details of those entitlements are contained in the 'Executive Directors' and Executive Officers – Remuneration Tables' section of this report.

There are a number of differences between those schemes, however the major difference is the basis for performance measurement. The performance criteria under the EOP was, with the exception of the last grant made in April 2002, based on movement in the Suncorp share price, without any reference to relative measures such as peer groups or market indices. The performance measure for the April 2002 grant was total shareholder return, relative to a comparator group of companies. This is of course the same basis of performance measurement adopted for the EPSP.

Company performance and Long Term Incentives

The comparative TSR hurdles which underpin the entitlement to long term incentives under the EPSP, reflect changes in shareholder wealth relative to the comparator group by incorporating both dividends paid by Suncorp and movement in its share price. The following graphs show dividends paid (excluding the 2005 special dividend), basic earnings per share and movement in the Suncorp share price (against the S&P/ASX Top 50 Accumulation Index) over the last five years.





Executive service agreements

Group Executives

The following arrangements apply to those executives and executive directors (excluding the CEO) whose remuneration is disclosed in the 'Executive directors' and executive officers' – remuneration tables' section of this report.

Group Executives enter into a standard contract of employment, which is commonly used for all employees in the Group. Their contracts do not have a finite term and do not contain any termination payment arrangements. The contracts can be terminated by either the employer or by the employee giving four weeks notice (the employer must give five weeks notice if the employee is over 45 years of age and has at least two years continuous service).

The Board has discretion to make further payments upon the termination of an executive, but is under no obligation to do so. For example, the Board may consider making a further discretionary payment in the case of the retrenchment of an executive resulting from that executive's role ceasing to exist.

Remuneration of an executive (as for all salaried employees) is established on appointment having regard to market rates of remuneration and where appropriate, independent remuneration or recruitment advice. Thereafter any review of salary, the payment of a performance bonus or the grant of long term incentives in the form of deferred shares is entirely at the discretion of the Board. The basis on which fixed pay is determined and performance bonuses are paid and long term incentives are granted is discussed in earlier sections of this report.

Chief Executive Officer

The remuneration and service arrangements applying to the CEO and Managing Director, John Mulcahy, differ from those applying to other executives and any other executive director, to the extent that:

- Subject to the employer's rights of termination, the service agreement with John Mulcahy is for a specified term of five years commencing 6 January 2003 (extendable by agreement); and
- The service agreement specifies payments to be made in the event that the agreement is terminated (for other than cause).

If termination occurs prior to 5 January 2007, the payments would include:

- A lump sum payment of $1.5 million
- The first tranche of 100,000 long term performance reward shares without any regard to performance criteria
- So much of any subsequent tranche of long term performance reward shares that vests during the 18 months after the date of termination, without any regard to performance criteria.

If termination of employment occurs in the final year of the five year term, Mr Mulcahy would receive:

- A lump sum payment representing the aggregate of any unpaid amount of his annual salary package, in the year of termination, and a short term incentive for that year (as determined by the Board)
- 100,000 shares being the third and final tranche of his long term reward shares, without any regard to performance criteria.

The above entitlements are prescribed in Mr Mulcahy's Service Agreement, however the Nomination & Remuneration Committee reviews the CEO's remuneration each year and make recommendations regarding his future entitlements to the Board, based on his performance and market relativities.

Therefore, over the term of Mr Mulcahy's Service Agreement the Board may grant further benefits to him, such as further offers to participate in the Executive Performance Share Plan (EPSP).

On his appointment as CEO in January 2003, Mr Mulcahy received an offer to participate in the EPSP and under that offer he may receive a maximum allocation of 300,000 Suncorp shares, subject to the achievement of the TSR performance criteria or as prescribed in the termination arrangements under his Service Agreement as referred to earlier in this report.

In October 2004, as part of the 2004 annual LTI grant to other senior executives, Mr Mulcahy received a further offer to participate in the EPSP and under that offer he may receive an allocation of 100,000 shares, subject to the achievement of the TSR performance criteria.

Subsequent to the end of the 2005 financial year, the Board has decided that as part of the 2005 annual LTI grant to other senior executives, Mr Mulcahy will receive a further offer, in October 2005, to participate in the EPSP on the following basis:

- Number of shares – 120,000
- Performance Criteria – TSR performance of Suncorp over the performance period relative to the EPSP comparator group. (The comparator group and allocation schedule for the EPSP as detailed earlier in this report will apply to the offer to Mr Mulcahy).

Executive directors' and executive officers' - remuneration tables

Total remuneration

The following are the Suncorp executives (other than executive directors) with the greatest authority for the strategic direction and management of Suncorp ("specified executives"). The specified executives are also the executives (other than executive directors) who received the highest remuneration for the year. There are no other executives employed by entities within the consolidated entity that have greater authority or receive higher remuneration.

Mark Blucher	Group Executive Retail Banking Customers
Diana Eilert	Group Executive General Insurance
Bernadette Inglis	Group Executive Wealth Management, Group Strategy and Marketing
Hemant Kogekar	Group Executive Information Technology (appointed to this role 1 January 2005)
Peter Johnstone	Group Executive HR, Projects & Central Services
Ray Reimer	Group Executive Business Banking Customers

In addition, Carmel Gray held the position of Group Executive Information Technology until her resignation on 31 December 2004.

The following table provides the details of the nature and components of the remuneration paid to both the executive directors and the specified executives. Details of non-executive director remuneration are provided later in this report.

	Primary		Post-Employment	Equity		Other		Total
	Salary	Bonus(1)	Super-annuation	Options(2)	Shares(3)	Termination	Other(4)	
	$	$	$	$	$	$	$	$
2005								
Executive directors								
J F Mulcahy	1,254,020	1,400,000	95,980	-	779,640	-	453	3,530,093
C Skilton	644,665	575,000	11,585	92,434	240,287	-	453	1,564,424
Specified executives								
M Blucher	495,610	400,000	39,390	31,396	201,159	-	453	1,168,008
D Eilert(5)	506,403	400,000	18,596	-	166,014	-	453	1,091,466
C Gray(6)	210,855	132,000	5,792	67,541	346,408	-	41,371	803,967
B Inglis	498,376	400,000	17,874	-	131,493	-	25,565	1,073,308
P Johnstone	423,415	350,000	11,585	37,998	154,561	-	453	978,012
H Kogekar(7)	176,429	280,000	15,879	-	19,475	-	227	492,010
R Reimer	432,339	400,000	38,911	9,807	183,770	-	61,929	1,126,756
Total specified executives	2,743,427	2,362,000	148,027	146,742	1,202,880	-	130,451	6,733,527

	Primary		Post-Employment	Equity		Other		Total
	Salary	Bonus(1)	Super-annuation	Options(2)	Shares(3)	Termination	Other(4)	
	$	$	$	$	$	$	$	$
2004								
Executive directors								
J F Mulcahy	1,108,851	1,200,000	91,149	-	554,515	-	7,947	2,962,462
C Skilton(8)	556,882	410,000	43,118	170,738	175,231	-	453	1,356,422
Specified executives								
M Blucher(8)	478,246	490,000	36,754	64,979	119,274	-	5,132	1,194,385
D Eilert(5)	293,734	200,000	26,422	-	117,567	-	264	637,987
C Gray(8)	408,998	410,000	11,002	90,246	89,454	-	453	1,010,153
B Inglis	408,257	300,000	36,743	-	127,484	-	65,453	937,937
P Johnstone(8)	408,998	600,000	11,002	77,888	89,454	-	453	1,187,795
R Reimer(8)	394,495	325,000	35,505	22,858	104,365	-	453	882,676
J Trowbridge(9)	133,028	-	11,972	512,188	140,700	450,000	151	1,248,039
Total specified executives	2,525,756	2,325,000	169,400	768,159	788,298	450,000	72,359	7,098,972

(1) Refer to the earlier section 'Executive remuneration structure – short term incentives' for a discussion of the Company's short term incentive arrangements.

(2) The Company previously issued options as part of long term incentives to executives (last tranche issued 22 April 2002). The amounts disclosed are based on the assessed fair value at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value allocated to this reporting period.

(3) Performance shares issued as long term incentives to executives and executive directors are expensed to the statement of financial performance based on their purchase price over the period from offer date to vesting date. The amounts disclosed above represent the fair value of these shares as amortised over the period from offer date to vesting date. The fair value was assessed using a Monte-Carlo model and reflects the fact that an executive's entitlement to the shares is dependent on meeting performance hurdles based on Total Shareholder Return (TSR). Due to the adoption of Accounting Standard AASB 1046A *Amendments to Accounting Standard* AASB 1046, calculation of the amounts disclosed has been revised and accordingly, the 2004 amounts have been restated.

(4) 'Other' includes an allocation of insurance premiums paid by the Company in respect of the Directors' and Officers' Liability insurance contract and the cost to the Company of providing certain fringe benefits. Where those costs represent fringe benefits for motor vehicle leases, those costs are met by the employee through salary sacrifice. The 'Other' benefits for Ms Inglis in 2004 includes a sign-on payment of $65,000 which was agreed at the date of her employment with the Company.

(5) A portion of 'shares' benefits for Ms Eilert relates to shares that vested at the date of her employment with the Company.

(6) Resigned 31 December 2004. In relation to options and shares, the allocated fair value relating to future periods is reflected entirely in 2005, as Ms Gray has ceased her employment with the Company.

(7) Appointed 1 January 2005 to the position of Group Executive and was employed as a General Manager before that date. The above remuneration disclosures do not include remuneration received from the group prior to 1 January 2005.

(8) Bonus includes payments of varying amounts made as a result of achievement of objectives related to a program of work called Transformation.

(9) Resigned 26 September 2003. In relation to options, the allocated fair value relating to future periods is reflected entirely in 2004, as Mr Trowbridge has ceased his employment with the Company.

At risk remuneration

Short term incentive bonus

The STI bonus amounts referred to in the remuneration tables (on the previous page) represent 100 percent of the short term incentive component of "at risk" remuneration that vested in the year for the benefit of the executive directors and the specified executives. Those STI bonus amounts were determined on the basis of company and individual performance over the financial year ended 30 June 2005 and are therefore deemed to have vested in that year, although payment will not occur until October 2005. Based on the remuneration policies and practices described in this report there were no STI bonus amounts attributable to the executive directors and specified executives that are considered to have been forfeited or deferred in the year.

Shares

Details of the vesting profile of the deferred ordinary shares granted in this or previous financial years which affect remuneration this year for each executive director and each specified executive are detailed below:

	Deferred ordinary shares granted					**Value yet to vest**	
	Number	Date	Vested in year %	Forfeited in year %	Financial years in which grant vests	Min[1] $	Max[2] $
Executive directors							
J F Mulcahy	100,000	6 January 2003	-	-	30 June 2006	-	684,300
	100,000	6 January 2003	-	-	30 June 2007	-	713,900
	100,000	6 January 2003	-	-	30 June 2008	-	739,700
	100,000	1 October 2004	-	-	30 June 2008	-	900,500
C Skilton	41,021	13 December 2002	-	-	30 June 2006	-	268,852
	41,981	1 October 2003	-	-	30 June 2007	-	297,645
	32,808	1 October 2004	-	-	30 June 2008	-	295,436
Specified executives							
M Blucher	36,463	13 December 2002	-	-	30 June 2006	-	238,979
	33,585	1 October 2003	-	-	30 June 2007	-	238,118
	27,559	1 October 2004	-	-	30 June 2008	-	248,169
D Eilert	8,396	3 November 2003[3]	100	-	30 June 2005	-	-
	29,387	3 November 2003	-	-	30 June 2007	-	208,354
	27,559	1 October 2004	-	-	30 June 2008	-	248,169
C Gray	27,347	13 December 2002	-	-	30 June 2006	-	179,232
	25,188	1 October 2003	-	-	30 June 2007	-	178,583
	11,155	1 October 2004	-	-	30 June 2008	-	100,451
B Inglis	29,387	1 October 2003	-	-	30 June 2007	-	208,354
	27,559	1 October 2004	-	-	30 June 2008	-	248,169
P Johnstone	27,347	13 December 2002	-	-	30 June 2006	-	179,232
	25,188	1 October 2003	-	-	30 June 2007	-	178,583
	22,310	1 October 2004	-	-	30 June 2008	-	200,902
H Kogekar[4]	2,938	1 October 2003	-	-	30 June 2007	-	20,830
	10,663	1 October 2004	-	-	30 June 2008	-	96,020
R Reimer	31,905	13 December 2002	-	-	30 June 2006	-	209,105
	29,387	1 October 2003	-	-	30 June 2007	-	208,354
	27,559	1 October 2004	-	-	30 June 2008	-	248,169

(1) The minimum value of shares yet to vest is $nil as the performance criteria may not be met and consequently the shares may not vest.

(2) The maximum value of shares yet to vest is determined at the fair value at grant date, assuming all performance criteria are met.

(3) Certain executives were granted deferred ordinary shares on employment.

(4) Granted prior to appointment as a specified executive. The remuneration table includes the value from date of appointment as a specified executive.

Options

No options were granted as remuneration during the current financial year. All options have vested, though not all are currently exercisable. Details of the options granted in previous years, which affect remuneration this year for each executive director and each specified executive are detailed below:

Options granted

	Number	Date	Start date	Expiry date	Exercise price[(1)] $	Strike price[(2)] $
Executive directors						
C Skilton	116,667	20 September 2001	31 March 2005	20 September 2006	11.62	13.13
	116,666	20 September 2001	31 March 2006	20 September 2006	11.62	13.94
Specified executives						
M Blucher	42,000	1 October 2000	31 March 2005	1 October 2005	8.89	10.85
	33,000	20 September 2001	31 March 2005	20 September 2006	11.62	13.13
	34,000	20 September 2001	31 March 2006	20 September 2006	11.62	13.94
C Gray	61,000	20 September 2001	31 March 2005	20 September 2006	11.62	13.13
	63,000	20 September 2001	31 March 2006	20 September 2006	11.62	13.94
P Johnstone	42,000	1 October 2000	31 March 2005	1 October 2005	8.89	10.85
	42,000	20 September 2001	31 March 2005	20 September 2006	11.62	13.13
	42,000	20 September 2001	31 March 2006	20 September 2006	11.62	13.94
R Reimer	27,000	1 October 2000	31 March 2005	1 October 2005	8.89	10.85
	8,000	20 September 2001	31 March 2005	20 September 2006	11.62	13.13
	9,000	20 September 2001	31 March 2006	20 September 2006	11.62	13.94

(1) The exercise price of options granted is the weighted average market price of the Company's shares in the week preceding the issue date of the option.

(2) The strike price is sometimes referred to as a "hurdle price". Options are only exercisable if the volume weighted average price of the Company's shares over a continuous five day trading period on the Australian Stock Exchange, during the term of the options, exceeds the strike price.

During the financial year, the following shares were issued on the exercise of options previously granted as remuneration:

	Shares issued (number)	$ per share paid
Specified executives		
M Blucher	83,000	8.89
	33,000	11.62
C Gray	10,000	8.11
P Johnstone	82,000	8.11
	83,000	8.89
	41,000	11.62
R Reimer	16,250	8.11
	27,000	8.89
	8,000	11.62

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

The movement during the reporting period of options over ordinary shares in Suncorp-Metway Ltd held by each applicable executive director and each specified executive is detailed to the right:

Value of options[(1)]

	Exercised in year[(2)] $	Forfeited in year[(3)] $	Total option value in year $
Executive directors			
C Skilton	-	-	-
Specified executives			
M Blucher	607,070	-	607,070
C Gray	57,900	-	57,900
P Johnstone	1,206,570	-	1,206,570
R Reimer	286,035	-	286,035
	2,157,575	-	2,157,575

(1) No options were granted during the year.

(2) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(3) No options lapsed during the year.

Proportion of remuneration at risk

Details of the proportion of remuneration at risk for each specified director and each specified executive are detailed below:

	2005		2004	
	Proportion of remuneration performance related	Value of options as proportion of remuneration	Proportion of remuneration performance related	Value of options as proportion of remuneration
	%	%	%	%
Executive directors				
J F Mulcahy	61.7	-	59.2	-
C Skilton	58.0	5.9	55.7	12.6
Specified executives				
M Blucher	54.2	2.7	56.5	5.4
D Eilert	51.9	-	49.8	-
C Gray	67.9	8.4	58.4	8.9
B Inglis	49.5	-	45.6	-
P Johnstone	55.5	3.9	64.6	6.6
H Kogekar	60.9	-	N/A	N/A
R Reimer	52.7	0.9	51.2	2.6
J Trowbridge	N/A	N/A	52.3	41.0

Non-executive directors' remuneration policy and structure

Remuneration policy

The Nomination & Remuneration Committee has responsibility for recommending to the Board, appropriate remuneration arrangements for non-executive directors. Those recommendations are based on a number of considerations, including:

- The overall performance of the Suncorp Group;
- The demands placed on directors in performing their role; and
- Advice from independent remuneration consultants on the remuneration practices and fee structures of comparable companies.

Overall these arrangements are designed to ensure the fee structure for non-executive directors remains sufficiently competitive to attract and retain suitably qualified and experienced directors, within a framework appropriate for Suncorp, given its size and complexity.

Remuneration structure

(a) Total Remuneration Limit

Decisions by the Board in relation to non-executive remuneration must be determined within the maximum aggregate limit approved by the shareholders, which is currently $2,500,000 per annum. That limit was approved by shareholders in October 2004 and includes superannuation guarantee payments but excludes retirement benefits.

Non-executive director remuneration comprises a fixed component only, paid as directors' fees, as explained below, and although the performance of the Company is considered whenever director remuneration is reviewed, non-executive directors do not participate in any performance incentive plans.

(b) Directors Fees

The fee structure for non-executive directors was reviewed in October 2004, following a change to the structure of Board committees. That restructure became effective on 1 October 2004 and included a decision to appoint all non-executive directors as members of the two main Board committees.

On the basis of that committee structure the following fee structure was adopted:

Role	Current Fee pa.*
Chairman of Directors	$420,000
Committee Chairman #	$180,000
Non-executive Director	$160,000

* Fees exclude Superannuation Guarantee Charge

Additional fee does not apply to Chairman of the Nomination & Remuneration Committee

All non-executive directors of Suncorp-Metway Ltd (the parent entity) are also directors of the Group's main operating controlled entities as listed below:

Suncorp Metway Insurance Ltd

GIO General Limited

RACT Insurance Pty Ltd

Suncorp Life & Superannuation Limited

The above entities are all APRA regulated however no additional fees are paid for membership of those boards.

(c) Superannuation

Suncorp pays the superannuation guarantee charge (SGC) on behalf of all eligible non-executive directors. If a director ceases to be eligible for SGC payments, the equivalent amount is paid in fees. The SGC payments for non-executive directors are included in the maximum aggregate remuneration limit referred to in paragraph (a).

(d) Retirement Benefits

Shareholders have approved a Directors' Retirement Plan (Plan) which entitles directors to be paid a retirement benefit based on the highest total emoluments paid to a director during any consecutive three year period. However those retirement benefit arrangements are currently being phased out in the following manner:

- The Company ceased to offer retirement benefits to non-executive directors appointed after 30 June 2003.
- Directors in office at 30 June 2003 remain contractually entitled to a retirement benefit. However those directors agreed to cap their benefit entitlement as at 30 June 2004 and amortise their respective benefits entitlement from that date, over the period they remain in office, at a rate equivalent to 20 percent of their annual directors' fees.
- Directors remain entitled to receive the greater of:
  - the amortised balance of their retirement benefit at the date they retire from office; **or**
  - an amount equal to 25 percent of the total emoluments they received as a director over the period from the date of their appointment as a director to 30 June 2004.
- In recognition of the phasing out of the retirement benefits, directors' fees were increased by 25 percent. For directors with accrued benefits, that increase applied from 1 July 2004, being the date of commencement for the amortisation of their retirement benefits. For directors with no accrued benefit, the increase applied from their date of appointment.

Directors believe these arrangements meet the intent of recent guidance on directors' remuneration while giving appropriate recognition to directors past service and contractual rights. As a result of the introduction of the above arrangements, the total of the directors' retirement benefits provision reduced by over 11 percent during the year.

The movement in that provision for each director, the amount of retirement benefits paid to retiring directors during the year under the terms of the Plan and full details of directors' benefits and interests are set out in the 'Non-executive directors' - remuneration tables' section of this report.

(e) Non-executive Director's Share Plan

Non-executive directors are entitled to participate in the Non-Executive Directors Share Plan (NEDSP), which was established in November 2001 following shareholder approval.

Under the terms of the NEDSP, if a non-executive director elects to participate, they can nominate a percentage of their pre-tax remuneration that is to be used to fund the acquisition of Suncorp-Metway Ltd ordinary shares. The shares are acquired on market at pre-determined dates during the year and those dates reflect the terms of the Group's Share Dealing policy.

The shares are fully vested at the date of acquisition and can be held in the NEDSP for up to 10 years from that date or until the participating director retires from office, whichever occurs first.

Non-executive directors' - remuneration tables

The following tables provide the details of all non-executive directors of the Company and the nature and amount of the elements of their remuneration. Specified directors include both executive directors (see earlier section) and non-executive directors.

	Primary		Post-Employment		Equity		Other	Total
	Salary and fees	Bonus	Super-annuation	Retirement benefits[1]	Options	Shares	Other[2]	
	$	$	$	$	$	$	$	$
2005								
Non-executive directors								
J D Story[3]	300,000	-	92,450	(75,000)	-	49,000	453	366,903
W J Bartlett[3]	87,500	-	14,550	-	-	74,167	453	176,670
I D Blackburne[3]	123,063	-	15,488	(31,250)	-	49,020	453	156,774
R F Cormie	158,747	-	14,288	(31,250)	-	-	453	142,238
C Hirst[3]	135,104	-	13,350	(25,000)	-	13,230	453	137,137
J J Kennedy	163,933	-	-	(25,000)	-	-	453	139,386
M D E Kriewaldt	158,747	-	14,288	(31,250)	-	-	453	142,238
Total non-executive directors	1,127,094	-	164,414	(218,750)	-	185,417	3,171	1,261,346
Total specified directors[4][5]	3,025,779	1,975,000	271,979	(218,750)	92,434	1,205,344	4,077	6,355,863
2004								
Non-executive directors								
J D Story	300,000	-	27,292	217,250	-	-	3,754	548,296
W J Bartlett[3]	95,000	-	11,250	-	-	30,000	2,531	138,781
I D Blackburne	125,000	-	11,250	95,657	-	-	2,531	234,438
R F Cormie	125,000	-	11,250	36,086	-	-	453	172,789
C Hirst	100,000	-	9,000	71,715	-	-	453	181,168
J J Kennedy	102,250	-	6,750	19,500	-	-	453	128,953
M D E Kriewaldt	125,000	-	11,250	-	-	-	2,531	138,781
Total non-executive directors	972,250	-	88,042	440,208	-	30,000	12,706	1,543,206
Total specified directors[4][5]	2,637,983	1,610,000	222,309	440,208	170,738	759,746	21,106	5,862,090

Refer following page for notes.

(1) The retirement benefits arrangements for directors are being phased out and individual benefit entitlements are being reduced over the period directors remain in office.

(2) 'Other' includes an allocation of insurance premiums paid by the Company in respect of the Directors' and Officers' Liability insurance contract and the cost to the Company of providing certain fringe benefits.

(3) The shares issued relate to a 'salary sacrifice' under the terms of the Non-Executive Directors' Share Plan. No performance criteria are attached to these shares.

(4) The Company previously issued options as part of long term incentives to executive directors (last tranche issued 22 April 2002). The amounts disclosed are based on the assessed fair value at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value allocated to this reporting period.

(5) Performance shares issued as long term incentives to executive directors are expensed to the statement of financial performance based on their purchase price over the period from allocation date to vesting date. The amounts disclosed above represent the fair value of these shares as amortised over the period from allocation date to vesting date. The fair value was assessed using a Monte-Carlo model and reflects the fact that an executive director's entitlement to the shares is dependent on meeting performance hurdles based on Total Shareholder Return (TSR). Due to the adoption of Accounting Standard AASB 1046A *Amendments to Accounting Standard AASB 1046*, calculation of the amounts disclosed has been revised and accordingly, the 2004 amounts have been restated.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG and its related practices for non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2005	2004
	$000	$000
Services other than statutory audit (all performed by KPMG):		
Audit-related fees (regulatory)		
- APRA reporting	310	443
- compliance plans reporting	73	75
- Workers' Compensation (fee reimbursement from Workers' Compensation NSW)	7	6
- risk management	58	73
- Australian Financial Services Licences	59	20
- AGS 1026 reports	21	22
	528	639
Audit-related fees (non-regulatory)		
- AIFRS transition services	404	206
- accounting advice	-	226
- agreed upon procedures engagements	635	889
	1,039	1,321
Tax fees		
- tax advice	153	57
	1,720	2,017

The Company's auditor also provides audit and non-audit services to non-consolidated securitisation vehicles sponsored by the group, a non-consolidated staff share plan trust sponsored by the group and non-consolidated group superannuation funds. The fees paid or due and payable to the Company's auditor for these services during the year ended 30 June 2005 total approximately $17,000 (2004: $18,000) for audit services and $318,000 (2004: $280,000) for non-audit services.

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 50 and forms part of the Directors' Report for the year ended 30 June 2005.

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by Class Order 04/667 dated 15 July 2004) and in accordance with that Class Order, amounts in the Directors' Report and consolidated financial report have been rounded off to the nearest one million dollars unless otherwise stated.

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

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane

26 August 2005

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Suncorp-Metway Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

BGreig

Brian Greig
Partner

Brisbane

26 August 2005

Consolidated financial report

Consolidated financial report

Table of contents

Consolidated financial report

Table of contents (continued)

Summary of key financial information

For the year ended 30 June 2005

		2005	2004	2003	2002[4]	2001	2000	1999	1998	1997[5]
Financial performance										
Banking										
Net interest income	($m)	771	656	592	550	514	475	470	472	355
Fees and commissions	($m)	225	215	197	155	123	97	108	115	62
General Insurance										
Premium revenue	($m)	2,587	2,423	2,231	2,018	824	788	725	703	387
Investment revenue	($m)	495	276	292	173	243	244	197	212	300
Claims expense	($m)	2,085	1,751	1,937	1,697	810	684	655	674	407
Wealth Management										
Life insurance premium revenue [1][2]	($m)	113	104	86	76	610	543	572	399	220
Life insurance investment revenue [1]	($m)	589	443	117	27	221	307	208	173	195
Life insurance claims expense [1][2]	($m)	73	71	60	58	396	486	597	465	247
Wealth management policy owners' interests	($m)	61	41	11	(4)	12	45	N/A	N/A	N/A
Group										
Operating expenses	($m)	1,252	1,238	1,151	1,126	615	604	602	551	419
Bad and doubtful debts expense	($m)	27	49	49	39	37	28	20	61	22
Profit from ordinary activities before amortisation of goodwill and income tax	($m)	1,353	1,031	612	465	521	520	356	304	243
Net profit attributable to members of the parent entity	($m)	821	618	384	311	395	335	247	233	150
Contributions to profit before tax and goodwill										
Banking	($m)	458	371	318	293	284	229	157	157	117
General insurance	($m)	651	465	233	110	163	211	169	120	109
Wealth management [3]	($m)	232	151	52	54	69	76	25	24	16
Other	($m)	12	44	9	8	5	4	5	3	1
		1,353	1,031	612	465	521	520	356	304	243
Financial position										
Total assets [1]	($m)	48,682	43,299	38,434	35,435	29,717	26,219	21,484	21,424	19,908
Investment securities - general insurance	($m)	5,481	5,118	4,755	4,375	3,091	2,828	2,390	2,183	3,618
Investment securities - life insurance [1]	($m)	4,597	3,840	3,133	3,161	3,000	2,732	2,488	2,401	2,490
Loans, advances and other receivables	($m)	32,060	28,907	24,459	22,955	20,146	18,067	16,769	15,812	14,644
Total liabilities [1][2]	($m)	43,546	38,959	34,787	32,073	27,000	24,295	19,596	19,609	18,172
Deposits and short term borrowings	($m)	27,157	24,287	21,579	18,176	16,908	14,509	11,671	11,846	11,734
Outstanding claims and unearned premiums provisions	($m)	5,526	5,187	5,052	4,591	2,343	2,128	2,097	2,038	1,902
Life insurance gross policy liabilities [1][2]	($m)	3,265	2,822	2,661	2,780	2,651	2,363	2,136	2,058	2,068
Total equity	($m)	5,136	4,340	3,647	3,362	2,717	1,924	1,888	1,815	1,736

Refer page 55 for footnotes.
Refer page 166 for definitions.

Summary of key financial information (continued)

For the year ended 30 June 2005

		2005	2004	2003	2002[4]	2001	2000	1999	1998	1997[5]
Shareholder summary										
Dividends per ordinary share	(cents)	87.0	70.0	56.0	54.0	52.0	46.0	44.0	44.0	40.0
Payout ratio (basic)	(%)	59.6	63.3	81.3	96.6	58.0	60.9	67.2	65.2	66.4
Weighted average number of shares (basic)	(m)	541.8	533.9	528.0	514.2	325.5	316.9	305.1	292.4	292.4
Net tangible asset backing per share (basic)	($)	6.11	5.15	4.44	3.83	5.41	3.72	3.26	2.93	2.62
Share price at end of period	($)	20.11	14.20	11.60	12.31	15.00	8.62	9.00	8.16	6.94
Performance ratios										
Earnings per share (basic)	(cents)	148.65	112.77	69.82	58.00	106.61	88.58	60.92	56.66	47.07
Cash return on average shareholders equity (basic)	(%)	20.42	17.57	13.35	13.54	20.27	22.30	16.41	16.44	22.84
Return on average total assets	(%)	1.96	1.65	1.13	1.06	1.58	1.40	1.16	1.13	0.92
Productivity										
Group efficiency ratio	(%)	23.6	25.6	23.9	26.5	29.4	28.5	N/A	N/A	N/A

(1) The assets, liabilities, income and expenses of the life insurance statutory funds are shown above where noted but were not included in the consolidated entity's financial report prior to 2000.

(2) From 2002 the consolidated entity fully adopted the requirements of Accounting Standard AASB 1038 "Life Insurance Business", which resulted in a reduction in premium revenue, investment revenue, claims expense and policy liabilities.

(3) From 2004 the Wealth Management result includes the impact of consolidating managed schemes (impact 2005: $80 million, 2004: $44 million). The net profit attributable to outside equity interests increased by the same amount, with no overall impact on the net profit attributable to members of the parent entity. Refer to note 30(a) to the financial statements.

(4) The acquisition of GIO occurred effective 1 July 2001.

(5) The merger of Suncorp, Metway and QIDC occurred on 1 December 1996.

Refer page 166 for definitions.

Statements of financial performance

For the year ended 30 June 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Income from ordinary activities					
Banking interest revenue	3	2,324	1,933	2,262	1,942
Banking interest expense	3	(1,553)	(1,277)	(1,559)	(1,294)
	28(a)	771	656	703	648
General insurance premium revenue	3, 29(a)	2,587	2,423	-	-
Life insurance premium revenue	3, 30(a)	113	104	-	-
Banking fee and commission revenue	3, 28(a)	225	215	216	215
Banking fee and commission expense	3, 28(a)	(82)	(61)	(82)	(61)
Reinsurance and other recoveries revenue	3	338	231	-	-
General insurance investment revenue					
– insurance provisions	3, 29(a)	296	146	-	-
– shareholder funds	3, 29(a)	199	130	-	-
Life insurance investment revenue	3, 30(a)	589	443	-	-
Other revenue	3	255	288	1,087	604
Share of net profits of joint ventures accounted for using the equity method	3, 39	26	19	-	-
Total income from ordinary activities	3	5,317	4,594	1,924	1,406
Expenses from ordinary activities					
Operating expenses from ordinary activities	4	(1,252)	(1,238)	(853)	(826)
General insurance claims expense	29(a)	(2,085)	(1,751)	-	-
Life insurance claims expense	30(a)	(73)	(71)	-	-
Outwards reinsurance premium expense	29(a), 30(a)	(147)	(184)	-	-
Increase in net life insurance policy liabilities	30(a)	(378)	(222)	-	-
Decrease (increase) in policy owner retained profits	30(a)	24	(29)	-	-
Non-banking interest expense	29(a)	(26)	(19)	(15)	(19)
Total expenses from ordinary activities		(3,937)	(3,514)	(868)	(845)
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense		1,380	1,080	1,056	561
Bad and doubtful debts expense	5	(27)	(49)	(21)	(43)
Profit from ordinary activities before amortisation of goodwill and related income tax expense		1,353	1,031	1,035	518
Amortisation of goodwill		(61)	(60)	-	-
Profit from ordinary activities before related income tax expense		1,292	971	1,035	518
Income tax expense relating to ordinary activities	6	(389)	(308)	(142)	(113)
Net profit		903	663	893	405
Net profit attributable to outside equity interests	25	(82)	(45)	-	-
Net profit attributable to members of the parent entity		821	618	893	405
Total changes in equity other than those resulting from transactions with owners as owners		821	618	893	405
		Cents	**Cents**		
Basic earnings per share	7	148.65	112.77		
Diluted earnings per share	7	148.54	112.66		

The consolidated statement of financial performance includes the revenue and expenses of the statutory funds of the consolidated entity's life insurance business which are subject to restrictions under the Life Insurance Act 1995. Refer note 30(c) for further details.

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

Statements of financial position

As at 30 June 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Assets					
Cash and liquid assets	**8**	1,011	709	652	323
Receivables due from other financial institutions		67	163	67	163
Trading securities	**9**	3,396	2,549	3,396	2,549
Investment securities	**10**	10,096	8,972	2,018	2,025
Investments in joint ventures	**39**	112	100	-	-
Loans, advances and other receivables	**11**	32,060	28,907	29,448	26,812
Bank acceptances of customers		74	-	74	-
Due from controlled entities	**37**	-	-	2,047	1,813
Property, plant and equipment	**13**	181	184	33	34
Deferred tax assets	**6**	149	149	148	148
Intangible assets	**14**	922	984	-	-
Excess of net market value of interests in life insurance controlled entities		18	15	-	-
Other assets	**15**	596	567	139	208
Total assets		48,682	43,299	38,022	34,075
Liabilities					
Deposits and short term borrowings	**16**	27,157	24,287	27,250	24,714
Payables due to other financial institutions		66	70	66	70
Bank acceptances		74	-	74	-
Payables and other liabilities	**17**	1,202	1,111	901	629
Current tax liabilities	**6**	182	104	182	104
Provisions	**18**	151	130	16	11
Due to controlled entities	**37**	-	-	257	348
Deferred tax liabilities	**6**	221	169	221	169
Outstanding claims and unearned premiums provisions	**19**	5,526	5,187	-	-
Life insurance gross policy liabilities	**20**	3,265	2,822	-	-
Policy owner retained profits		325	349	-	-
Bonds, notes and long term borrowings	**21**	4,408	3,925	4,408	3,925
Subordinated notes	**22**	969	805	770	805
Total liabilities		43,546	38,959	34,145	30,775
Net assets		5,136	4,340	3,877	3,300
Equity					
Contributed equity	**23**	3,040	2,898	3,040	2,898
Reserves	**24**	27	24	21	21
Retained profits		1,433	1,070	816	381
Total parent entity interest		4,500	3,992	3,877	3,300
Outside equity interests in controlled entities	**25**	636	348	-	-
Total equity		5,136	4,340	3,877	3,300

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 30(c) for further details.

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

Statements of changes in equity

For the year ended 30 June 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Contributed equity					
Ordinary shares					
Balance at the beginning of the financial year		2,654	2,587	2,654	2,587
Shares issued under Executive Option Plan		34	9	34	9
Shares issued under Dividend Reinvestment Plan		108	58	108	58
Balance at the end of the financial year	**23**	2,796	2,654	2,796	2,654
Preference shares					
Balance at the beginning of the financial year		244	244	244	244
Balance at the end of the financial year	**23**	244	244	244	244
Total contributed equity	**23**	3,040	2,898	3,040	2,898
Reserves					
Asset revaluation reserve					
Balance at the beginning of the financial year		11	9	8	8
Revaluation increment on investment in unlisted unit trust		3	2	-	-
Balance at the end of the financial year	**24**	14	11	8	8
Pre-conversion reserve					
Balance at the beginning of the financial year		13	13	13	13
Balance at the end of the financial year	**24**	13	13	13	13
Total reserves	**24**	27	24	21	21
Retained profits					
Balance at the beginning of the financial year		1,070	787	381	311
Net profit attributable to members of the parent entity		821	618	893	405
Total available for appropriation		1,891	1,405	1,274	716
Ordinary share dividends paid	**26**	(443)	(319)	(443)	(319)
Preference share dividends provided for	**26**	(15)	(16)	(15)	(16)
Retained profits at the end of the financial year		1,433	1,070	816	381
Total parent entity interest		4,500	3,992	3,877	3,300

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

Statements of cash flows

For the year ended 30 June 2005

	Note	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Cash flows from operating activities					
Interest received		2,657	2,197	2,262	1,928
Dividends received		103	65	649	179
Premiums received		2,956	2,849	-	-
Reinsurance and other recoveries received		517	594	-	-
Other operating revenue received		576	629	665	688
Interest paid		(1,594)	(1,293)	(1,578)	(1,293)
Outwards reinsurance premiums paid		(159)	(200)	-	-
Claims paid		(2,050)	(1,953)	-	-
Operating expenses paid		(1,338)	(1,117)	(684)	(751)
Income taxes paid – operating activities		(78)	(219)	(257)	(149)
Net cash inflow from operating activities	**41**	1,590	1,552	1,057	602
Cash flows from investing activities					
Payments for purchase of controlled entities, net of cash acquired		-	(10)	-	-
Payments for purchase of investments in joint venture entities		-	(4)	-	-
Payments for plant and equipment		(81)	(61)	-	(1)
Proceeds from disposal of plant and equipment		2	3	-	-
Net (purchase) disposal of banking securities		(830)	650	(837)	635
Net increase in loans, advances and other receivables		(3,412)	(4,727)	(2,900)	(3,305)
Payments for investment securities		(10,914)	(20,170)	5	-
Proceeds from disposal of investment securities		10,213	19,278	3	3
Income taxes paid – investing activities		(179)	(52)	-	-
Net cash outflow from investing activities		(5,201)	(5,093)	(3,729)	(2,668)
Cash flows from financing activities					
Proceeds from issue of shares		34	9	34	9
Proceeds from issue of subordinated notes		199	-	-	-
Proceeds from net increase in borrowings		3,938	3,720	3,225	2,260
Dividends paid		(350)	(277)	(350)	(277)
Net cash inflow from financing activities		3,821	3,452	2,909	1,992
Net increase (decrease) in cash and cash equivalents		210	(89)	237	(74)
Cash at the beginning of the financial year		802	888	416	490
Cash acquired on acquisition of controlled entities	**36(a)**	-	3	-	-
Cash at the end of the financial year	**8**	1,012	802	653	416

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 2005

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with the accounts provisions of 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 fair values. Unless otherwise stated, the accounting policies adopted have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

a) Principles of consolidation

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

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

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

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

The consolidated entity consolidates all of the assets, liabilities, revenues and expenses of managed schemes where the consolidated entity has the capacity to control schemes in which it is the majority investor.

b) Acquisitions of assets

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

Provisions for restructuring costs are recognised as at the date of acquisition of an entity.

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

1. Summary of significant accounting policies (continued)

c) Revenue

Banking activities

Interest income

Interest income is recognised as it accrues.

Non-interest income

Fees and commissions are brought to account on an accruals basis. Material non-refundable front-end fees that are yield related and do not represent cost recovery are taken to the statements 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. Dividend revenue is recognised net of any franking credits.

Insurance activities

General insurance premium revenue

Direct premiums and inwards reinsurance premiums comprise amounts, including applicable levies and charges but excluding stamp duties collected on behalf of third parties, charged to policyholders or other insurers. They 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.

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

Life insurance premium revenue

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

Components of premiums that are not revenues (ie amounts akin to deposits and which qualify for recognition as liabilities) and components of claims that are not expenses (ie amounts akin to withdrawals from deposit and which qualify for recognition as reductions in liabilities) are removed from reported changes in premium, claims and policy liabilities.

Reinsurance and other recoveries receivable - general insurance activities

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

Investment revenue

Investment revenue is brought to account on an accruals basis.

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

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

Insurance managed schemes income

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

Other revenue

Other items of revenue are recognised as they accrue.

1. Summary of significant accounting policies (continued)

d) Interest expense

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

e) Claims

General insurance activities

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

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

Life insurance activities

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

f) Outwards reinsurance

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

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

g) Acquisition costs

Banking activities

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

General insurance activities

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

g) Acquisition costs (continued)

Wealth management 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 statements of financial performance.

Policy acquisition costs

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 of the Statutory Funds are recognised in the statements of financial performance within '(increase) decrease in net life insurance policy liabilities'.

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

Other acquisition costs

Commission expense, brokerage, distribution fees and overhead expenses incurred in selling new business through the Shareholder Fund that are not recovered by specific initial fee income are deferred.

Where future profits are expected to be sufficient to ensure recovery, the deferred costs are included in the statements of financial position as Other Assets and amortised to the statements of financial performance in line with the delivery of the underlying investment management service.

h) Basis of expense apportionment - life insurance activities

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

All expenses, excluding investment management fees which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses. Expenses which are directly attributable to an individual policy or product are allocated directly to the Statutory Fund within which the class of business to which that policy or product belongs. All indirect expenses charged to the statements 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 1.03: Valuation Standard).

i) Foreign currency

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

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

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

j) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements 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 statements 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.

Tax consolidations

The Company is the head entity in the tax-consolidated group comprising all of the Australian wholly-owned controlled entities set out in note 35. The implementation date for the tax-consolidated group was 1 July 2002.

The Company recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The tax-consolidated group has entered into a tax sharing agreement that requires wholly-owned controlled entities to make contributions to the head entity for tax liabilities arising from external transactions occurring after the implementation of tax consolidation. The contributions are based on the stand-alone current year tax liability of each wholly-owned controlled entity and are payable quarterly. In respect of special purpose entities (as defined in the tax sharing agreement), the contributions are determined to replicate tax balances as if they were on a stand-alone basis.

The assets and liabilities arising under the tax sharing agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense.

k) Goods and services tax

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

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

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

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

l) Cash and liquid assets

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

m) Receivables due from other financial institutions

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

n) Trading securities

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

1. Summary of significant accounting policies (continued)

o) Investment securities

Banking activities

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

Insurance activities

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

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

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

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

Funds management activities

Interests in unlisted unit trusts and unlisted managed investment schemes are stated at fair value. They are valued each reporting period according to their last available redemption price less an allowance for any transaction costs.

Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenue. Revaluation decrements are taken to the asset revaluation reserve to the extent that such decrements are covered by amounts previously credited to the reserve and are still available in that reserve. Revaluation decrements in excess of amounts available in the reserve are charged to the statements of financial performance.

p) Investments in joint ventures

Investments in joint ventures are accounted for in the consolidated financial report using the equity method. The consolidated entity's share of the post-acquisition profits of joint ventures are recognised in the statements of financial performance and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Investments in joint ventures are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial statements. Joint ventures are those entities that are jointly controlled by the consolidated entity.

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 statements 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 statements 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 statements of financial position. Debt participants have no recourse to the consolidated entity in the event of default by the lessee.

Operating leases

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

1. Summary of significant accounting policies (continued)

s) Impaired assets – banking activities

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.

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

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. Accordingly no specific provision for impairment is made and interest is recognised as revenue on an accruals basis.

Restructured loans

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

Bad and doubtful debts

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

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

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

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

t) Securitisation

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

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

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

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

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

1. Summary of significant accounting policies (continued)

u) Due from / to controlled entities

Amounts due from or to controlled entities are recorded at the principal amount. The amounts are generally interest free except for certain long-term receivables.

v) Property, plant and equipment

Acquisition

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

Costs incurred in acquiring, installing, enhancing and developing application software for internal use where the costs exceed $500,000 and benefits are reasonably certain are capitalised and amortised over their estimated useful lives not exceeding three years, or five years in limited instances, as outlined under Depreciation and amortisation.

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

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

Subsequent additional costs

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

Sale of property, plant and equipment

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

Depreciation and amortisation

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

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

Buildings (excluding integral plant)	2.5%
Leasehold improvements	20.0% or life of the lease
Motor vehicles	15.0%
Technology hardware	33.3%
Automatic teller machines	20.0%
Desktop computer equipment	25.0%, or up to 50.0% in limited instances
Other computer equipment	33.3%
Development software	33.3%, or 20% in limited instances
Other plant and office equipment	20.0%

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

Leased 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 assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where an 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 an 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 statements of financial performance in the periods in which they are incurred.

1. Summary of significant accounting policies (continued)

v) Property, plant and equipment (continued)

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.

w) Recoverable amount of non-current assets valued using the cost basis

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

The carrying amounts of non-current assets valued using 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 statements 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.

x) Goodwill

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

For joint ventures, the consolidated financial report includes the amortised amount of goodwill within the equity accounted investment carrying amounts.

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

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

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

z) Other assets

Deferred expenditure

In addition to acquisition costs (refer note 1(g)) and software costs (note 1(v)), items of expenditure are deferred to the extent that the benefits are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account and will contribute to the future earning capacity of the consolidated entity. They are amortised over the period in which the benefits are received.

Up-front costs relating to the establishment of securitisation trusts are deferred and amortised over the weighted average life of the securitised loans.

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

Up-front costs of projects that are non-software development related may also be considered for deferral where they fit the criteria set out above.

Franchise systems

Franchise systems are brought to account at cost and 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 statements of financial performance.

1. Summary of significant accounting policies (continued)

aa) Deposits and borrowings

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

Deposits and borrowings are carried at the principal amount outstanding. Interest expense on amounts outstanding is charged to the statements 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 statements 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.

ab) Bank acceptances of customers

The exposure arising as a result of bank bill acceptances that are sold into the market is recorded in the statements of financial position as a liability. An asset of equal amount is recorded in the statements of financial position to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate fee income that is recognised in the statements of financial performance when earned. Discounted bills accepted by the consolidated entity are recorded as part of Trading securities as the intention at the time of discount is to offer the bills for resale.

ac) Payables

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

ad) Provisions

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

ae) Employee entitlements

Wages, salaries and annual leave

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

Long service leave

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

Superannuation

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

Sick leave

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

Employee share and option plans

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

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

1. Summary of significant accounting policies (continued)

ae) Employee entitlements (continued)

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

Administrative costs associated with issuing shares and options are expensed.

Bonus plans

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

af) Policy liabilities – life insurance activities

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

Policy liabilities in the statements of financial position and change in policy liabilities disclosed in the statements of financial performance have been calculated using margin on services ('MoS') methodology in line with guidance provided by Actuarial Standard 1.03 Valuation Standard issued by the Life Insurance Actuarial Standards Board.

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

ag) Policy owner retained profits

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

ah) Subordinated notes

Subordinated notes are recognised at the principal amount. Interest is charged to the statements of financial performance on an accruals basis.

ai) Dividends

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

aj) Derivative financial instruments

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

Banking activities

The Banking entity utilises derivative financial instruments predominantly for hedging activities. However, they are also held for trading purposes. Derivative financial instruments are accounted for in accordance with their purpose. They are classified into three broad categories, as discussed below.

Investing and financing instruments

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

Hedge transactions

Hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at balance date are brought to account in the statements 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 statements of financial performance on a mark to market basis. Where the hedge is terminated early and the hedged transaction is still recognised, all gains and losses associated with the hedge are amortised over the life of the hedged transaction.

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

1. Summary of significant accounting policies (continued)

aj) Derivative financial instruments (continued)

Banking activities (continued)

Trading transactions

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

Speculative trading of derivative financial instruments is managed within the Value-at-Risk and other measures of discretionary market risk as detailed in note 32. 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 statements of financial performance on a mark to market basis.

Insurance activities

Derivative financial instruments that are used to hedge underlying exposures are accounted for in a manner consistent with the accounting treatment of the underlying exposures. Accordingly, derivative financial instruments are marked to market and the resulting gains and losses are reported in the statements of financial performance.

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

ak) Contingent liabilities and contingent assets

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

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

al) Commitments

Commitments are not recorded in the statements of financial position but are disclosed in the consolidated financial report at their face value.

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are financial instruments, 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.

am) Revisions of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The General Insurance outstanding claims provisions and the Life Insurance gross policy liabilities are determined by actuarial assessment as described in note 1 (e) and 1 (af). Assumptions are reviewed at each reporting period. The impact of the reassessment of valuation assumptions on current year provisions is disclosed in notes 29(b) and 30(c).

an) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, less preference share dividends, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares, being options and partly paid shares.

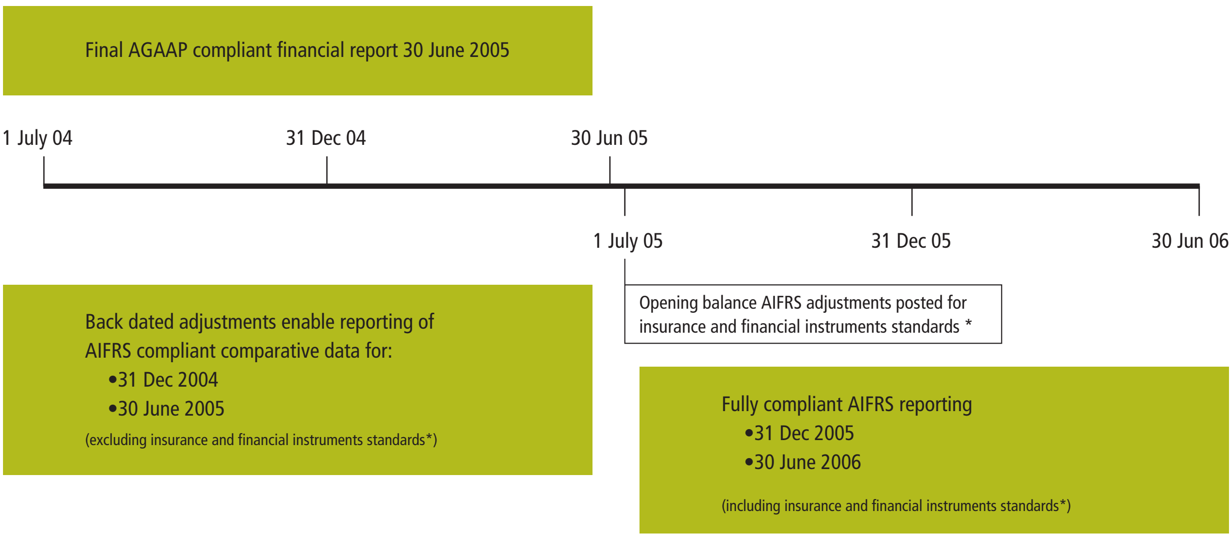
Notes to the financial statements (continued)

For the year ended 30 June 2005

2. Impact of adopting Australian equivalents to International Financial Reporting Standards

Australian reporting entities are required to comply with Australian Equivalents to International Financial Reporting Standards and their related pronouncements ('AIFRS') for reporting periods beginning on or after 1 January 2005.

The consolidated entity will report for the first time in accordance with AIFRS when the results and interim financial report for the half-year ending 31 December 2005 are released. Entities complying with AIFRS for the first time must restate their comparative financial information using AIFRS, with some exceptions as described in Part B of this note. This means that the consolidated entity's opening AIFRS statements of financial position will be restated at 1 July 2004, with most AIFRS transition adjustments made against opening retained profits on 1 July 2004. The AIFRS transition date and comparative information reporting requirements are diagrammatically shown below.



* Election has been made not to provide comparative results for AASBs 4, 132, 139, 1023 & 1038

The consolidated entity has established a formal project, governed by a Steering Committee chaired by the Chief Financial Officer, to monitor and plan for the transition to AIFRS reporting beginning with the half-year ending 31 December 2005. The AIFRS project comprises three phases of work, being technical investigation (completed), detailed planning and design (completed) and implementation (in progress). The implementation phase is implementing the identified changes to business and financial reporting processes and conducting training for staff. The consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the financial year ending 30 June 2006.

The impact of transition from existing Australian accounting standards ('AGAAP') to AIFRS is based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. Accordingly, further disclosure and explanations included in the first complete AIFRS financial report will be required for a true and fair view to be presented under AIFRS. This note only provides the disclosure required under AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*.

There is a significant amount of judgement involved in assessing the effect of adopting AIFRS on the financial statements for financial reporting periods ending after 30 June 2005. For example, revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- Changes in financial reporting requirements that are relevant to the consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report; or
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction; or
- Changes to the consolidated entity's operations.

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

Consequently, the reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the information provided in this note. Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations.

The rules for the first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards.* In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date. This standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS, and any exemption utilised by the consolidated entity is disclosed in this note.

The consolidated entity's transition date is 1 July 2004. This means that, for adopted AIFRS accounting standards, adjusting entries will be made to the AGAAP 30 June 2005 financial statements to arrive at AIFRS compliant comparative financial information for reporting periods commencing on 1 July 2005. These 'comparative adjustments' are summarised below in Part A: Comparative Adjustments. The consolidated entity has elected to adopt the exemption available under AASB 1 from the requirement to provide comparative financial information for certain standards. Although the impact of adopting these standards cannot be quantified until after 1 July 2005, commentary on the key differences is included in Part B: AIFRS impacts from 1 July 2005 of this note.

Many of the changes will impact on the consolidated entity's assets and equity, which are central to the capital adequacy requirements set by prudential regulators. On 24 February 2005, APRA issued its first discussion paper on its proposed prudential approach to fair value and other issues, but is yet to issue its discussion paper on securitisation and other special purpose vehicles and Tier 1 capital instruments. As a result, we are currently unable to determine the impact on the consolidated entity's regulatory capital position.

Part A: Comparative Adjustments

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 in respect of the financial year ended 30 June 2005 are set out below. The restatement of 30 June 2005 comparatives expected under AASB 1 will be made for the first time in the AIFRS compliant financial report for the half-year ending 31 December 2005. Accordingly, these adjustments do not impact the 30 June 2005 results reported in accordance with AGAAP.

(a) Business combinations and goodwill

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS consolidated statement of financial performance. In applying the election available under AASB 1, the carrying amount of goodwill is to be adjusted on transition to AIFRS. As a result, at 1 July 2004 the carrying value of the consolidated entity's goodwill will increase by $35 million, with a corresponding increase to contributed equity. The Company will increase its investment in controlled entities and contributed equity by $35 million.

Goodwill will be stated at the adjusted cost less any accumulated impairment losses. The movement in accumulated amortisation of goodwill for the consolidated entity for the year ended 30 June 2005 of $61 million will be reversed for AIFRS comparative disclosure purposes.

Goodwill will not require an amortisation charge. This results in a reduction in expenses and an increase in profit of the consolidated entity for the comparative period of $61 million. The carrying amount of goodwill will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the consolidated statement of financial performance.

In addition, the amortisation of the notional goodwill previously included in share of net profits of joint ventures accounted for using the equity method will cease. The notional goodwill amortisation for the consolidated entity for the year ended 30 June 2005 of $2 million will be reversed, increasing the investment in joint ventures and the profit of the consolidated entity for AIFRS comparative disclosure purposes.

There is no impact on the Company in relation to goodwill.

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

(b) Consolidation of special purpose vehicles

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

- The consolidated entity securitises mortgage loans as part of its strategy to fund growth in banking loans and receivables. Under AGAAP, the consolidated entity is not considered to control the securitisation vehicles and the assets and liabilities of these vehicles are not recognised in the statements of financial position. On transition to AIFRS, the consolidated entity will be considered to control the securitisation vehicles resulting in the consolidation of these vehicles. This results in the consolidated entity's loans and securitised liabilities increasing by $2,292 million at 1 July 2004, with no change in retained profits. All balances outstanding between the Company and the securitisation vehicles as at 1 July 2004 are eliminated.

  At 30 June 2005, the adjustments result in the consolidated entity's loans and securitised liabilities increasing by $3,673 million, with no change in profit for AIFRS comparative disclosure purposes. Whilst there is no impact on profit, the consolidation of the securitisation vehicles will result in a reclassification of amounts from Banking Fee and Commission Revenue to Banking Interest Revenue and Banking Interest Expense. All balances outstanding between the Company and the securitisation vehicles as at 30 June 2005 are eliminated.

- Under AGAAP, the consolidated entity is considered to control the managed investment schemes operated by its controlled entities when the consolidated entity owns 75 percent or greater of the units in the managed schemes. Under AIFRS, the consolidated entity also needs to consider the role of the controlled entities as the responsible entity of the managed investment schemes. On transition to AIFRS, the consolidated entity will be considered to control an increased number of managed investment schemes operated by its controlled entities.

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

  At 1 July 2004, the net impact for the consolidated entity of consolidating additional managed investment schemes and eliminating the related treasury shares is increased cash and liquid assets of $7 million, increased investment securities of $95 million, increased loans, advances and other receivables of $2 million, increased other liabilities of $5 million, decreased contributed equity of $10 million, decreased retained profits of $3 million and increased outside equity interests in controlled entities of $112 million.

  At 30 June 2005, the adjustments result in the consolidated entity's cash and liquid assets increasing by $10 million, investment securities increasing by $118 million, loans, advances and other receivables decreasing by $2 million, other liabilities increasing by $7 million, contributed equity decreasing by $11 million, retained profits decreasing by $9 million and outside equity interests in controlled entities increasing by $139 million for AIFRS comparative disclosure purposes.

- Under AGAAP, the consolidated entity is not considered to control the Executive Performance Share Plan ("EPSP") and the EPSP's assets and liabilities are not recognised in the consolidated statement of financial position. On transition to AIFRS, the consolidated entity will be considered to control this plan resulting in the consolidation of the plan. In addition, the cost of the shares in the Company held by the EPSP (known as treasury shares) are required to be eliminated against contributed equity, with unrealised gains or losses being eliminated against retained profits.

  This results in the consolidated entity's investments increasing by $2 million, receivables decreasing by $10 million, payables increasing by $2 million and contributed equity decreasing by $10 million at 1 July 2004, with no change in retained profits.

  At 30 June 2005, the adjustments result in the consolidated entity's receivables and contributed equity decreasing by a further $7 million, with no change in profit for AIFRS comparative disclosure purposes.

There is no impact on the Company.

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

(c) Excess of net market value of interests in life insurance controlled entities over their recognised net amounts ("EMVONA")

Under AGAAP, AASB 1038 *Life Insurance Business* allows a Life Insurer to recognise the excess of net market value of an interest in a controlled entity over the net assets of the controlled entity, as an asset in its consolidated statement of financial position and movements in the asset in the consolidated statement of financial performance. Under AIFRS, revised AASB 1038 *Life Insurance Contracts* in conjunction with AASB 138 *Intangible Assets* does not allow the asset to be recognised in the consolidated statement of financial position or the movement in the asset to be recognised in the consolidated statement of financial performance.

On transition to AIFRS, the EMVONA asset will be written off resulting in a decrease to the EMVONA asset and retained profits for the consolidated entity of $15 million at 1 July 2004. For the year ended 30 June 2005, the additional recognised AGAAP EMVONA value of $3 million will be written off resulting in a decrease in assets and profit of $3 million for AIFRS comparative disclosure purposes.

There is no impact on the Company.

(d) Income tax

Under AIFRS, AASB 112 *Income Taxes* uses a 'balance sheet approach' of calculating income tax balances rather than the 'income statement approach' applied under AGAAP. The balance sheet approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

Impact from adopting AASB 112:
The tax adjustments for the consolidated entity on transition to AIFRS on 1 July 2004 for the tax effect of items not previously required to be recognised comprise:

- an increase to deferred tax assets of $2 million (Company: $nil), an increase to deferred tax liabilities of $4 million (Company: $1 million decrease) and a decrease in retained profits of $2 million (Company: $1 million increase) for the tax effect of tax and accounting carrying value based differences on buildings and intangible assets;
- an increase to deferred tax liabilities and a decrease to life insurance policyholder liabilities of $1 million (Company: $nil) due to the prohibition on discounting certain life insurance tax assets and liabilities; and
- an increase to deferred tax liabilities and a decrease to the asset revaluation reserve of $1 million (Company: $nil) for the tax effect of the asset revaluation reserve not previously required to be recognised.

At 30 June 2005, the tax adjustments for the consolidated entity, and the Company do not result in any significant changes in relation to the tax effect of tax and accounting carrying value based differences on buildings or the prohibition on discounting certain life insurance tax assets and liabilities. At 30 June 2005, deferred tax liabilities increase and asset revaluation reserve decrease by an additional $1 million (Company: $nil) for the tax effect of the asset revaluation reserve not previously required to be recognised.

Impact from adopting other AIFRS standards:
The impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments required by the application of AIFRS standards other than AASB 112 on the deferred tax balances and the previously reported tax expense is an increase in deferred tax assets of $6 million (Company: $1 million), a decrease in deferred tax liabilities of $5 million (Company: $1 million) and an increase in retained profits of $11 million (Company: $2 million).

The impact for the consolidated entity of the change in basis on the tax expense for the financial year ended 30 June 2005 is a decrease in tax expense of $3 million (Company: $nil). The consolidated entity's deferred tax assets are expected to increase by $2 million (Company: $nil) and deferred tax liabilities are expected to decrease by $1 million (Company: $nil) as at 30 June 2005.

Notes to the financial statements (continued)

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

(d) Income tax (continued)

Impact of UIG 1052:

The Urgent Issues Group has released guidance regarding the recognition of tax amounts under the tax consolidation regime in the AIFRS framework. UIG 1052 *Tax Consolidations Accounting* requires wholly owned controlled entities in the tax consolidated group to recognise their own tax balances directly, with the current tax liability or asset to be assumed by the head entity via an intercompany loan, equity contribution or distribution, depending on tax funding arrangements. Historically, the ultimate parent entity recognised all tax balances and charged each controlled entity an allocation of the current tax liability, based upon the controlled entity's contribution to Group profit, and charged the life insurance statutory funds their 'notional' tax expense for the period. These charges were recognised as an income tax expense in the controlled entity and an income tax expense recovery in the ultimate parent entity.

In transitioning to this interpretation, UIG 1052 requires that the entity adopt these accounting practices, as if they were in place from the time of the entity's entry into tax consolidation. Accordingly, tax balances have been restated in controlled entity financial statements, and any difference between the current tax liability (if calculated ignoring tax consolidation) and what was previously recharged has been accounted for in equity.

The impact of UIG 1052 for the Company at 1 July 2004 is:

- Deferred tax assets will be reduced by $99 million and deferred tax liabilities will be reduced by $134 million;
- Retained profits will decrease by $6 million due to the difference between the prior year tax expense (calculated ignoring tax consolidation) and the previous tax expense recharged; and
- Investments in controlled entities will increase by $29 million and retained profits will increase by $31 million due to the difference between the current tax liability and the amount received under the tax funding arrangements.

The impact of UIG 1052 for the Company at 30 June 2005 is deferred tax assets will be reduced by an additional $6 million, deferred tax liabilities will be reduced by an additional $47 million and tax expense will be decreased by $20 million.

There will be no impact on the consolidated entity's tax balances. The Group is reviewing its tax sharing and tax funding arrangements, to take into account the UIG 1052 guidance.

(e) Intangible assets

Under AGAAP, the consolidated entity capitalises and amortises:

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

where the benefits are reasonably certain. Under AIFRS, AASB 138 *Intangible Assets* introduces stricter criteria around the costs that can be capitalised and amortised. This change in accounting policy will result in a greater proportion of application software costs and product set-up costs being expensed as incurred. Under AIFRS, less costs will be capitalised and recognised in the statements of financial position and there will be a reduction in amortisation expense in future years.

At 1 July 2004, the consolidated entity's intangible assets decrease by $15 million, other assets decrease by $3 million and retained profits decrease by $18 million (Company: $3 million decrease in other assets and retained profits). At 30 June 2005, the consolidated entity's intangible assets and profit will decrease by an additional $6 million for AIFRS comparative disclosure purposes. At 30 June 2005, the Company's intercompany payables will increase by $7 million, other assets will decrease by a further $1 million and profit will decrease by $8 million for AIFRS comparative disclosure purposes.

The consolidated entity has franchise systems that are classified as other assets under AGAAP. Under AIFRS, franchise systems will be reclassified as intangible assets. At 1 July 2004, this reclassification adjustment results in a decrease to other assets and an increase to intangible assets of $11 million. At 30 June 2005, the additional reclassification adjustment for the year results in an increase to other assets and a decrease to intangible assets of $1 million for AIFRS comparative disclosure purposes.

There is no impact on the Company.

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

(f) Post employment benefits

Under AGAAP, the consolidated entity does not recognise an asset or a liability in its statements of financial position for the net position of the defined benefit superannuation plan it sponsors. Under AIFRS, AASB 119 *Employee Benefits* requires the surplus or deficit of each plan to be recognised in the statements of financial position, and permits three options for recognising actuarial gains and losses on an ongoing basis. The consolidated entity has elected to recognise actuarial gains and losses in the statements of financial performance.

On transition to AIFRS at 1 July 2004, the consolidated entity will record the defined benefit superannuation plan surplus of $2 million as an asset with a corresponding increase in retained profits. At 30 June 2005, the consolidated entity will continue to recognise an asset of $2 million, with no significant impact on profit for AIFRS comparative disclosure purposes.

There is no impact on the Company.

(g) Property, plant and equipment

Under AGAAP, the consolidated entity uses the cost basis to record property, plant and equipment and this will be consistent under AIFRS. On transition to AIFRS, the consolidated entity will elect to use the AASB 1 exemption that allows a previous revaluation to be the asset's deemed cost. As a result of selecting the cost basis under AASB 116 *Property, Plant and Equipment*, the consolidated entity's asset revaluation reserve of $9 million (Company: $8 million) will be transferred to retained profits.

Under AIFRS, the consolidated entity's software assets will be reclassified from property, plant and equipment to intangible assets. At 1 July 2004, this reclassification adjustment results in a decrease in property, plant and equipment and an increase in intangible assets of the consolidated entity of $84 million. At 30 June 2005, the additional reclassification adjustment for the year results in a decrease in property, plant and equipment and an increase in intangible assets of the consolidated entity of $2 million for AIFRS comparative disclosure purposes.

There is no impact on the Company.

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

Under AIFRS, AASB 118 *Revenue* requires that certain fee income and acquisition expenses that were previously recognised in the statements of financial performance are to be deferred and recognised in the statements of financial position, and amortised to the statements of financial performance over the period of the service or contract term.

On transition to AIFRS at 1 July 2004, the consolidated entity's other assets increase by $1 million, other liabilities increase by $5 million, and retained profits decrease by $4 million. The Company's liabilities will increase by $5 million with a corresponding reduction in retained profits.

At 30 June 2005, further adjustments result in the consolidated entity's other assets decreasing by $2 million, other liabilities increasing by an additional $1 million, with a reduction in profit of $3 million for AIFRS comparative disclosure purposes. The Company's liabilities will increase by a further $1 million with a corresponding reduction in profit for AIFRS comparative disclosure purposes.

Notes to the financial statements (continued)

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

(i) Share-based payments

Under AGAAP, the consolidated entity recognises an expense for the shares issued under the EPSP. Shares in the Company are purchased by a trust when the shares are granted and held until they vest to the employee. The cost of the shares is amortised to the statements of financial performance over the vesting period.

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

On transition to AIFRS at 1 July 2004, the consolidated entity's other receivables will increase by $3 million (Company: $7 million), contributed equity will increase by $2 million (Company: $2 million), and retained profits increase by $1 million (Company: $5 million), representing the reversal of an expense previously recognised under AGAAP. At 30 June 2005, further adjustments result in additional increases to the consolidated entity's other receivables of $5 million (Company: $8 million), contributed equity of $3 million (Company: $3 million) and profit of $2 million (Company: $5 million) for AIFRS comparative disclosure purposes.

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

(j) Securitisation transactions

The consolidated entity is a party to certain lease securitisation transactions in relation to investment properties that it owns. Under AGAAP, the relevant assets and liabilities, and revenue and expense items are recognised on a net basis.

Under AIFRS, AASB 140 *Investment Properties* requires that the fair value of an investment property is determined excluding the impacts of special terms or circumstances specific to any party. This requirement will result in the consolidated entity recognising the relevant assets, liabilities, and revenue and expense items on a gross basis. The assets and liabilities will be recognised at fair value.

At 1 July 2004, investment properties will increase by $56 million, cash will increase by $8 million, other assets will decrease by $3 million, and bonds, notes and long term borrowings will increase by $61 million. There will be no significant impact on retained profits at 1 July 2004.

At 30 June 2005, the investment properties increase by an additional $6 million, cash will increase by $1 million, other assets will decrease by $2 million and bonds, notes and long term borrowings will decrease by $1m, resulting in an increase to profit before tax of $6 million.

There is no impact on the Company.

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

Summary of transitional adjustments

The following table sets out the expected adjustments to the statements of financial position of the Company and the consolidated entity upon transition to AIFRS as at 1 July 2004, and for the AIFRS comparative period statements of financial position as at 30 June 2005.

Reconciliation of movements in the statements of financial position

		Consolidated 1 July 2004			Consolidated 30 June 2005		
	Note	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
		$m	$m	$m	$m	$m	$m
Assets							
Cash and liquid assets	(b), (j)	709	15	724	1,011	19	1,030
Receivables due from other financial institutions		163	-	163	67	-	67
Trading securities		2,549	-	2,549	3,396	-	3,396
Investment securities	(b), (j)	8,972	153	9,125	10,096	182	10,278
Investments in joint ventures	(a)	100	-	100	112	2	114
Loans, advances and other receivables	(b), (i)	28,907	2,287	31,194	32,060	3,662	35,722
Bank acceptances of customers		-	-	-	74	-	74
Due from controlled entities		-	-	-	-	-	-
Property, plant and equipment	(g)	184	(84)	100	181	(86)	95
Deferred tax assets	(d)	149	8	157	149	10	159
Intangible assets	(a), (e), (g)	984	115	1,099	922	169	1,091
Excess of net market value of interests in life insurance controlled entities	(c)	15	(15)	-	18	(18)	-
Other assets	(e), (f), (h), (j)	567	(14)	553	596	(15)	581
Total assets		43,299	2,465	45,764	48,682	3,925	52,607
Liabilities							
Deposits and short term borrowings	(b)	24,287	(32)	24,255	27,157	(55)	27,102
Payables due to other financial institutions		70	-	70	66	-	66
Bank acceptances		-	-	-	74	-	74
Securitised liabilities	(b)	-	2,417	2,417	-	3,891	3,891
Payables and other liabilities	(b), (h)	1,111	(81)	1,030	1,202	(148)	1,054
Current tax liabilities		104	-	104	182	-	182
Provisions		130	-	130	151	-	151
Due to controlled entities		-	-	-	-	-	-
Deferred tax liabilities	(d)	169	1	170	221	1	222
Outstanding claims and unearned premiums provisions		5,187	-	5,187	5,526	-	5,526
Life insurance gross policy liabilities	(d)	2,822	(1)	2,821	3,265	(1)	3,264
Policy owner retained profits		349	-	349	325	-	325
Bonds, notes and long term borrowings	(j)	3,925	61	3,986	4,408	60	4,468
Subordinated notes		805	-	805	969	-	969
Total liabilities		38,959	2,365	41,324	43,546	3,748	47,294
Net assets		4,340	100	4,440	5,136	177	5,313
Equity							
Contributed equity	(a), (b), (i)	2,898	17	2,915	3,040	12	3,052
Reserves	(g)	24	(10)	14	27	(11)	16
Retained profits		1,070	(19)	1,051	1,433	37	1,470
Total parent entity interest		3,992	(12)	3,980	4,500	38	4,538
Outside equity interests in controlled entities	(b)	348	112	460	636	139	775
Total equity		4,340	100	4,440	5,136	177	5,313

Notes to the financial statements (continued)

For the year ended 30 June 2005

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

	Note	Company 1 July 2004			Company 30 June 2005		
		AGAAP $m	Transition Impact $m	AIFRS $m	AGAAP $m	Transition Impact $m	AIFRS $m
Assets							
Cash and liquid assets		323	-	323	652	-	652
Receivables due from other financial institutions		163	-	163	67	-	67
Trading securities		2,549	-	2,549	3,396	-	3,396
Investment securities	(a), (i)	2,025	68	2,093	2,018	71	2,089
Investments in joint ventures		-	-	-	-	-	-
Loans, advances and other receivables		26,812	-	26,812	29,448	-	29,448
Bank acceptances of customers		-	-	-	74	-	74
Due from controlled entities	(i)	1,813	3	1,816	2,047	8	2,055
Property, plant and equipment		34	-	34	33	-	33
Deferred tax assets	(d)	148	(98)	50	148	(104)	44
Intangible assets		-	-	-	-	-	-
Excess of net market value of interests in life insurance controlled entities		-	-	-	-	-	-
Other assets	(e)	208	(3)	205	139	(4)	135
Total assets		34,075	(30)	34,045	38,022	(29)	37,993
Liabilities							
Deposits and short term borrowings		24,714	-	24,714	27,250	-	27,250
Payables due to other financial institutions		70	-	70	66	-	66
Bank acceptances		-	-	-	74	-	74
Securitised liabilities		-	-	-	-	-	-
Payables and other liabilities	(h)	629	5	634	901	6	907
Current tax liabilities		104	-	104	182	-	182
Provisions		11	-	11	16	-	16
Due to controlled entities	(e)	348	39	387	257	67	324
Deferred tax liabilities	(d)	169	(136)	33	221	(183)	38
Outstanding claims and unearned premiums provisions		-	-	-	-	-	-
Life insurance gross policy liabilities		-	-	-	-	-	-
Policy owner retained profits		-	-	-	-	-	-
Bonds, notes and long term borrowings		3,925	-	3,925	4,408	-	4,408
Subordinated notes		805	-	805	770	-	770
Total liabilities		30,775	(92)	30,683	34,145	(110)	34,035
Net assets		3,300	62	3,362	3,877	81	3,958
Equity							
Contributed equity	(a), (b), (i)	2,898	37	2,935	3,040	40	3,080
Reserves	(g)	21	(8)	13	21	(8)	13
Retained profits		381	33	414	816	49	865
Total parent entity interest		3,300	62	3,362	3,877	81	3,958
Outside equity interests in controlled entities		-	-	-	-	-	-
Total equity		3,300	62	3,362	3,877	81	3,958

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

Reconciliation of profit for the financial year ended 30 June 2005

The following table sets out the expected adjustments to the statements of financial performance of the Company and the consolidated entity for the year ended 30 June 2005.

	Note	Consolidated 30 June 2005			The Company 30 June 2005		
		AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
		$m	$m	$m	$m	$m	$m
Income from ordinary activities							
Banking interest revenue	(b)	2,324	203	2,527	2,262	-	2,262
Banking interest expense	(b)	(1,553)	(184)	(1,737)	(1,559)	-	(1,559)
		771	19	790	703	-	703
General insurance premium revenue		2,587	-	2,587	-	-	-
Life insurance premium revenue		113	-	113	-	-	-
Banking fee and commission revenue	(b), (h)	225	(20)	205	216	(1)	215
Banking fee and commission expense		(82)	-	(82)	(82)	-	(82)
Reinsurance and other recoveries revenue		338	-	338	-	-	-
General insurance investment revenue							
– insurance provisions	(j)	296	6	302	-	-	-
– shareholder funds		199	-	199	-	-	-
Life insurance investment revenue	(c)	589	(3)	586	-	-	-
Other revenue	(b)	255	19	274	1,087	-	1,087
Share of net profits of joint ventures accounted for using the equity method	(a)	26	2	28	-	-	-
Total income from ordinary activities		5,317	23	5,340	1,924	(1)	1,923
Expenses from ordinary activities							
Operating expenses from ordinary activities	(b), (e), (h), (i)	(1,252)	(5)	(1,257)	(853)	(3)	(856)
General insurance claims expense		(2,085)	-	(2,085)	-	-	-
Life insurance claims expense		(73)	-	(73)	-	-	-
Outwards reinsurance premium expense		(147)	-	(147)	-	-	-
Increase in net life insurance policy liabilities		(378)	-	(378)	-	-	-
(Increase) decrease in policy owner retained profits		24	-	24	-	-	-
Non-banking interest expense		(26)	-	(26)	(15)	-	(15)
Total expenses from ordinary activities		(3,937)	(5)	(3,942)	(868)	(3)	(871)
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense		1,380	18	1,398	1,056	(4)	1,052
Bad and doubtful debts expense		(27)	-	(27)	(21)	-	(21)
Profit from ordinary activities before amortisation of goodwill and related income tax expense		1,353	18	1,371	1,035	(4)	1,031
Amortisation of goodwill	(a)	(61)	61	-	-	-	-
Profit from ordinary activities before related income tax expense		1,292	79	1,371	1,035	(4)	1,031
Income tax expense relating to ordinary activities	(d)	(389)	2	(387)	(142)	20	(122)
Net profit		903	81	984	893	16	909
Net profit attributable to outside equity interests	(b)	(82)	(26)	(108)	-	-	-
Net profit attributable to members of the parent entity		821	55	876	893	16	909

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

Summary of impact of transition to AIFRS on retained profits

The impact of the transition to AIFRS on retained profits as at 1 July 2004 is summarised below:

	Note	Consolidated $m	Company $m
Retained profits as at 1 July 2004 under AGAAP		1,070	381
AIFRS reconciliation:			
– Write off capitalised research costs	(e)	(18)	(3)
– Defined benefit fund surplus	(f)	2	-
– Reverse Life company EMVONA	(c)	(15)	-
– Market value increments on treasury shares	(b)	(3)	-
– Deferral of fee income and acquisition expenses	(h)	(4)	(5)
– Transfer asset revaluation reserve	(g)	9	8
– Share-based payments	(i)	1	5
– Tax effect accounting	(d)	9	28
Retained profits as at 1 July 2004 under AIFRS		1,051	414

Summary of impact of transition to AIFRS on statements of cash flows

AASB 107 *Cash Flow Statements* requires that specific items disclosed as Investing or Financing cash flows under AGAAP are now included in the determination of Operating cash flow. AIFRS does not alter the net cash increase or decrease, but will change the reported categories of operating, investing or financing cash flows. The major items that will be reclassified are:

- Net increase in loans, advances and other receivables of $3,412 million (Company: $2,900 million) – AIFRS disclosure operating cash flow, AGAAP disclosure investing cash flow;
- Proceeds from net increase in deposits and short term liabilities of $3,167 million (Company: $2,742 million) – AIFRS disclosure operating cash flow, AGAAP disclosure financing cash flow; and
- Net purchase of banking securities of $830 million (Company: $837 million) – AIFRS disclosure operating cash flow, AGAAP disclosure investing cash flow.

Part B: AIFRS impacts from 1 July 2005

As permitted by the election available under AASB 1, the consolidated entity will not restate comparative information in relation to the following standards:

- AASB 132 *Financial Instruments: Disclosure and Presentation*
- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 4 *Insurance Contracts*
- AASB 1023 *General Insurance Contracts*
- AASB 1038 *Life Insurance Contracts*

Accordingly there will be no impact on the comparative statements of financial position and statements of financial performance for the year ending 30 June 2006. The changes required under these standards will take effect on 1 July 2005 and will be disclosed as changes in accounting policies in the financial statements for reporting periods ending after 1 July 2005. The first disclosure of these impacts will be in the financial report for the half-year ended 31 December 2005.

The potential impacts on the consolidated entity's financial performance and financial position of the adoption of these additional changes in accounting policy, have not been completely quantified as at the effective date of 1 July 2005 due to the short timeframe between the finalisation of these accounting policies and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years. The adoption of these standards will change the consolidated entity's reported financial performance and financial position, without a change in the underlying economics of the business.

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

The significant differences arising from the adoption of the above AIFRS accounting standards from 1 July 2005 are summarised below. This summary should not be taken as an exhaustive list of all the differences between AGAAP and AIFRS to take effect on 1 July 2005.

(i) Debt/equity classification

The consolidated entity's preference shares, which are classified as equity under AGAAP, will be reclassified as a financial liability and dividends paid on these preference shares will be treated as interest expense rather than as dividends in accordance with AASB 132. The carrying amount of preference shares at 1 July 2005 is $250 million, and distributions are anticipated to be $16 million.

The consolidated entity consolidates a number of the managed investment schemes operated by its subsidiaries as set out in Part A (b). Under AIFRS, the managed investment schemes' unit holder funds, which are classified as equity under AGAAP, will be reclassified as a financial liability in accordance with AASB 132. Consequently, the minority interests in the net assets of the consolidated managed investment schemes will be reclassified as a financial liability on transition to AIFRS. The minority interest amount at 1 July 2005 is $775 million. There will be no change to the net assets attributable to the members of the Company.

(ii) General insurance business

Under AGAAP, AASB 1023 *Financial Reporting of General Insurance Activities* deals with the accounting for a general insurance business. Under AIFRS, products that meet the definition of a general insurance contract under revised AASB 1023 *General Insurance Contracts* will continue to use current accounting treatments subject to a revised liability adequacy test. All the consolidated entity's general insurance products are expected to meet the definition of a general insurance contract.

Under AIFRS, the liability adequacy test is required to be applied to portfolios or products that are subject to broadly similar risks and are managed together as a single portfolio. Under AGAAP, this liability adequacy test is currently performed at the reporting entity level. Depending on the outcome of the test at each reporting date, deferred acquisition costs may be written down and additional liabilities may be recognised as an unexpired risk liability. Based on a preliminary assessment of the consolidated entity's position, a potential write-down of deferred acquisition costs at 1 July 2005 may be required in the order of $50 million, reducing total assets and retained profits by this amount. We do not anticipate any material impact on future profits. In conducting this test, the expected cash flows relating to future claims include a risk margin to refelect the inherent uncertainty of the estimation process. The estimate of future claims including the risk margin represents an estimated 75% probability that the estimate is adequate.

(iii) Hedge accounting

All derivative contracts, whether used as hedging instruments or otherwise, will be recorded at fair value on the consolidated entity's statement of financial position, with a corresponding entry to the consolidated statement of financial performance or an equity reserve.

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

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

The consolidated entity has upgraded the hedge accounting and asset / liability management systems and processes with the aim of ensuring that most hedge transactions are effective. As a result we do not anticipate a material impact on the reported profits as a result of the hedging rules under AIFRS.

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

(iv) Life insurance business

Under AGAAP, AASB 1038 *Life Insurance Business* deals with the accounting for a life insurance business. Under AIFRS, revised AASB 1038 *Life Insurance Contracts* designates products into either Life Insurance Contracts or Life Investment Contracts. The consolidated entity has life insurance products that will be designated as insurance and investment contracts.

Products that meet the definition of a Life Insurance Contract will continue to use the Margin on Services valuation for policy liabilities under revised AASB 1038. The valuation of policy liabilities for Life Insurance Contracts is not expected to be materially different under AIFRS.

Products that meet the definition of a Life Investment Contract have two components, a financial instrument element and a management services element. The financial instrument component will be recognised as a financial liability under AASB 139 and measured at fair value. The management service component will be recognised as revenue under AASB 118, with certain acquisition costs deferred and recognised as an asset in the consolidated statement of financial position. The AIFRS requirements will result in changes to the timing of profit recognition for these products.

The AIFRS rules in relation to the deferral of acquisition costs on investment business are more stringent than under AGAAP. As a result, some acquisition costs presently deferred under AGAAP will be written off on transition to AIFRS, and the subsequent recognition of profits on new business will be delayed compared to the present timing of profit recognition. The amount of any write-off of acquisition costs on adoption of AIFRS has yet to be determined but is not expected to be material to the financial position of the consolidated entity.

(v) Loan establishment fee income and establishment expenses

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

On initial transition to AIFRS, certain loan establishment fees acquisition expenses that have previously been recognised upfront in the statements of financial performance will be recognised in the statements of financial position, with a corresponding adjustment to retained profits. Whilst AIFRS will result in some changes to revenue classification, it is not expected to have a material impact on the net profit or loss.

(vi) Loan impairment provisions

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

Specific provisions will be raised for losses that have already been incurred on loans that are known to be impaired. However, the estimated losses on these impaired loans will be based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the statements of financial performance.

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

These changes will likely result in a reduction in the level of provisioning that the Company and the consolidated entity holds against its credit exposures, as the general provision for doubtful debts will be written back to retained profits. Offsetting this however will be an increase in the specific and collective provisions calculated on the above bases. The net impact on transition to AIFRS has yet to be quantified but should not be material to the financial position of the Company and the consolidated entity.

(vii) Securitised assets

Under AGAAP, securitised assets are not recognised in the Company's statement of financial position. Under AIFRS, AASB 139 introduces different requirements for the recognition and derecognition of securitised assets, including those assets transferred to a special purpose vehicle. These requirements are likely to result in the securitised assets remaining on the Company's statement of financial position.

As permitted by the election available under AASB 1, the Company may elect to grandfather assets subject to securitisation transactions prior to 1 January 2004. If this election is utilised, assets subject to securitised transactions Apollo Series 2004-1E, Apollo Series 2004-2 and Apollo Series 2005-1E would remain on the Company's statement of financial position. However, assets subject to earlier securitisation transactions would remain off the Company's statement of financial position and be recognised in the consolidated statement of financial position as discussed in Part A (b) of this note.

Notes to the financial statements (continued)

For the year ended 30 June 2005

3. Revenue from ordinary activities

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Revenue from ordinary activities				
Interest received or due and receivable:				
– controlled entities	-	-	31	46
– other persons	2,684	2,226	2,231	1,896
Dividends received or due and receivable:				
– controlled entities	-	-	649	179
– other persons	103	65	-	-
Property income received or due and receivable	22	24	-	-
General insurance premium revenue:				
– direct	2,583	2,423	-	-
– inwards reinsurance	4	-	-	-
– reinsurance and other recoveries revenue	316	214	-	-
– reinsurance commission income	4	7	-	
Life insurance premium revenue:				
– direct	113	104	-	-
– reinsurance recoveries revenue	22	17	-	-
Changes in net market value of investments integral to general insurance activities:				
– realised	22	(55)	-	-
– unrealised	136	58	-	-
Changes in net market value of investments integral to life insurance activities:				
– realised	137	44	-	-
– unrealised	229	228	-	-
Trust distributions received or due and receivable	96	91	-	-
Net profits on derivative and other financial instruments:				
– realised	8	7	8	8
– unrealised	2	2	2	2
Fees and commissions received or due and receivable:				
– controlled entities	-	-	419	378
– other persons	298	268	217	210
Share of net profits of joint venture entities accounted for using the equity method	26	19	-	-
Managed schemes revenue	123	126	-	-
Proceeds on disposal of investments	4	42	4	34
Other revenue	20	22	4	8
Total revenue from ordinary activities	6,952	5,932	3,565	2,761
Disclosed in the statements of financial performance as:				
Banking interest revenue	2,324	1,933	2,262	1,942
General insurance premium revenue	2,587	2,423	-	-
Life insurance premium revenue	113	104	-	-
Banking fee and commission revenue	225	215	216	215
Reinsurance and other recoveries revenue	338	231	-	-
General insurance investment income	495	276	-	-
Life insurance investment income	589	443	-	-
Share of net profits of joint venture entities accounted for using the equity method	26	19	-	-
Other revenue	255	288	1,087	604
Total revenue from ordinary activities	6,952	5,932	3,565	2,761
Banking interest expense	(1,553)	(1,277)	(1,559)	(1,294)
Banking fee and commission expense	(82)	(61)	(82)	(61)
Total income from ordinary activities	5,317	4,594	1,924	1,406

There was no revenue from non-operating activities.

3. Revenue from ordinary activities (continued)

	Consolidated		Company	
	2005	2004	2005	2004
Significant items:	$m	$m	$m	$m
Sale of units in the property trust Australian Prime Property Fund:				
– Premium on sale of units	30	-	-	-
– Sale of management rights over fund	17	-	-	-
Total	47	-	-	-
Sale of shares in Cashcard Australia Limited:				
– Revenue	-	34	-	34
– Carrying amount of shares sold	-	(3)	-	(3)
Gain on sale	-	31	-	31

4. Expenses from ordinary activities

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Interest expense				
– Controlled entities	-	-	10	20
– Other persons	1,569	1,277	1,564	1,293
Total interest expense	1,569	1,277	1,574	1,313
Operating expenses from ordinary activities				
Staff expenses	660	614	22	22
Equipment and occupancy expenses				
Depreciation				
– Buildings	1	1	1	1
– Plant and equipment	71	76	-	-
– Leasehold improvements	9	12	-	-
Total depreciation	81	89	1	1
Loss on disposal of property, plant and equipment	1	1	-	-
Operating lease rentals	45	46	18	20
Other	14	14	7	9
Total equipment and occupancy expenses	141	150	26	30
Other expenses				
Hardware, software and data line expenses	45	43	21	25
Advertising and promotion expenses	68	65	25	28
Office supplies, postage and printing	65	70	27	32
Amortisation of franchise systems	1	1	-	-
Acquisition costs - insurance activities	126	137	-	-
Intra-group expenses	-	-	676	603
Financial expenses	97	84	40	38
Other	49	74	16	48
Total other expenses	451	474	805	774
Total operating expenses from ordinary activities	1,252	1,238	853	826

Notes to the financial statements (continued)

For the year ended 30 June 2005

5. Bad and doubtful debts expense

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Banking activities				
Charge for bad and doubtful debts				
– general provision for impairment (note 12)	15	19	12	16
– specific provision for impairment (note 12)	7	22	4	22
– bad debts written off	8	10	8	8
– bad debts recovered	(3)	(3)	(3)	(3)
	27	48	21	43
General insurance activities				
Charge for bad and doubtful debts				
– general provision for impairment (note 12)	-	5	-	-
– specific provision for impairment (note 12)	(5)	(4)	-	-
– bad debts written off	5	-	-	-
	-	1	-	-
Total bad and doubtful debts expense	27	49	21	43

Notes to the financial statements (continued)

For the year ended 30 June 2005

6. Income tax expense

	Consolidated		Company	
	2005	2004	2005	2004
	$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	1,292	971	1,035	518
Prima facie income tax expense calculated at 30% (2004: 30%) on profit from ordinary activities before income tax	388	291	311	155
Tax effect of permanent differences:				
Non-deductible expenditure	10	7	10	5
Non-deductible write-downs	-	5	-	9
Amortisation of goodwill	19	19	-	-
Imputation gross up on dividends received	8	5	-	-
Non-assessable income	(2)	(1)	-	-
Intercompany dividend elimination	-	-	(195)	(54)
Income tax credits	(28)	(16)	-	-
Income tax expense related to current and deferred tax transactions of the wholly-owned controlled entities in the tax-consolidated group	-	-	267	185
Recovery of income tax expense under a tax sharing agreement	-	-	(246)	(191)
Other	4	(4)	(3)	1
Income tax adjusted for permanent differences	399	306	144	110
Over (under) provision in prior year	(10)	2	(2)	3
Income tax expense	389	308	142	113
Income tax expense by business unit				
Banking	170	128	142	113
General insurance	144	129	-	-
Wealth management	72	47	-	-
Other	3	4	-	-
	389	308	142	113

Prima facie income tax expense includes an amount of $61 million (2004: $41 million) attributable to the life insurance company statutory funds. The income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The statutory rates of taxation applicable to the taxable income of significant classes of business are as follows:

	2005	2004
	%	%
Class of business		
Ordinary life insurance business	30	30
Complying superannuation	15	15
Controlled companies	30	30
Current pension business	Exempt	Exempt
Non-complying superannuation	47	47
Immediate annuity business	Exempt	Exempt
Retirement Savings Account business	15	15
Other business (including accident and disability)	30	30
Shareholder funds	30	30

Notes to the financial statements (continued)

For the year ended 30 June 2005

6. Income tax expense (continued)

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Income tax expense is made up of:				
Current income tax provision	336	246	110	116
Deferred income tax provision	53	50	5	(5)
Future income tax benefit	-	12	6	8
Intercompany / interfund balances	-	-	21	(6)
	389	308	142	113
Provision for current income tax				
Movements during the year were as follows:				
Balance at the beginning of the financial year	104	130	104	62
Income tax paid	(257)	(271)	(257)	(149)
Current year's income tax expense on profit from ordinary activities	336	246	110	116
Under provision in prior year	(1)	(1)	(1)	-
Income tax expense related to wholly-owned controlled entities transactions in the tax consolidated group	-	-	226	75
	182	104	182	104
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable tax rate of 30% (2004: 30%) on the following items:				
Difference in depreciation for accounting and income tax purposes	4	3	4	3
Leveraged leases	-	6	-	6
Lease finance	2	9	2	9
Expenditure currently deductible but deferred and amortised for accounting purposes	32	45	32	45
Income not currently assessable for tax purposes	183	106	183	106
	221	169	221	169
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable tax rate of 30% (2004: 30%) on the following items:				
Income currently assessable but deferred for accounting purposes	8	9	8	9
Difference in depreciation for accounting and income tax purposes	9	11	9	11
Provision for impairment	30	32	30	32
Other provisions and accrued expenses	102	95	101	94
Lease finance	-	2	-	2
	149	149	148	148

Tax consolidation

Suncorp-Metway Ltd is the head entity in the tax-consolidated group comprising all the Australian owned controlled entities.

From 1 July 2003 the head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions). A tax sharing agreement is in place whereby the head entity recharges shares of the group tax to controlled entities. This may result in a different tax expense figure recorded in controlled entities than if the tax were calculated on a stand alone basis. A tax benefit of $8 million from the elections provided by the consolidation legislation has been recognised in the period, and is included in 'Over/(under) provision in prior year' shown in the reconciliation at the beginning of this note.

Notes to the financial statements (continued)

For the year ended 30 June 2005

7. Earnings per share

	Consolidated 2005 Cents	Consolidated 2004 Cents
Basic earnings per share	148.65	112.77
Diluted earnings per share	148.54	112.66

	Number of shares	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	541,785,877	533,924,887
Weighted average number of potential ordinary shares relating to		
– options on ordinary shares	393,770	496,290
– partly paid ordinary shares	9,841	15,253
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	542,189,488	534,436,430

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

- options outstanding on ordinary shares
- partly paid ordinary shares

The 2,500,000 preference shares recognised in equity are not considered to be either ordinary or potential ordinary shares as the shareholders do not have the option to convert the preference shares to ordinary shares until five years from issue, and so they have not been included in the number of shares.

	Consolidated 2005 $m	Consolidated 2004 $m
Reconciliations of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit attributable to members of the parent entity	821	618
Preference share dividends	(15)	(16)
Earnings used in calculating basic and diluted earnings per share	806	602

Notes to the financial statements (continued)

For the year ended 30 June 2005

8. Cash and liquid assets

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Cash at bank and on hand	170	215	178	138
Deposits at call	841	494	474	185
	1,011	709	652	323
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	1,011	709	652	323
Add: Receivables due from other financial institutions	67	163	67	163
Less: Payables due to other financial institutions	(66)	(70)	(66)	(70)
	1,012	802	653	416

9. Trading securities

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Banking activities				
Interest bearing securities at net fair value				
Bank bills, certificates of deposits and other short term negotiable securities	3,396	2,549	3,396	2,549
Total trading securities	3,396	2,549	3,396	2,549

Notes to the financial statements (continued)

For the year ended 30 June 2005

10. Investment securities

	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Banking activities				
Investments at cost				
Shares in controlled entities (note 35)	-	-	2,018	2,025
	-	-	2,018	2,025
General insurance activities				
Quoted investments at net market value				
Debentures	1,116	1,960	-	-
Government and semi-government securities	2,100	889	-	-
Shares in other companies	978	709	-	-
	4,194	3,558	-	-
Unquoted investments at net market value				
Freehold land and buildings	92	92	-	-
Property trusts	5	5	-	-
Short term negotiable securities	581	653	-	-
Other interest bearing securities	609	810	-	-
	1,287	1,560	-	-
	5,481	5,118	-	-
Wealth management activities				
Life insurance activities				
Equity securities	2,291	1,812	-	-
Debt securities	2,017	1,539	-	-
Property	291	490	-	-
Other	(2)	(1)	-	-
	4,597	3,840	-	-
Funds management activities				
Unlisted unit trusts and unlisted managed investment schemes at fair value	18	14	-	-
	4,615	3,854	-	-
Total investment securities	10,096	8,972	2,018	2,025

Notes to the financial statements (continued)

For the year ended 30 June 2005

11. Loans, advances and other receivables

	Consolidated		Company	
	2005 $m	2004 $m	2005 $m	2004 $m
Banking activities				
Overdrafts	399	349	399	349
Credit card outstandings	143	108	143	108
Housing loans	15,995	14,924	15,995	14,924
Term loans	12,212	10,321	12,199	10,303
Lease finance	2,106	1,918	622	1,085
Structured finance	8	8	8	8
Other lending	202	168	228	172
	31,065	27,796	29,594	26,949
Provision for impairment (note 12)	(155)	(142)	(146)	(137)
	30,910	27,654	29,448	26,812
General insurance activities				
Premiums outstanding	579	550	-	-
Provision for impairment - general (note 12)	(12)	(12)	-	-
	567	538	-	-
Investment revenue receivable	10	11	-	-
Outstanding investment settlement receivable	-	113	-	-
Insurance managed funds receivable	69	48	-	-
Insurance recoveries and other receivables	469	498	-	-
Provision for impairment - specific (note 12)	(3)	(8)	-	-
	1,112	1,200	-	-
Life insurance activities				
Premiums outstanding	5	5	-	-
Investment revenue receivable	22	27	-	-
Reinsurance recoveries receivable	6	7	-	-
Other	5	14	-	-
	38	53	-	-
Total loans, advances and other receivables	32,060	28,907	29,448	26,812

Housing loans exclude securitised residential mortgage loans of $3,725 million (2004: $2,314 million). In September 2004 the Company completed a $700 million loan mortgage securitisation (Apollo Series 2004-2). The securities were sold in the domestic market. A further loan mortgage securitisation of $2 billion was completed in March 2005 (Apollo Series 2005-1E). The securities were sold in the offshore market.

Notes to the financial statements (continued)

For the year ended 30 June 2005

12. Provision for impairment

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Banking activities				
General provision				
Balance at the beginning of the financial year	123	104	118	102
Charge against the statements of financial performance (note 5)	15	19	12	16
Balance at the end of the financial year	138	123	130	118
Specific provision				
Balance at the beginning of the financial year	19	17	19	16
Charge against the statements of financial performance (note 5)				
new and increased provisions	17	29	14	29
write-back of provisions no longer required	(10)	(7)	(10)	(7)
Bad debts written-off	(9)	(20)	(7)	(19)
Balance at the end of the financial year	17	19	16	19
Total provision for impairment - banking activities	155	142	146	137
The provision for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:	%	%	%	%
– specific provision	26.98	35.19	29.09	36.54
– total provision	246.03	262.96	265.45	263.46
General provision as a percentage of risk weighted assets	0.56	0.58	0.53	0.55
Specific provision as a percentage of gross loans, advances and other receivables	0.05	0.07	0.05	0.07
	$m	$m	$m	$m
Insurance activities				
General provision				
Balance at the beginning of the financial year	12	7	-	-
Charge against the statements of financial performance (note 5)	-	5	-	-
Balance at the end of the financial year	12	12	-	-
Specific provision				
Balance at the beginning of the financial year	8	12	-	-
Write-back of provisions no longer required (note 5)	(5)	(4)	-	-
Balance at the end of the financial year	3	8	-	-
Total provision for impairment - insurance activities	15	20	-	-

Notes to the financial statements (continued)

For the year ended 30 June 2005

13. Property, plant and equipment

	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Property				
Freehold land at cost	4	4	4	4
Buildings at cost	43	42	42	42
Accumulated depreciation	(14)	(13)	(14)	(13)
	29	29	28	29
Leasehold improvements at cost	83	82	7	7
Accumulated amortisation	(79)	(71)	(7)	(7)
	4	11	-	-
Total property	37	44	32	33
Plant and equipment				
Computer and office equipment, furniture and fittings, computer software and motor vehicles at cost	408	361	31	32
Accumulated depreciation	(310)	(250)	(30)	(31)
	98	111	1	1
Capital works in progress				
Plant and equipment	19	6	-	-
Computer software	27	23	-	-
	46	29	-	-
Total plant and equipment	144	140	1	1
Total property, plant and equipment	181	184	33	34

An independent valuation of the consolidated entity's land and buildings was carried out as at 31 December 2003 on the basis of open market values for existing use and provided a valuation of $50 million (Company: $50 million). As land and buildings are recorded at cost, the valuation has not been brought to account.

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

	Land $m	Buildings $m	Leasehold Improvements $m	Plant & Equipment $m	Capital works in progress $m	Total $m
Consolidated						
Carrying amount at the beginning of the financial year	4	29	11	111	29	184
Additions	-	1	2	38	40	81
Disposals	-	-	-	(3)	-	(3)
Transfers between categories	-	-	-	23	(23)	-
Depreciation expense (note 4)	-	(1)	(9)	(71)	-	(81)
Carrying amount at the end of the financial year	4	29	4	98	46	181
Company						
Carrying amount at the beginning of the financial year	4	29	-	1	-	34
Depreciation expense (note 4)	-	(1)	-	-	-	(1)
Carrying amount at the end of the financial year	4	28	-	1	-	33

Notes to the financial statements (continued)

For the year ended 30 June 2005

14. Intangible assets

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Goodwill	1,211	1,211	-	-
Accumulated amortisation	(289)	(227)	-	-
Total intangible assets	922	984	-	-

15. Other assets

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Franchise systems	15	15	-	-
Provision for amortisation	(5)	(4)	-	-
	10	11	-	-
Deferred expenditure:				
– Lease brokerage	24	20	4	9
– Mortgage loan brokerage	32	26	32	26
– Establishment costs on securitisation	8	7	8	7
– Deferred share plan	9	7	9	7
– Other	4	4	3	4
Total deferred expenditure	77	64	56	53
Deferred acquisition costs on insurance policies	214	190	-	-
Accrued interest receivable	147	120	64	64
Prepayments	16	18	15	14
Sundry assets	132	164	4	77
	586	556	139	208
Total other assets	596	567	139	208

An independent valuation of the franchise systems was carried out at 30 June 2004 on the basis of current fair market value and provided a valuation range of $34 million to $39 million. As franchise systems are recorded at cost, the valuation has not been brought to account (refer note 1(z)).

Notes to the financial statements (continued)

For the year ended 30 June 2005

16. Deposits and short term borrowings

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Secured				
Long term securities issued matured and unclaimed	1	1	-	-
Unsecured				
Call deposits	8,808	7,301	8,902	7,729
Term deposits	6,246	5,969	6,246	5,969
Short term securities issued	6,819	6,197	6,819	6,197
Offshore borrowings	3,646	2,749	3,646	2,749
Long term securities issued maturing within 12 months	1,637	2,070	1,637	2,070
	27,156	24,286	27,250	24,714
Total deposits and short term borrowings	27,157	24,287	27,250	24,714

The secured borrowings are secured by charges over various assets of certain controlled entities amounting to $9 million (2004: $9 million).

17. Payables and other liabilities

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Unpresented bank cheques	48	69	48	69
Accrued interest payable	215	184	212	190
Security deposit for repurchase agreement	-	31	-	-
Sundry creditors and accrued expenses	555	654	255	197
Unrealised losses on derivative hedging positions	384	173	386	173
Total payables and other liabilities	1,202	1,111	901	629

Unrealised losses on derivative hedging positions relate to cross currency swaps for offshore borrowings.

Movements in the hedging positions are fully offset by movements in underlying offshore borrowings.

Notes to the financial statements (continued)

For the year ended 30 June 2005

18. Provisions

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Employee benefits (note 45)	132	112	6	3
Directors' retirement benefits	2	2	2	2
Dividends and distributions	5	5	5	5
Other	12	11	3	1
Total provisions	151	130	16	11

Directors' retirement benefits

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

Dividends and distribution provision

Provision is made for ordinary and preference share dividends when they are declared, determined or publicly recommended by the directors on or before the end of the financial year but not yet distributed at balance date.

Other provisions

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

Movements in provisions

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

	Directors' retirement benefits	Dividends and distributions	Other	Total
	$m	$m	$m	$m
Consolidated - 2005				
Balance at the beginning of the financial year	2	5	11	18
Additional provisions recognised	-	458	2	460
Payments/other sacrifices of economic benefits	-	(458)	(1)	(459)
Balance at the end of the financial year	2	5	12	19
Company - 2005				
Balance at the beginning of the financial year	2	5	1	8
Additional provisions recognised	-	458	3	461
Payments/other sacrifices of economic benefits	-	(458)	(1)	(459)
Balance at the end of the financial year	2	5	3	10

19. Outstanding claims and unearned premiums provisions

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Outstanding claims – general insurance	4,181	3,865	-	-
Unearned premiums – general insurance	1,345	1,322	-	-
Total outstanding claims and unearned premiums provisions	5,526	5,187	-	-
Outstanding claims provision – general insurance				
Central estimate	3,885	3,663	-	-
Risk margin	965	805	-	-
Claims handling costs	173	157	-	-
Expected future claims (undiscounted)	5,023	4,625	-	-
Discount to present value	(842)	(760)	-	-
Outstanding claims provision	4,181	3,865	-	-
Current	1,167	1,186	-	-
Non-current	3,014	2,679	-	-
	4,181	3,865	-	-

Process for determining risk margins

The overall risk margin was determined allowing for diversification between business classes and the overall uncertainty of the outstanding claims estimate for each class. Uncertainty was analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

The assumptions regarding uncertainty for each class were applied to the net central estimates and the results were aggregated, allowing for diversification in order to arrive at an overall position which has a probability of sufficiency of approximately 93-94% (2004: 91-92%).

Assumptions

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

	2005	2004
	%	%
Not later than one year:		
Inflation rate		
normal	0.0-4.0	0.0-4.0
superimposed	0.0-9.0	0.0-9.0
Discount rate	5.1-6.2	5.4-6.2
For subsequent years:		
Inflation rate		
normal	0.0-4.0	0.0-4.0
superimposed	0.0-9.0	0.0-9.0
Discount rate	5.4	5.4

The general insurance portfolio is weighted towards long tail business whereby claims are expected to be settled progressively over approximately 40 years (2004: 40 years). The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 3.3 years (2004: 2.9 years).

Notes to the financial statements (continued)

For the year ended 30 June 2005

20. Life insurance gross policy liabilities

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Non-investment linked business	2,024	1,821	-	-
Investment linked business	1,241	1,001	-	-
Total life insurance gross policy liabilities	3,265	2,822	-	-

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 2005. 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 1.03 'Valuation Standard' issued by the LIASB under Section 114 of the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way that allows for the systematic release of planned margins as services are provided to policy owners and premiums are received.

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

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

Under the projection method, estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The projected profit margins are expressed as a percentage of the relevant profit carrier. The policy liability is calculated as the net present value of these projected cash flows.

Under the accumulation method for investment business the policy liability is the accumulation of amounts invested by policy owners together with investment earnings, less fees and tax. For risk business the accumulation method policy liability is basically equal to the sum of reserves for incurred but not reported claims and open disability income claims. The accumulation may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Notes to the financial statements (continued)

For the year ended 30 June 2005

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 since 2004
Investment earnings	Assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the product, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Pre-tax rates varied from 4.10% (2004: 4.95%) for the cash sub-funds to 7.90% (2004: 8.50%) for the balanced sub-funds and 9.10% (2004: 9.95%) 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 2.5% (2004: 2.5%) per annum was assumed.	No changes in approach.
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 2% and 30% (2004: between 3% and 30%).	Assumed long term discontinuance rates for ordinary Whole of Life, Endowment and older investment account policies reduced to reflect improvements in experience.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None.
Rates of taxation	The rates of taxation assumed are based on those applicable to the type of product.	None.
Mortality – risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments to allow for Suncorp Life & Superannuation Limited's experience. Adjustments range from 76% (2004: 76%) to 160% (2004: 160%). Table IA95-97 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997.	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's experience.	None.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	Adjustments updated to reflect recent experience, with a decrease in assumed incidence rates, increase in assumed recovery rates at early claim duration and decreased recovery rates for longer term claims. Net effect was an overall increase in expected claims cost.

20. Life insurance gross policy liabilities (continued)

Assumption	Basis of assumption	Significant changes since 2004
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 – 62% (2004: 86%) for ordinary policies and 69% (2004: 89%) for superannuation policies. For investment account policies supportable rates vary between 3.5% (2004: 3.8%) and 10.0% (2004: 9.9%) after tax and fees. For participating whole of life and endowment business, the consolidated entity's policy is to set bonus rates such that, over long periods, the returns to policy owners (as a group, but not necessarily individually) 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 (as a group, but not necessarily individually) 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 policy fees.	None.

Other requirements

The Life Act requires companies to meet prudential standards of solvency and capital adequacy. The solvency requirements are determined in accordance with the Actuarial Standard 2.03 'Solvency Standard' issued by the LIASB under the Life Act. For the purposes of Note 30(f), minimum termination values have been determined in accordance with Actuarial Standard 4.02 'Minimum Surrender Value and Paid-Up Values' and 2.03 'Solvency Standard'. Capital adequacy is determined in accordance with Actuarial Standard 3.03 'Capital Adequacy Standard'.

Notes to the financial statements (continued)

21. Bonds, notes and long term borrowings

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Unsecured				
Long term securities issued	2,306	1,257	2,306	1,257
Offshore borrowings	2,102	2,668	2,102	2,668
Total bonds, notes and long term borrowings	4,408	3,925	4,408	3,925

22. Subordinated notes

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Fixed rate notes due September 2011	200	199	200	199
Floating rate notes due September 2011	75	75	75	75
Fixed rate notes due June 2013 (USD)	325	361	325	361
Fixed rate notes due September 2014	134	-	-	-
Floating rate notes due September 2014	65	-	-	-
Perpetual floating rate notes	170	170	170	170
Total subordinated notes	969	805	770	805

The notes are unsecured obligations of the consolidated entity subordinated as follows. Payments of principal and interest on the notes have priority over Company dividend payments only, and in the event of the winding-up of the Company, the rights of the note holders will rank in preference only to the rights of the preference and ordinary shareholders.

In line with APRA's capital adequacy measurement rules perpetual floating rate notes are included in Upper Tier 2 capital. The term subordinated notes are included in Lower Tier 2 capital and are reduced by 20 percent for each of their last five years to maturity.

23. Contributed equity

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Share capital				
545,844,729 ordinary shares each fully paid (2004: 536,619,211 each fully paid)	2,796	2,654	2,796	2,654
2,500,000 preference shares each fully paid (2004: 2,500,000 each fully paid)	244	244	244	244
11,250 ordinary shares each 5 cents partly paid (2004: 17,650 ordinary shares each 5 cents partly paid)	-	-	-	-
2,000 non-participating shares fully paid (2004: 2,000 each fully paid)	-	-	-	-
Balance at the end of the financial year	3,040	2,898	3,040	2,898
Movements in ordinary shares during the financial year				
Balance at the beginning of the financial year	2,654	2,587	2,654	2,587
2,934,117 ordinary shares issued due to the exercise of options under the Executive Option Plan (2004: 1,139,866)	34	9	34	9
6,285,001 ordinary shares issued under the Dividend Reinvestment Plan (2004: 4,717,345)	108	58	108	58
Balance at the end of the financial year	2,796	2,654	2,796	2,654

Notes to the financial statements (continued)

23. Contributed equity (continued)

On 1 October 2004, 2,637,812 ordinary shares were issued at $14.65 under the Dividend Reinvestment Plan in respect of the 30 June 2004 final dividend.

On 1 April 2005, 3,647,189 ordinary shares were issued at $19.28 under the Dividend Reinvestment Plan in respect of the 30 June 2005 interim dividend.

During the year, 6,400 partly paid shares were converted to fully paid shares at an average price of $1.16. The calls on, and conversion of, partly paid shares were in accordance with the employee share acquisition scheme under which they were issued.

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

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

The Company's preference shares are perpetual, paying fixed non-cumulative dividends with certain terms periodically reset. The first reset date is 14 September 2006. Holders will have an option on each reset date to request the preference shares be exchanged for ordinary shares of approximately equal value to the original issue price of the preference shares.

Holders of the preference shares are entitled to receive a dividend as calculated by the formula set out in the Information Memorandum dated 16 August 2001. Such dividends are at the discretion of the directors and only payable if the restrictions as set out in the Information Memorandum are complied with.

Holders of preference shares are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as ordinary shareholders with one vote per preference share. The limited circumstances are set out in the Information Memorandum.

In the event of the winding-up of the Company, preference shareholders rank above ordinary shareholders but after creditors and are entitled to the proceeds of liquidation only to the extent of the issue price of the shares.

Ordinary shares

During the year, 2,934,117 options were exercised as part of the Executive Option Plan as follows:

Month of Exercise	Number of Ordinary Shares	Issue Price
July 2004	10,000	8.11
August 2004	105,400	8.11
August 2004	15,100	8.46
August 2004	6,700	8.49
August 2004	124,000	8.89
August 2004	51,250	9.07
August 2004	74,000	11.62
September 2004	73,400	8.11
September 2004	16,600	8.42
September 2004	93,000	8.46
September 2004	7,600	8.54
September 2004	58,500	8.89
September 2004	2,000,000	12.61
November 2004	91,000	12.30
January 2005	13,200	8.89
February 2005	13,300	8.89
February 2005	61,000	11.62
March 2005	25,000	11.62
March 2005	8,300	8.89
April 2005	66,700	8.89
April 2005	16,667	11.62
May 2005	3,400	8.89
	2,934,117	

Notes to the financial statements (continued)

For the year ended 30 June 2005

24. Reserves

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Asset revaluation reserve	14	11	8	8
Pre-conversion reserve	13	13	13	13
	27	24	21	21
Movements during the financial year - asset revaluation reserve				
Balance at the beginning of the financial year	11	9	8	8
Revaluation increment: investment in unlisted unit trust	3	2	-	-
Balance at the end of the financial year	14	11	8	8

Nature and purpose of reserves

(i) Pre-conversion reserve

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

(ii) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of certain non-current assets. The reserve is not available for future land and building 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.

25. Outside equity interests in controlled entities

	Consolidated	
	2005	2004
	$m	$m
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the year after adjusting for outside equity interests in entities acquired and disposed during the year	636	350
Interest in profit from ordinary activities after income tax	82	45
Interest in dividends	(82)	(47)
Total outside equity interests	636	348

Notes to the financial statements (continued)

For the year ended 30 June 2005

26. Dividends

	Consolidated 2005 $m	Consolidated 2004 $m	Company 2005 $m	Company 2004 $m
Ordinary shares				
Final dividend for the year ended 30 June 2004 of 40 cents (2004: 30 cents) per fully paid share paid 1 October 2004 (2004: 3 October 2003)				
Franked @ 30%	215	159	215	159
Interim dividend for the year ended 30 June 2005 of 42 cents (2004: 30 cents) per fully paid share paid 1 April 2005 (2004: 2 April 2004)				
Franked @ 30%	228	160	228	160
Preference shares				
Final dividend of $3.15 (2004: $3.15) per share				
Franked @ 30%	8	8	8	8
Interim dividend of $3.10 (2004: $3.12) per share				
Franked @ 30%	7	8	7	8
	458	335	458	335
Dividends not recognised in the statement of financial position				
In addition to the above dividends, since year end the directors have declared the following:				
Final dividend of 45 cents (2004: 40 cents) per fully paid ordinary share, fully franked based on a tax rate of 30%. The aggregate amount of the proposed dividend expected to be paid on 3 October 2005 out of retained profits at 30 June 2005, but not recognised as a liability in the statement of financial position is	246	215	246	215
Special dividend of 75 cents (2004: nil) per fully paid ordinary share, fully franked based on a tax rate of 30%. The aggregate amount of the proposed dividend expected to be paid on 3 October 2005 out of retained profits at that date, but not recognised as a liability in the statement of financial position is	409	-	409	-
Total dividends not recognised in the statement of financial position	655	215	655	215
Franked dividends				
The franked portions of the dividends recommended after 30 June 2005 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the financial year ending 30 June 2006.				
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%)	399	264	399	264

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 by the tax-consolidated group at the reporting date; and
- Franking credits that may be prevented from being distributed in subsequent financial years.

Notes to the financial statements (continued)

For the year ended 30 June 2005

27. Segment information

Business segments

The consolidated entity comprises the following business segments:

Segment	Activities
Business Banking	Commercial banking, agribusiness, property and equipment finance
Retail Banking	Home, personal and small business loans, savings and transaction accounts
General Insurance	Home and motor insurance, personal effects cover, commercial insurance, Compulsory Third Party (CTP) insurance and workers' compensation services
Wealth Management	Life insurance and superannuation administration services, funds management, financial planning, and funds administration
Other	Treasury services and property management services

	Business Banking $m	Retail Banking $m	General Insurance $m	Wealth Management $m	Other $m	Eliminations $m	Consolidated $m
2005							
Revenue outside the consolidated entity	1,101	1,269	3,542	774	240	-	6,926
Inter-segment revenue	32	677	-	-	1,050	(1,759)	-
Shares of net profits of joint ventures	-	-	26	-	-	-	26
Total segment revenue	1,133	1,946	3,568	774	1,290	(1,759)	6,952
Segment result	248	177	651	232	45	(61)	1,292
Unallocated revenue less unallocated expenses							-
Profit from ordinary activities before income tax expense							1,292
Income tax expense							(389)
Net profit							903
Segment assets	14,748	17,222	8,152	4,685	3,947	(72)	48,682
Unallocated assets							-
Total assets							48,682
Segment liabilities	13,714	16,567	5,950	3,670	3,846	(201)	43,546
Unallocated liabilities							-
Total liabilities							43,546
Investments in joint venture entities	-	-	112	-	-	-	112
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	6	24	43	5	3	-	81
Depreciation and amortisation expense	6	24	44	5	3	61	143
Other non-cash expenses	19	8	-	-	-	-	27

27. Segment information (continued)

Business segments (continued)

	Business Banking $m	Retail Banking $m	General Insurance $m	Wealth Management $m	Other $m	Eliminations $m	Consolidated $m
2004							
Revenue outside the consolidated entity	896	1,105	3,056	605	251	-	5,913
Inter-segment revenue	9	736	-	-	737	(1,482)	-
Shares of net profits of joint ventures	-	-	19	-	-	-	19
Total segment revenue	905	1,841	3,075	605	988	(1,482)	5,932
Segment result	189	186	465	151	40	(60)	971
Unallocated revenue less unallocated expenses							-
Profit from ordinary activities before income tax expense							971
Income tax expense							(308)
Net profit							663
Segment assets	12,578	16,112	7,770	3,942	3,137	(240)	43,299
Unallocated assets							-
Total assets							43,299
Segment liabilities	11,717	15,530	5,530	3,324	3,050	(192)	38,959
Unallocated liabilities							-
Total liabilities							38,959
Investments in joint venture entities	-	-	100	-	-	-	100
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4	15	37	4	1	-	61
Depreciation and amortisation expense	6	22	54	6	2	60	150
Other non-cash expenses	36	12	1	-	-	-	49

Geographical segments

The consolidated entity operates in one geographical area being Australia.

Accounting policies in relation to segment reporting

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

Inter-segment transfers

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

Notes to the financial statements (continued)

28. Specific disclosures – banking

28(a) Contribution to profit from ordinary banking activities

	Consolidated banking	
	2005 $m	2004 $m
Net interest income		
Interest revenue	2,330	1,950
Interest expense	(1,559)	(1,294)
	771	656
Net banking fee income		
Fee and commission revenue	225	215
Fee and commission expense	(82)	(61)
	143	154
Other operating revenue		
Net profits on trading and investment securities	4	-
Net profits on derivative and other financial instruments	10	10
Other income	5	13
	19	23
Total income from ordinary banking activities	933	833
Operating expenses		
Staff expenses	(258)	(240)
Occupancy expenses	(24)	(23)
Computer and depreciation expenses	(46)	(45)
Communication expenses	(31)	(33)
Advertising and promotion expenses	(24)	(24)
Other operating expenses	(64)	(49)
Total expenses of ordinary banking activities	(447)	(414)
Contribution to profit from ordinary banking activities before bad and doubtful debts, amortisation of goodwill and income tax	486	419
Bad and doubtful debts expense	(28)	(48)
Contribution to profit from ordinary banking activities before amortisation of goodwill and income tax	458	371

Whilst Business Banking and Retail Banking have been disclosed as separate reportable segments in note 27, the Executive and Board also consider the total Banking result disclosed above as relevant to understanding the consolidated entity's performance. The above profit result consolidates Business Banking, Retail Banking and Treasury Services (which is within the 'Other' segment in note 27). This also represents the results of the consolidated Banking group which is regulated by APRA.

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

28. Specific disclosures – banking (continued)

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

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

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

	Consolidated banking					
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	2005	2005	2005	2004	2004	2004
	$m	$m	%	$m	$m	%
Assets						
Interest earning assets						
Trading securities	3,237	179	5.53	2,826	145	5.13
Gross loans, advances and other receivables	29,468	2,132	7.23	25,693	1,789	6.96
Other interest earning financial assets	401	19	4.74	368	16	4.35
Total interest earning assets	33,106	2,330	7.04	28,887	1,950	6.75
Non-interest earning assets						
Provision for impairment	(151)			(131)		
Property, plant and equipment	172			200		
Other financial assets	2,460			2,331		
Total non-interest earning assets	2,481			2,400		
Total assets	35,587			31,287		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	26,867	1,311	4.88	22,634	1,020	4.51
Bonds, notes and long term borrowings	3,808	208	5.46	4,283	239	5.58
Subordinated notes (1)	594	40	6.73	546	35	6.41
Total interest bearing liabilities	31,269	1,559	4.99	27,463	1,294	4.71
Non-interest bearing liabilities						
Other financial liabilities	703			566		
Total non-interest bearing liabilities	703			566		
Total liabilities	31,972			28,029		
Net assets	3,615			3,258		
Analysis of interest margin and spread						
Interest earning assets	33,106	2,330	7.04	28,887	1,950	6.75
Interest bearing liabilities	31,269	1,559	4.99	27,463	1,294	4.71
Net interest spread			2.05			2.04
Net interest margin	33,106	771	2.33	28,887	656	2.27

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

28. Specific disclosures – banking (continued)

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

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

	Consolidated banking	
	2005	2004
	%	%
Gross interest spread	2.06	2.05
Interest foregone on impaired assets	(0.01)	(0.01)
Net interest spread	2.05	2.04
Interest attributable to net non-interest bearing assets	0.28	0.23
Net interest margin	2.33	2.27

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. Rate variances include differences arising from different numbers of days in the year (due to leap year).

	Consolidated banking					
	2005 vs 2004 Changes due to:			2004 vs 2003 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	22	12	34	24	8	32
Gross loans, advances and other receivables	268	75	343	202	34	236
Other interest earning financial assets	1	2	3	(1)	(1)	(2)
Change in interest income	291	89	380	225	41	266
Interest bearing liabilities						
Deposits and short term borrowings	199	92	291	82	33	115
Bonds, notes and long term borrowings	(26)	(5)	(31)	68	15	83
Subordinated notes	3	2	5	4	-	4
Change in interest expense	176	89	265	154	48	202
Change in net interest income	115	-	115	71	(7)	64

28(c) Banking capital adequacy

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

Capital is divided into Tier 1, or 'core' capital, and Tier 2, or 'supplementary' capital. For capital adequacy purposes, eligible Tier 2 capital cannot exceed the level of Tier 1 capital. Under APRA guidelines, the Bank must maintain a ratio of qualifying capital to risk weighted assets of at least 9.5%.

The Bank is required to deduct from total capital investments in entities engaged in general insurance and life insurance. Goodwill relating to these investments is required to be deducted from Tier 1 capital.

The measurement of risk weighted assets is based on:

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

28. Specific disclosures – banking (continued)

28(c) Banking capital adequacy (continued)

The consolidated Banking capital adequacy position is set out below:

	Consolidated banking 2005 $m	Consolidated banking 2004 $m
Tier 1		
Ordinary share capital	2,796	2,654
Preference shares	244	244
Preconversion reserve	13	13
Retained profits	1,018	445
Less: Goodwill	(1,234)	(1,230)
Less: Other intangible assets per APRA definitions	(67)	-
Less: Net future income tax benefit	-	(1)
Total Tier 1 capital	2,770	2,125
Tier 2		
Asset revaluation reserve	8	8
General provision for impairment, net of related future income tax benefit	118	104
Perpetual subordinated notes	170	170
Subordinated notes	602	635
Total Tier 2 capital	898	917
Deductions from capital		
Less: Investments in non-consolidated controlled entities	(851)	(853)
Less: Guarantees and facilities to non-banking controlled entities	(5)	(5)
Total deductions	(856)	(858)
Total capital base	2,812	2,184

	Consolidated banking				
	Carrying value		Risk weights	Risk weighted balance	
	2005 $m	2004 $m	%	2005 $m	2004 $m
Assets					
Cash, claims on Reserve Bank of Australia, shorter term claims on Australian Commonwealth Government and other liquid assets	637	1,044	0%	-	-
Claims on banks and local governments	212	159	20%	42	32
Loans secured against residential housing	16,208	15,058	50%	8,104	7,529
Other assets	14,954	12,565	100%	14,954	12,565
Loans with loan to valuation ratio in excess of 80%	16	13	200%	32	26
Total banking assets	32,027	28,839		23,132	20,152

28. Specific disclosures – banking (continued)

28(c) Banking capital adequacy (continued)

	Consolidated banking				
	Face value	Credit equivalent	Risk weights	Risk weighted balance	
	2005	2005		2005	2004
	$m	$m	%	$m	$m
Unrecognised positions					
Guarantees entered into in the normal course of business	237	133	20-100%	119	74
Commitments to provide loans and advances	5,471	1,214	0-100%	814	751
Capital commitments	4	4	100%	4	1
Foreign exchange contracts	13,250	265	20-50%	55	87
Interest rate contracts	24,402	238	20-50%	73	43
Total unrecognised positions	43,364	1,854		1,065	956
Assessed risk					
Total risk weighted assets				23,132	20,152
Total unrecognised positions				1,065	956
Market risk capital charge				242	189
Total assessed risk				24,439	21,297
Risk weighted capital ratios				%	%
Tier 1				11.34	9.98
Tier 2				3.67	4.31
Deductions				(3.50)	(4.03)
				11.51	10.26

28. Specific disclosures – banking (continued)

28(d) Credit risk concentrations

Industry exposures associated with each asset class are detailed with respect to the Banking assets of the consolidated entity excluding investments in controlled entities and inter-group funding of $0 million (2004: $354 million). Details of credit risk amounts for credit commitments are set out in note 44 and for derivative financial instruments in note 33. Risk concentrations by asset class are as follows:

2005 financial year	Consolidated banking					
	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments	Derivative instruments	Total risk
	$m	$m	$m	$m	$m	$m
Agribusiness	-	-	2,341	26	-	2,367
Construction and development	-	-	3,269	285	-	3,554
Financial services	3,396	3	481	-	503	4,383
Hospitality	-	-	876	-	-	876
Manufacturing	-	-	494	-	-	494
Professional services	-	-	587	-	-	587
Property investment	-	-	3,765	-	-	3,765
Real estate - Mortgage	-	-	16,702	815	-	17,517
Personal	-	-	637	-	-	637
Government and public authorities	-	-	4	-	-	4
Other commercial and industrial	-	-	1,909	216	-	2,125
	3,396	3	31,065	1,342	503	36,309
Receivables due from other financial institutions						67
Total gross credit risk						36,376

2004 financial year	Consolidated banking					
	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments	Derivative instruments	Total risk
	$m	$m	$m	$m	$m	$m
Agribusiness	-	-	2,055	48	-	2,103
Construction and development	-	-	2,706	183	-	2,889
Financial services	2,488	3	356	-	579	3,426
Hospitality	-	-	702	-	-	702
Manufacturing	-	-	402	-	-	402
Professional services	-	-	578	-	-	578
Property investment	-	-	3,368	-	-	3,368
Real estate - Mortgage	-	-	15,528	841	-	16,369
Personal	-	-	543	-	-	543
Government and public authorities	61	-	2	-	-	63
Other commercial and industrial	-	-	1,556	164	-	1,720
	2,549	3	27,796	1,236	579	32,163
Receivables due from other financial institutions						163
Total gross credit risk						32,326

28. Specific disclosures – banking (continued)

28(e) Credit risk concentrations – impaired assets

2005 financial year	Consolidated banking		
	Total risk $m	Impaired assets $m	Specific provision $m
Agribusiness	2,367	24	9
Construction and development	3,554	15	-
Financial services	4,383	-	-
Hospitality	876	2	1
Manufacturing	494	-	-
Professional services	587	2	-
Property investment	3,765	6	-
Real estate - Mortgage	17,517	-	-
Personal	637	3	-
Government and public authorities	4	-	-
Other commercial and industrial	2,125	17	7
	36,309	69	17
Receivables due from other financial institutions	67		
Total gross credit risk	36,376		

2004 financial year	Consolidated banking		
	Total risk $m	Impaired assets $m	Specific provision $m
Agribusiness	2,103	46	16
Construction and development	2,889	2	-
Financial services	3,426	-	-
Hospitality	702	1	1
Manufacturing	402	2	-
Professional services	578	1	-
Property investment	3,368	1	1
Real estate - Mortgage	16,369	1	-
Personal	543	-	-
Government and public authorities	63	-	-
Other commercial and industrial	1,720	8	1
	32,163	62	19
Receivables due from other financial institutions	163		
Total gross credit risk	32,326		

Notes to the financial statements (continued)

For the year ended 30 June 2005

28. Specific disclosures – banking (continued)

28(f) Impaired assets

	Consolidated banking 2005 $m	Consolidated banking 2004 $m	Company 2005 $m	Company 2004 $m
Non-accrual loans				
Gross balances				
– with specific provisions set aside	35	32	34	32
– without specific provisions set aside	34	30	27	28
Gross impaired assets	69	62	61	60
Interest reserved	(6)	(8)	(6)	(8)
Net balances	63	54	55	52
Specific provision for impairment (note 12)	(17)	(19)	(16)	(19)
Net non-accrual loans	46	35	39	33
Net impaired assets	46	35	39	33
Details of size of gross impaired assets				
Less than one million	27	25	19	23
Greater than one million but less than ten million	32	27	31	27
Greater than ten million	10	10	11	10
	69	62	61	60
Past due loans not shown as impaired assets	105	67	103	65
Interest revenue forgone on impaired assets				
Net interest charged but not recognised as revenue in the statement of financial performance during the financial year	7	8	7	8
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	4	7	4	6
Analysis of movements in impaired assets				
Balance at the beginning of the financial year	62	116	60	113
Recognition of new impaired assets and increases in previously recognised impaired assets	54	48	44	46
Impaired assets written off during the financial year	(9)	(20)	(7)	(19)
Impaired assets which have been restated as performing assets	(38)	(82)	(36)	(80)
Balance at the end of the financial year	69	62	61	60

28(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 5 percent of the consolidated entity's Banking capital resources (Tier 1 and Tier 2 capital) are as follows:

	Consolidated banking 2005 Number	Consolidated banking 2004 Number
25% and greater	1	1
20% to less than 25%	1	1
5% to less than 10%	7	5

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

28. Specific disclosures – banking (continued)

28(h) Interest rate risk

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

It should be noted that the Banking entity uses this contractual repricing information as one of the tools to manage interest rate risk. Interest rate risk is primarily managed from a net interest income and market value perspective in the manner outlined in note 32(d).

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

	Consolidated banking							
2005 financial year	**Total**	**0 to 1 month**	**1 to 6 months**	**7 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Weighted Average Rate**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Financial assets								
Cash and liquid assets	653	495	-	-	-	-	158	4.18
Receivables due from other financial institutions	67	-	-	-	-	-	67	0.00
Trading securities	3,396	-	3,396	-	-	-	-	6.05
Investment securities	3	-	-	-	-	-	3	0.00
Loans, advances and other receivables	30,935	13,138	11,859	1,111	4,790	37	-	7.48
Other financial assets (1)	388	-	-	-	-	-	388	0.00
Total financial assets	35,442	13,633	15,255	1,111	4,790	37	616	
Weighted average rate %		7.13	7.49	7.28	7.24	7.81	0.00	7.18
Financial liabilities								
Deposits and short term borrowings	27,220	8,916	17,063	1,018	211	12	-	5.22
Payables due to other financial institutions	66	-	-	-	-	-	66	0.00
Payables (1)	885	-	-	-	-	-	885	0.00
Bonds, notes and long term borrowings	4,408	-	3,680	22	706	-	-	5.81
Subordinated notes	770	-	572	-	198	-	-	6.74
Total financial liabilities	33,349	8,916	21,315	1,040	1,115	12	951	
Weighted average rate %		4.18	5.78	5.74	5.72	5.44	0.00	5.19
Net assets	2,093	4,717	(6,060)	71	3,675	25	(335)	
Weighted average rate %		5.96	6.49	6.54	6.96	7.22	0.00	
Unrecognised financial instruments (2)		2,370	(859)	93	(1,580)	(24)	-	
Weighted average rate %		7.35	5.70	5.44	5.53	6.05	0.00	
Net mismatch		7,087	(6,919)	164	2,095	1	(335)	
Cumulative mismatch		7,087	168	332	2,427	2,428	2,093	

(1) Includes bank accepted bills

(2) Notional principal amounts

Notes to the financial statements (continued)

28. Specific disclosures – banking (continued)

28(h) Interest rate risk (continued)

2004 financial year	Consolidated banking							
	Total	0 to 1 month	1 to 6 months	7 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Weighted Average Rate
	$m	$m	$m	$m	$m	$m	$m	%
Financial assets								
Cash and liquid assets	324	242	-	-	-	-	82	4.00
Receivables due from other financial institutions	163	-	-	-	-	-	163	0.00
Trading securities	2,549	-	2,549	-	-	-	-	5.81
Investment securities	3	-	-	-	-	-	3	0.00
Loans, advances and other receivables	28,008	13,048	10,353	961	3,626	20	-	7.26
Other financial assets	388	-	-	-	-	-	388	0.00
Total financial assets	31,435	13,290	12,902	961	3,626	20	636	
Weighted average rate %		6.90	7.30	7.29	7.23	8.01	0.00	6.55
Financial liabilities								
Deposits and short term borrowings	24,684	7,751	15,917	824	192	-	-	4.94
Payables due to other financial institutions	70	-	-	-	-	-	70	0.00
Payables	612	-	-	-	-	-	612	0.00
Bonds, notes and long term borrowings	3,925	-	2,577	-	1,335	13	-	5.71
Subordinated notes	805	249	556	-	-	-	-	6.73
Total financial liabilities	30,096	8,000	19,050	824	1,527	13	682	
Weighted average rate %		3.84	5.57	5.57	5.47	5.45	0.00	4.98
Net assets	1,339	5,290	(6,148)	137	2,099	7	(46)	
Weighted average rate %		5.75	6.27	6.50	6.71	6.99	0.00	
Unrecognised financial instruments (1)		1,999	(2,253)	(752)	1,003	3	-	
Weighted average rate %		6.93	5.46	5.52	5.51	5.40	0.00	
Net mismatch		7,289	(8,401)	(615)	3,102	10	(46)	
Cumulative mismatch		7,289	(1,112)	(1,727)	1,375	1,385	1,339	

(1) Notional principal amounts

Notes to the financial statements (continued)

28. Specific disclosures – banking (continued)

28(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 excludes intercompany funding of $Nil (2004: $354 million). It should be noted that the Banking entity does not use this contractual maturity information as presented in the management of the statements of financial position. Additional factors are considered when managing the maturity profiles of the business.

	Consolidated banking							
2005 financial year	**At call**	**Overdraft**	**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**
Financial assets								
Receivables due from other financial institutions	67	-	-	-	-	-	-	67
Loans and advances (net of specific provisions)	466	4,044	1,076	2,732	7,005	15,712	-	31,035
	533	4,044	1,076	2,732	7,005	15,712	-	31,102
Financial liabilities								
Deposits and short term borrowings	9,269	-	12,952	4,787	212	-	-	27,220
Payables due to other financial institutions	66	-	-	-	-	-	-	66
Bonds, notes and long term borrowings	-	-	-	-	4,394	14	-	4,408
Subordinated notes	-	-	-	-	470	130	170	770
	9,335	-	12,952	4,787	5,076	144	170	32,464
2004 financial year								
Financial assets								
Receivables due from other financial institutions	163	-	-	-	-	-	-	163
Loans and advances (net of specific provisions)	528	3,712	909	2,442	6,232	13,937	-	27,760
	691	3,712	909	2,442	6,232	13,937	-	27,923
Financial liabilities								
Deposits and short term borrowings	7,910	-	12,992	3,600	182	-	-	24,684
Payables due to other financial institutions	70	-	-	-	-	-	-	70
Bonds, notes and long term borrowings	-	-	-	-	3,910	15	-	3,925
Subordinated notes	-	-	-	-	-	635	170	805
	7,980	-	12,992	3,600	4,092	650	170	29,484

Notes to the financial statements (continued)

28. Specific disclosures – banking (continued)

28(j) Concentrations of deposits and borrowing

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

	Consolidated banking	
	2005	2004
	$m	$m
Australian funding sources		
Retail deposits	15,252	13,422
Wholesale funding	9,691	8,969
	24,943	22,391
Overseas wholesale funding sources		
European commercial paper and medium term note market	7,130	6,664
Subordinated debt program (USD)	325	360
	7,455	7,024
	32,398	29,415

Notes to the financial statements (continued)

For the year ended 30 June 2005

29. Specific disclosures - general insurance

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

	Consolidated general insurance 2005 $m	Consolidated general insurance 2004 $m
Net earned premium		
Direct premium revenue	2,583	2,423
Inwards reinsurance premium revenue	4	-
Premium revenue	2,587	2,423
Outwards reinsurance premium expense	(117)	(157)
	2,470	2,266
Net incurred claims		
Claims expense	(2,085)	(1,751)
Reinsurance and other recoveries revenue	316	214
	(1,769)	(1,537)
Operating expenses		
Acquisition costs	(291)	(260)
Other underwriting expenses	(283)	(307)
	(574)	(567)
Reinsurance commission income	4	7
Underwriting result	131	169
Investment revenue - Insurance provisions		
Interest, dividends and rent	260	234
Realised gains/(losses) on investments	(6)	(71)
Unrealised gains/(losses) on investments	42	(17)
	296	146
Insurance trading result	427	315
Managed schemes revenue	123	126
Managed schemes expense	(98)	(106)
Share of net profits of joint venture entities accounted for using the equity method	26	19
Investment revenue - Shareholder funds		
Interest, dividends and rent	88	54
Realised gains/(losses) on investments	20	(1)
Unrealised gains/(losses) on investments	94	75
Other revenue	10	13
Other expenses	(13)	(11)
	199	130
Contribution to profit from ordinary general insurance activities before income tax, capital funding and amortisation of goodwill	677	484
Subordinated debt expense	(26)	(19)
Contribution to profit from ordinary general insurance activities before income tax and amortisation of goodwill	651	465

Segment information set out above includes transactions that have been eliminated in the consolidated statement of financial performance. Subordinated debt expense includes an amount charged by the Bank to reflect general insurance's calculated share of group subordinated debt funding.

29. Specific disclosures - general insurance (continued)

29(b) Net incurred claims

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

	Consolidated general insurance					
	2005			2004		
	Current year $m	Prior year $m	Total $m	Current year $m	Prior year $m	Total $m
Direct business						
Gross claims incurred and related expenses - undiscounted	2,416	(443)	1,973	2,191	(345)	1,846
Reinsurance and other recoveries - undiscounted	(303)	(21)	(324)	(303)	92	(211)
Net claims incurred - undiscounted	2,113	(464)	1,649	1,888	(253)	1,635
Discount and discount movement - gross claims incurred	(172)	280	108	(184)	98	(86)
Discount and discount movement - reinsurance and other recoveries	17	(9)	8	14	(18)	(4)
	1,958	(193)	1,765	1,718	(173)	1,545
Inwards reinsurance business						
Gross claims incurred and related expenses - undiscounted			5			(8)
Discount and discount movement - gross claims incurred			(1)			-
			4			(8)
Total net claims incurred			1,769			1,537

The major components of the prior year movements are:

- A release of risk margin in respect of claim payments during the year;
- Unwinding of the discount allowed for in the provision; and
- Reassessment of valuation assumptions (refer Note 19).

29. Specific disclosures - general insurance (continued)

29(c) Interest rate risk

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

2005 financial year	Total	Consolidated general insurance Fixed interest maturing in: Floating interest rate	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Weighted Average Interest Rate
	$m	$m	$m	$m	$m	$m	$m	%
Financial assets								
Cash and liquid assets	59	27	-	-	-	-	32	2.38
Receivables	1,153	-	-	-	-	-	1,153	0.00
Investments	5,888	229	890	278	2,743	511	1,237	4.74
Other financial assets	58	-	-	-	-	-	58	0.00
	7,158	256	890	278	2,743	511	2,480	
Weighted average rate %		5.21	5.68	6.10	6.28	5.39	0.00	
Financial liabilities								
Payables and other liabilities	609	66	-	-	-	135	408	2.21
	609	66	-	-	-	135	408	
Weighted average rate %		6.60	0.00	0.00	0.00	6.75	0.00	
Net financial assets	6,549	190	890	278	2,743	376	2,072	
Weighted average rate %		5.49	5.68	6.10	6.28	5.67	0.00	
Interest rate swaps and futures	326	135	191	-	-	-	-	
Weighted average rate %		6.64	5.10	0.00	0.00	0.00	0.00	5.87

2004 financial year	Total	Consolidated general insurance Fixed interest maturing in: Floating interest rate	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Weighted Average Interest Rate
	$m	$m	$m	$m	$m	$m	$m	%
Financial assets								
Cash	47	19	-	-	-	-	28	2.00
Receivables	1,219	-	-	-	-	-	1,219	0.00
Investments	5,469	633	1,071	252	2,254	258	1,001	5.90
Other financial assets	52	-	-	-	-	-	52	0.00
	6,787	652	1,071	252	2,254	258	2,300	
Weighted average rate %		5.21	5.55	5.77	6.29	5.66	0.00	
Financial liabilities								
Payables and other liabilities	553	-	-	-	-	-	553	0.00
	553	-	-	-	-	-	553	
Weighted average rate %		0.00	0.00	0.00	0.00	0.00	0.00	
Net financial assets	6,234	652	1,071	252	2,254	258	1,747	
Weighted average rate %		5.21	5.55	5.77	6.29	5.66	0.00	
Interest rate swaps and futures	1,324	-	944	-	304	76	-	
Weighted average rate %		0.00	5.62	0.00	5.59	5.89	0.00	5.63

29. Specific disclosures - general insurance (continued)

29(d) Managed funds

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

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

A controlled entity, GIO Workers Compensation (NSW) Limited, is a licensed insurer under the New South Wales Workers' Compensation Act 1987 ('the Act'). From 1 July 2005, the Act provides a temporary agent status pending the outcome of a tender and the formal appointment of scheme agents. In accordance with the requirements of the Act, the controlled entity has established and maintains a statutory fund in respect of the issuance and renewal of insurance policies on behalf of WorkCover New South Wales. The controlled entity also manages the collection of premiums and the administration of most claims processes.

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

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

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

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

29. Specific disclosures - general insurance (continued)

29(e) Minimum capital requirement

A minimum capital requirement (MCR) is calculated in accordance with APRA requirements by assessing the risks inherent in the business, which comprise:

- The risk that the provision for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium account is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of investment assets is diminished (investment risk);
- The risk that gross assets other than investment assets is diminished (statements of financial position risk charge); and
- The risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (maximum event retention risk).

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

	Consolidated general insurance	
	2005	2004
	$m	$m
Tier 1		
Ordinary share capital	1,395	1,395
Retained profits	680	808
Technical provision in excess of liability valuation	480	389
Less: Tax effect of excess technical provisions	(144)	(117)
	2,411	2,475
Less: Goodwill	(807)	(859)
Less: Net future income tax benefit	(3)	-
Total deductions from Tier 1 capital	(810)	(859)
Total Tier 1 capital	1,601	1,616
Upper Tier 2 Capital - subordinated debt	199	-
Total Tier 2 Capital	199	-
Total capital base	1,800	1,616
Outstanding claims risk charge	470	448
Premium liabilities risk charge	192	183
Investment risk charge	177	181
Statement of financial position risk charge	68	65
Maximum event retention risk charge	50	51
Minimum capital requirement	957	928
Minimum capital requirement multiple	1.88	1.74

30. Specific disclosures – wealth management

30(a) Contribution to profit from ordinary wealth management activities

	Consolidated wealth management 2005 $m	Consolidated wealth management 2004 $m
Net life insurance premium revenue		
Premium revenue	113	104
Outwards reinsurance expense	(30)	(27)
	83	77
Life insurance investment revenue		
Equity securities	343	295
Debt securities	126	60
Property	120	96
Other	-	(8)
	589	443
Management fee revenue - funds management	41	22
Other revenue	46	31
Total revenue	759	573
Operating expenses		
Claims expense	(73)	(71)
Reinsurance recoveries	22	17
(Increase) decrease in net life insurance policy liabilities	(378)	(222)
Decrease (increase) in policy owner retained profits	24	(29)
Other operating expenses	(122)	(117)
	(527)	(422)
Contribution to profit from ordinary wealth management activities before income tax	232	151

The above segment result includes profits relating to outside equity interests and policy owners' tax. The following reconciliation adjusts for these items:

	Consolidated wealth management 2005 $m	Consolidated wealth management 2004 $m
Contribution to profit from ordinary wealth management activities before income tax	232	151
Profit attributable to outside equity interests	(80)	(44)
Income tax attributable to policy owners	(61)	(41)
Contribution to profit from ordinary wealth management activities before tax excluding policy owners' interests	91	66

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

Notes to the financial statements (continued)

For the year ended 30 June 2005

30. Specific disclosures – wealth management (continued)

30(b) Sources of life insurance operating profit

	Consolidated wealth management	
	2005	2004
	$m	$m
Shareholder's operating profit in the statutory funds		
The shareholder's operating profit from ordinary activities after income tax in the statutory funds is represented by:		
Investment earnings on shareholder's retained profits and capital	21	18
Emergence of shareholder's planned profits	32	26
Experience profit (loss)	(1)	1
Reversal of capitalised loss	-	2
	52	47
Shareholder's operating profit in the shareholder's fund		
Revaluation of controlled entity	3	3
Other	7	4
	62	54
Life Act policy owners' operating profit in the statutory funds		
The Life Act policy owners' operating profit from ordinary activities after income tax in the statutory funds is represented by:		
Earnings of policy owner retained profits	39	30
Emergence of policy owner planned profits	88	75
Experience loss	(7)	-
	120	105

Notes to the financial statements (continued)

For the year ended 30 June 2005

30. Specific disclosures – wealth management (continued)

30(c) Net policy liabilities

	Consolidated wealth management		
	Current basis [4]		Previous basis [5]
	2005	2004	2005
	$m	$m	$m
Best estimate liability			
Non-investment linked business			
Value of future policy benefits [1]	1,759	1,664	1,829
Value of future expenses	201	201	225
Value of unrecouped acquisition expenses	(131)	(114)	(130)
Balance of future premiums	(998)	(930)	(1,029)
	831	821	895
Investment linked business			
Value of future policy benefits [1]	1,341	1,154	1,389
Value of future expenses	62	55	66
Value of unrecouped acquisition expenses	(17)	(19)	(18)
Balance of future premiums	(166)	(210)	(225)
	1,220	980	1,212
	2,051	1,801	2,107
Value of future profits			
Non-investment linked business			
Policy owner bonuses [2]	747	676	702
Shareholder profit margins	241	210	226
	988	886	928
Investment linked business			
Shareholder profit margins	22	21	28
	1,010	907	956
Total value of declared bonuses [3]	140	73	140
Total net policy liabilities	3,201	2,781	3,203

(1) Future policy benefits include bonuses credited to policy owners in prior periods but exclude current period bonuses (as set out in the statements of financial performance) and future bonuses (as set out in (2)). Where business is valued by other than projection techniques, future policy benefits includes the account balance.

(2) Future bonuses exclude current period bonuses.

(3) Current year declared bonuses valued in accordance with the Actuarial Standard.

(4) Using the actuarial methods and assumptions relevant at the reporting date, on current in force business.

(5) Using the actuarial methods and assumptions relevant at the previous reporting date, but on current in force business.

Restrictions on assets

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

30(d) Trustee activities

Suncorp Superannuation Pty Ltd, a controlled entity of the Company, 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.

Notes to the financial statements (continued)

For the year ended 30 June 2005

30. Specific disclosures – wealth management (continued)

30(e) Disaggregated information by fund

Under the Life Act, life insurance business is conducted within separate statutory funds which are distinguished from one another and the shareholder's funds. The financial statements of Suncorp Life & 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's fund
	$m	$m	$m	$m
2005 financial year				
Investment assets	2,424	1,261	3,685	44
Policy liabilities ceded to reinsurers	43	-	43	-
Other assets	158	67	225	56
Total assets	2,625	1,328	3,953	100
Gross policy liabilities	2,003	1,241	3,244	-
Liabilities other than policy liabilities	169	15	184	20
Policy owner retained profits	325	-	325	-
Total liabilities	2,497	1,256	3,753	20
Net assets	128	72	200	80
Share capital	-	-	-	39
Retained profits	123	47	170	71
Capital transfers	5	25	30	(30)
Total equity	128	72	200	80
Premium revenue	112	1	113	-
Investment revenue	342	169	511	10
Claims expense	(73)	-	(73)	-
Movement in net policy liabilities	(249)	(129)	(378)	-
Net operating expenses	(38)	(22)	(60)	1
Profit from ordinary activities before tax	94	19	113	11
Profit from ordinary activities after tax	42	9	51	11
Transfer of profits	(36)	-	(36)	36

30. Specific disclosures – wealth management (continued)

30(e) Disaggregated information by fund (continued)

	Non-investment linked Statutory Fund No. 1	Investment linked Statutory Fund No. 2	Total statutory funds	Shareholder's fund
	$m	$m	$m	$m
2004 financial year				
Investment assets	2,270	1,042	3,312	54
Policy liabilities ceded to reinsurers	24	-	24	-
Other assets	69	23	92	36
Total assets	2,363	1,065	3,428	90
Gross policy liabilities	1,804	1,001	2,805	-
Liabilities other than policy liabilities	88	2	90	24
Policy owner retained profits	349	-	349	-
Total liabilities	2,241	1,003	3,244	24
Net assets	122	62	184	66
Share capital	-	-	-	39
Retained profits	117	37	154	57
Capital transfers	5	25	30	(30)
Total equity	122	62	184	66
Premium revenue	103	1	104	-
Investment revenue	260	128	388	9
Claims expense	(71)	-	(71)	-
Movement in net policy liabilities	(129)	(93)	(222)	-
Net operating expenses	(93)	(18)	(111)	1
Profit from ordinary activities before tax	70	18	88	10
Profit from ordinary activities after tax	37	10	47	7
Transfer of profits	(19)	-	(19)	19

30. Specific disclosures – wealth management (continued)

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

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

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

	Consolidated wealth management					
	Statutory Fund No 1		Statutory Fund No 2		Total statutory funds	
	2005	2004	2005	2004	2005	2004
	$m	$m	$m	$m	$m	$m
Solvency requirement						
Minimum termination value	1,670	1,575	1,258	1,018	2,928	2,593
Other liabilities	169	88	16	2	185	90
Solvency reserve	290	205	6	6	296	211
Solvency requirement	2,129	1,868	1,280	1,026	3,409	2,894
Assets available for solvency reserve						
Excess of net policy liabilities (includes policy owner bonuses) over minimum termination value	290	205	(18)	(17)	272	188
Net assets	128	122	71	62	199	184
Liability for policy owner retained profits at the end of financial year	325	349	-	-	325	349
	743	676	53	45	796	721
Solvency reserve (%)	15.8	12.3	0.7	0.6	9.6	7.9
Coverage of solvency reserve (times)	2.6	3.3	6.8	7.6	2.7	3.4

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

31. Financing arrangements

	Consolidated			
	2005 available	2005 unused	2004 available	2004 unused
	$m	$m	$m	$m
Unrestricted access was available at balance date to the following:				
Group overdraft limit	30	30	25	23

32. Risk management

32(a) General risk management framework

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

The risk management framework is continuing to evolve in the consolidated entity and a number of key initiatives are underway to enhance practices including the implementation of an Enterprise Risk Management (ERM) framework to enhance accountabilities, reporting and practices. The ERM framework has been used to define accountabilities for oversighting, monitoring and advising, and management of the universe of risks inherent in our business. The universe of risks includes credit, market, liquidity, insurance, compliance, operational, reputational and strategic risks.

During 2004 the first implementation phase of an Economic Capital framework was completed. This involved identifying risk capital at both a business unit level and comprehensively across the group. In future phases of the implementation, the Economic Capital model will be used to augment the business unit performance measurement framework. Both the ERM and Economic Capital initiatives are aimed at supporting and aligning with the consolidated entity's Basel II program of work.

The Board Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk and recommends the group's risk appetite to the Board. Management has the primary responsibility and accountability for embedding the risk management framework within the business operations of the consolidated entity. Group functions such as Risk, Group Compliance & Assurance provide a monitoring and advisory function on an independent basis. These group functions facilitate the reporting of the status, appropriateness and quality of our risk management capabilities to the Board Risk Committee and the management of risk.

The general risk management framework provides an ongoing process for recognising and evaluating risks, development and implementation of mitigation strategies and implementation of monitoring tools. All risks and their mitigators are documented in Risk Registers that are maintained at a business unit level and consolidated on a group basis. Risk Registers are reviewed annually. Each Register is signed off by the managers of the business unit and the relevant executive. Consolidated Risk Registers are endorsed by the Executive Risk Committee and submitted to provide assurance to the Board Risk Committee that management have identified the key risks including business continuity facing the group.

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

There are a number of compliance, risk management and review departments within the consolidated entity who are responsible for monitoring, reviewing and reporting on specific areas of the consolidated entity's operations. These departments include Group Risk Policy, Credit Approval, Credit Recovery, Credit Risk Systems, Credit Review, Group Compliance & Assurance, Investment Compliance, Group Operational Risk and Group Market Risk. These units report to the Board Risk Committee.

The Group Compliance & Assurance function independently examines and evaluates the adequacy and effectiveness of the group's control environment across risk management systems, operations and governance processes. Group Compliance & Assurance reports to the Board Audit Committee and provides summaries of all audit reports, together with details of management's action plans to rectify any noted weaknesses, to the Executive Risk Committee and the Board Audit Committee. Any specific findings relating to the risk management framework are reported directly to the Board Risk Committee.

The Boards of each of the general insurance entities have approved and issued a Risk Management Strategy that sets out the risk management framework for adoption within these entities. In addition the insurance entities have adopted a Risk Management Statement setting out specific guidelines for the investment of the entities' funds including the use of derivative financial instruments. More detailed discussion on this is contained in note 33.

32(b) Credit risk

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

Banking activities

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

The Board Risk Committee is the highest credit authority and for credit approvals above a certain limit it comprises all non-executive Directors. It concentrates on issues such as formulation of credit policy and the review of asset quality. It is also the approval authority for applications above the discretion of the Executive Management Committee.

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

32. Risk management (continued)

32(b) Credit risk (continued)

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

Details of credit risk concentrations by industry for each of the major asset types are set out in note 28(d).

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

Business loans

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

A structure of industry concentration limits has been developed. These are tactical limits upon which business planning and developmental activity is based but also act as guidelines for portfolio concentration purposes.

Each industry has been rated based on the economic and market outlook for the industry as well as the consolidated entity's actual exposure.

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

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

Retail loans

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

General insurance activities

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

The consolidated entity enters into reinsurance arrangements to preserve capital and manage earnings volatility from large individual or catastrophic claims. The credit risk associated with these arrangements is monitored and managed internally and by specialised reinsurance brokers operating within the international reinsurance markets. Over-concentration of credit risk is avoided by placement of cover with a number of reinsurers as well as setting participation limits on the program. Over 80 percent of reinsurance is placed with companies with Standard and Poor's credit ratings of 'A' or better.

Investments in financial instruments are held in accordance with the investment mandates and the operational guidelines on use of derivatives established in the Risk Management Statement. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. The credit risk of financial assets that have been recognised in the statements of financial position is the carrying amount.

Life insurance activities

Credit risk occurs as a result of investments in financial instruments. The life insurance entity has no specific concentration of credit risk with a single counterparty arising from the use of financial instruments in managing the investment portfolio other than that normally arising through dealings on recognised exchanges and off exchange dealings (over the counter contracts). 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.

32(c) Market risk

In its operations the consolidated entity is exposed to a variety of market risks. Market risk is the risk of loss of current and future consolidated entity earnings from adverse moves in interest rates, foreign exchange rates, equities prices, property prices and prices of other financial contracts including derivatives. The consolidated entity has a risk management framework in place for market risk. The framework for each risk is described on the following pages.

32. Risk management (continued)

32(d) Interest rate risk

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

Banking activities

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

Non-traded interest rate risk (balance sheet risk)

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

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

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

A 1 percent parallel shock in the yield curve is used to determine the potential adverse change in net interest income in the ensuing 12 month period. This is a standard risk quantification tool. A number of supplementary scenarios comprising variations in size and timing of interest rate moves together with changes in the balance sheet size and mix are also used to provide a range of net interest income outcomes.

The figures in the table below indicate the potential change in net interest income for an ensuing 12 month period for current and previous reporting periods. The change is expressed as a percentage of expected net interest earnings based on a 1 percent parallel adverse shock.

	Consolidated banking	
	2005	2004
	%	%
Average monthly exposure	(0.81)	(0.63)
High month exposure	(1.44)	(2.15)
Low month exposure	0.14	0.29

As a measure of longer-term sensitivity, the Banking entity measures the present value sensitivity of its balance sheet and also periodically prepares a value at risk type analysis to value asset and liabilities under a range of possible interest rate scenarios.

The present value sensitivity of the Bank's balance sheet represents the net interest income at risk of all known cashflows in the future regardless of how far out they go. A predefined adverse interest rate shock is applied to the market curve and the balance sheet is revalued. The difference between the present value of the balance sheet using the market curve and the shocked curve shows the sensitivity of the present value of the balance sheet to the predefined shock.

The figures in the table below indicate the potential adverse change in present value sensitivity of the Bank's balance sheet for current and previous reporting periods. The change is based on an adverse 1 percent shock.

	Consolidated banking	
	2005	2004
	$m	$m
Average monthly exposure	68	68
High month exposure	85	88
Low month exposure	42	31

32. Risk management (continued)

32(d) Interest rate risk (continued)

Banking activities (continued)

Non-traded interest rate risk (balance sheet risk) (continued)

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

	Consolidated banking	
	2005	2004
	$m	$m
Average monthly exposure	35	47
High month exposure	50	64
Low month exposure	14	21

Further details of non-traded interest rate risk in relation to Banking activities are set out in note 28(h).

Traded interest rate risk

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

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

Traded interest rate risk is managed using a framework that includes value at risk (VaR) limits, position limits and stop loss limits. VaR is a statistical estimate of the potential loss that could be incurred if the Banking entity's trading positions were maintained for a pre-defined time period. A 99 percent confidence level and a one-day holding period are used for the simulation. A 99 percent confidence level implies that for every 100 days, the loss will not exceed the VaR on 99 of those days. The VaR model, based on a variance co-variance methodology, takes into account correlations between different positions and the potential for movements to offset one another within the individual portfolios. Interest rate risk from proprietary trading activities is independently calculated and monitored on a daily basis. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate extreme market movements. All trading positions are valued daily and taken to the statements of financial performance on a mark-to-market basis.

The VaR for the Banking entity's interest rate trading portfolios for the year was as follows:

	Consolidated banking	
	2005	2004
	$m	$m
Average VaR	0.09	0.07
Maximum VaR	0.15	0.16
Minimum VaR	0.02	0.02

General insurance activities

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

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

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

The discount rates being applied to future claims payments in determining the valuation of outstanding claims is disclosed in note 19. The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out in note 29(c).

Wealth management activities

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

32. Risk management (continued)

32(e) Foreign exchange risk

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

Banking activities

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

Non-traded foreign exchange risk

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

Traded foreign exchange risk

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

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

Traded foreign exchange risk is managed using a framework that includes VaR limits, position limits and stop loss limits. The VaR model, based on a variance co-variance methodology, takes into account correlations between different positions and the potential for movements to offset one another within the individual portfolios. Foreign exchange risk from trading activities is independently calculated and monitored on a daily basis. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate extreme market movements. All trading positions are valued daily and taken to the statements of financial performance on a mark-to-market basis.

The VaR for the banking entity's foreign exchange trading portfolios for the year was as follows:

	Consolidated banking	
	2005	2004
	$m	$m
Average VaR	0.07	0.13
Maximum VaR	0.27	0.37
Minimum VaR	0.01	0.02

General insurance activities

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

As this business is no longer being written, the consolidated entity established a special investment portfolio to ensure sufficient funds were set aside to accommodate all final settlements. The claim payments will be predominantly in United States dollars. The investment portfolio consists of cash and short term discount securities with a forward foreign exchange agreement. The details of the forward foreign exchange agreement are contained in note 33.

A controlled entity, Suncorp Investment Management Global Macro Tactical Asset Allocation Trust enters into forward foreign exchange and futures contracts to provide capital appreciation by actively timing global currency, bond and equity markets using quantitative models to generate the trade positions. The terms and conditions of the forward foreign exchange contracts do not exceed one year.

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 the risk associated with diminution of value associated with foreign exchange risk.

32. Risk management (continued)

32(f) Combined trading risk - banking activities

Combined risk from both interest rate and foreign exchange trading activities is independently calculated under a VaR methodology and monitored against Board approved limits on a daily basis. The risk calculations, based on the variance co-variance methodology, take into account correlations between different positions in both the interest rate and foreign exchange trading portfolios, that is, the potential for movements in one portfolio to offset movements in the other portfolio. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate extreme market movements.

The VaR for the Bank's combined trading portfolios for the year was as follows:

	Consolidated banking	
	2005	**2004**
	$m	**$m**
Average VaR	0.13	0.15
Maximum VaR	0.35	0.37
Minimum VaR	0.04	0.03

32(g) Liquidity risk

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

Banking activities

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

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

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

General insurance activities

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

Life insurance activities

The investment portfolio mandates ensure that sufficient cash deposits are available to meet day-to-day obligations. The consolidated entity maintains a level of capital adequacy in accordance with Actuarial Standard 3.03 as issued by the Life Insurance Actuarial Standards Board.

32(h) Other market risks

Other market risks relate primarily to movements in equity and property markets.

General insurance activities

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

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

32. Risk management (continued)

32(h) Other market risks (continued)

General insurance activities (continued)

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

An overall downturn in the equities markets may impact on the future results of the consolidated entity. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of leading Australian companies and through the limited use of derivative financial instruments, as discussed in note 33.

Life insurance activities

The consolidated entity has a shareholder and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund.

The shareholder fund is held for the investment of the component of share capital and retained earnings that is not in the statutory funds. To provide higher returns on capital maintained, the investment mandate for this portfolio has an investment strategy, comprising primarily of equities.

Within the Capital Guaranteed Fund there are four sub-funds. The investment mandates for the largest sub-funds comprise a diverse investment strategy, including interests in equities, property and cash. This mandate aims to provide high returns for both policy owners and the shareholder but also have regard to the impact of volatility of returns on profitability and capital adequacy. Within the Investment Linked Fund there are fourteen sub-funds. Each of these sub-funds has an investment mandate with a view to offering investment choice to policy owners.

32(i) Operational risk

Operational risk is the potential exposure to unexpected financial or non-financial losses arising from the way in which the consolidated entity conducts its business and includes reputational and legal risks. Operational risk is managed through the adoption of the consolidated entity's risk management framework. Operational risk events are tracked and monitored via a central loss database and reported regularly to the Executive Risk Committee and the Board Risk Committee.

Risks which cross all business units such as business continuity and regulatory compliance are coordinated centrally by Group Operational Risk and Group Policy & Compliance departments respectively. These risks are owned and managed by the Executive Risk Committee with monitoring by the Board Risk Committee. The Group Compliance & Assurance department also conducts regular reviews and audits to monitor compliance with policy and regulatory requirements and examines the general standards of control.

33. Derivative financial instruments

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

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

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

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

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

33. Derivative financial instruments (continued)

Banking activities

The Banking entity uses derivative financial instruments both for non-trading activities (balance sheet management) and trading activities.

Non-Trading Activities

Derivative financial instruments are primarily used for the purpose of managing existing or anticipated interest rate risk from non-trading activities. Non-traded interest rate risk arises from the structure and characteristics of the Banking assets and liabilities and in the mismatch in their repricing dates. The principal objective of non-traded interest rate risk management is to minimise the fluctuations in value and net interest income over time, providing secure and sustainable net interest income arising in the long term.

The Banking entity also uses derivative financial instruments for the purpose of hedging non-traded foreign exchange risk. Foreign exchange derivatives are used to hedge foreign currency borrowing, lending and other cash flows.

The risk management framework in relation to non-traded market risk is detailed in notes 32(c) and (d).

Trading Activities

The Banking entity maintains trading positions in a variety of interest rate and foreign exchange derivative financial instruments. The principal objective of the Banking entities trading activities is to generate income by providing a service to the customers, acting as a market maker to the entity's own internal customers and through disciplined trading. The risk exposure of the Banking entity to trading positions in derivative financial instruments is not material.

The risk management framework in relation to traded market risk is detailed in notes 32(c) and (d).

	Consolidated banking		
	Face value $m	Credit equivalent $m	Fair value $m
2005 financial year			
Exchange rate related contracts			
Forward foreign exchange contracts	9,205	117	(123)
Cross currency swaps	3,957	145	(376)
Currency options	88	3	2
	13,250	265	(497)
Interest rate related contracts			
Forward rate agreements	350	-	-
Interest rate swaps	23,406	231	79
Interest rate futures	324	-	-
Interest rate options	322	7	-
	24,402	238	79
Total derivative exposures	37,652	503	(418)
2004 financial year			
Exchange rate related contracts			
Forward foreign exchange contracts	7,770	216	68
Cross currency swaps	4,319	214	(231)
Currency options	95	2	-
	12,184	432	(163)
Interest rate related contracts			
Forward rate agreements	1,160	-	-
Interest rate swaps	16,435	140	36
Interest rate futures	211	-	-
Interest rate options	380	7	-
	18,186	147	36
Total derivative exposures	30,370	579	(127)

33. Derivative financial instruments (continued)

Insurance activities

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

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

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

The investment manager has an independent Risk Manager responsible for monitoring these positions to ensure they do not exceed the authorities established in the investment mandate. Regular monitoring and review of controls relating to these activities is the responsibility of the Board Risk Committee and the Group Compliance & Assurance unit.

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

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

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

	Consolidated insurance	
	Notional principal amount 2005 $m	Notional principal amount 2004 $m
General insurance		
Less than one year	873	1,576
Greater than one year	126	-
Life insurance		
Less than one year (1)	1,069	799

(1) Of the total notional principal amount, $268 million (2004: $259 million) is subject to an interest rate risk of 4.4% (2004: 5.1%). The remaining $801 million (2004: $540 million) is not subject to interest rate risk.

Notes to the financial statements (continued)

For the year ended 30 June 2005

33. Derivative financial instruments (continued)

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

	Consolidated insurance			
	Face value 2005 $m	Net fair value 2005 $m	Face value 2004 $m	Net fair value 2004 $m
General insurance				
Forward exchange contracts	149	-	31	1
Interest rate futures	388	3	1,324	-
Equity futures	462	(3)	221	(4)
	999	-	1,576	(3)
Life insurance				
Forward exchange contracts	236	(1)	169	(1)
Interest rate futures	268	1	259	-
Equity futures	565	(3)	371	(5)
	1,069	(3)	799	(6)

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

34. Disclosures about fair value of financial instruments

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

	Consolidated			
	Carrying value 2005 $m	Net fair value 2005 $m	Carrying value 2004 $m	Net fair value 2004 $m
Financial assets				
Cash and liquid assets	1,011	1,011	709	709
Receivables due from other financial institutions	67	67	163	163
Trading securities	3,396	3,396	2,549	2,549
Investment securities	10,096	10,096	8,972	8,972
Loans, advances and other receivables	32,060	32,075	28,907	28,854
Bank acceptances of customers	74	74	-	-
Other financial assets	580	580	549	549
Financial liabilities				
Deposits and short term borrowings	27,157	27,161	24,287	24,285
Payables due to other financial institutions	66	66	70	70
Bank acceptances	74	74	-	-
Payables	1,202	1,202	1,111	1,111
Bonds, notes and long term borrowings	4,408	4,408	3,925	3,904
Subordinated notes	969	969	805	813

The fair value of derivative financial instruments can be found in Note 33.

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

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

Financial assets

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

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

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

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

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

Contingent financial liabilities and credit commitments

The consolidated entity has potential financial liabilities that may arise from certain contingencies disclosed in note 43. As explained in that note, no material losses are anticipated in respect of any of those contingencies.

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

Other unrecognised financial instruments

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

35. Controlled entities

Controlled entities of Suncorp-Metway Ltd

Metway Credit Corporation Limited

Suncorp Metway Staff Pty Ltd

Metway Leasing Limited

Excelle Pty Ltd

SIS Super Pty Ltd [1]

SME Management Pty Limited

QIDC Limited

Suncorp Metway Advances Corporation Pty Ltd

Suncorp Metway Equipment Leasing Pty Ltd

First National Financial Solutions Limited (formerly LJ Hooker Financial Services Limited)

Suncorp Finance Limited

Controlled entities of Suncorp Finance Limited

Permanent Finance Corporation (Aust) Pty Ltd

Permanent Holdings Pty Ltd

PFC Finance Pty Ltd

Medical & Commercial Finance Corporation Limited

Graham & Company Limited [3]

Hooker Corporation Limited

Controlled entities of Hooker Corporation Limited

LJ Hooker Limited

Hooker Corporate (ACT) Pty Limited [1]

Hooker Corporate (QLD) Pty Limited [1]

Hooker Corporate (SA) Pty Limited [1]

Hooker Corporate (TAS) Pty Limited [1]

Hooker Corporate (VIC) Pty Limited [1]

Hooker Corporate (WA) Pty Limited [1]

Hooker (Superannuation) Pty Limited [1]

LJ Hooker Limited (incorporated in United Kingdom) [2]

LJ Hooker Limited (incorporated in Hong Kong) [2]

LJ Hooker (Singapore) Pte Ltd (incorporated in Singapore) [2]

LJ Hooker Financial Services Pty Limited [1]

LJ Hooker (NZ) Limited [2]

Controlled entities of L J Hooker (NZ) Limited

LJ Hooker Group Limited (incorporated in New Zealand) [2]

LJ Hooker Limited (incorporated in New Zealand) [2]

Challenge Realty Group Limited (incorporated in New Zealand) [2]

Refer to following page for footnotes

35. Controlled entities (continued)

Controlled entities of Suncorp-Metway Ltd (continued)

Suncorp Metway Insurance Ltd

Controlled entities of Suncorp Metway Insurance Ltd [(4)]

The Park Road Property Trust (47.5% interest) [(3)]

Suncorp Metway Risk Management Pte Ltd (incorporated in Singapore) [(2)]

RACT Insurance Pty Ltd

SPDEF Pty Ltd

Suncorp Property Development Equity Fund

GIO Insurance Investment Holdings A Pty Limited

Controlled entities of GIO Insurance Investment Holdings A Pty Limited

GIO Australia Limited

Controlled entities of GIO Australia Limited

GIO Technical Services Pty Limited [(1)]

GIO General Limited

Controlled entities of GIO General Limited

GIO Workers Compensation (NSW) Limited

GIO Workers Compensation (Victoria) Limited

Suncorp Investment Management Global Macro Tactical Asset Allocation Trust (48.06% interest) [(4)]

Suncorp Metway Investment Management Limited

Controlled entities of Suncorp Metway Investment Management Limited

SUNCORP Custodian Services Pty Ltd

SUNCORP Noosa Management Pty Ltd [(1)]

Suncorp Life & Superannuation Limited

Controlled entities of Suncorp Life & Superannuation Limited

SIP Super Pty Ltd

SUNCORP Financial Services Pty Ltd (formerly SUNCORP Financial Planning Pty Ltd)

SUNCORP Superannuation Pty Ltd

Suncorp Investment Management Australian Cash Trust (74.95% interest) [(5)]

Suncorp Investment Management Australian Equities Trust (85.13% interest)

Suncorp Investment Management Australian Fixed Interest Trust (90.97% interest)

Suncorp Investment Management World Equities Trust (67.04% interest) [(6)]

Suncorp Investment Management World Fixed Interest Trust (93.76% interest)

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

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

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

(3) Suncorp Metway Insurance Ltd holds a 47.5% interest and Graham & Company Limited (a controlled entity of Suncorp-Metway Ltd) holds a 17.6% interest in The Park Road Property Trust.

(4) GIO General Limited holds a 48.06% interest and Suncorp Metway Insurance Ltd (a controlled entity of Suncorp-Metway Ltd) holds a 39.80% interest in the Suncorp Investment Management Global Macro Tactical Asset Allocation Trust.

(5) Suncorp Life & Superannuation Limited holds a 74.95% interest and Suncorp Metway Insurance Ltd holds a 5.54% interest in the Suncorp Investment Management Australian Cash Trust.

(6) Suncorp Life & Superannuation Limited holds a 67.04% interest, GIO General Limited holds a 9.76% interest and Suncorp Metway Insurance Ltd holds a 7.72% interest in the Suncorp Investment Management World Equities Trust.

Notes to the financial statements (continued)

36. Acquisition and disposal of controlled entities

36(a) Acquisition

During the financial year ended 30 June 2005, the consolidated entity did not acquire any entities.

During the financial year ended 30 June 2004, the consolidated entity completed the acquisition of RACT Insurance Pty Ltd (RACTI). The business acquired includes 100 percent of the general insurance business of RACTI which incorporates personal lines only (predominantly motor, home and boat).

Details of the acquisition are as follows:

	Consolidated	
	2005 $m	2004 $m
Consideration		
Paid on 31 March 2004	-	12
Paid on 14 May 2004	-	1
Cost of acquisition	-	13
Fair value of net assets acquired		
Assets		
Cash and liquid assets	-	3
Investment securities	-	12
Receivables	-	8
Reinsurance and other recoveries receivable	-	2
Other assets	-	7
Total assets	-	32
Liabilities		
Payables	-	3
Outstanding claims and unearned premiums provisions	-	21
Total liabilities	-	24
Fair value of net assets of entities acquired	-	8
Goodwill on acquisition	-	5
Cash consideration	-	13

	Consolidated	
	2005 $m	2004 $m
Outflow of cash to acquire controlled entity, net of cash acquired		
Cash consideration	-	13
Less: Balances acquired		
Cash	-	3
Outflow of cash	-	10

For the purposes of preparing the financial report of the consolidated entity, control of the RACTI general insurance business was effective from 1 April 2004. The financial report includes the financial position, the results from operations and cash flows from that date. The assets, liabilities, rights and licences necessary to undertake the business acquired are held in RACTI.

Control was recognised for the following managed investment schemes during the financial year ended 30 June 2005:

	Date control obtained	Ownership interest acquired
• Suncorp Investment Management World Equities Trust	1 July 2004	78.35%
• Suncorp Investment Management Global Macro Tactical Asset Allocation Trust	1 September 2004	100.00%
• Suncorp Investment Management Australian Cash Trust	1 April 2005	81.13%

36. Acquisition and disposal of controlled entities

36(a) Acquisition (continued)

Control was recognised for the following managed investment schemes during the financial year ended 30 June 2004:

	Date control obtained	Ownership interest acquired
• Suncorp Investment Management Australian Equities Trust	1 July 2003	82.55%
• Suncorp Investment Management Australian Fixed Interest Trust	1 July 2003	88.44%
• Suncorp Investment Management World Fixed Interest Trust	1 July 2003	81.88%

36(b) Disposal

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

- Graham & Company Securities Limited on 22 May 2005

Also during the financial year the following controlled entities were deregistered upon completion of voluntary liquidations:

- Shelbourne Investments Pty Ltd on 15 January 2005
- Metfin Capital Pty Ltd on 2 March 2005

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

- Suncorp Property Management Limited on 20 March 2004

No gains or losses arose on deregistration of these controlled entities.

37. Related party information

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 35.

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 except that some advances may be interest free.

Certain controlled entities have entered into repurchase agreements with the Company. Securities sold, and subject to an obligation on the controlled entities to repurchase under the agreement on a 90 day call, are retained in the consolidated entity's statement of financial position as 'Investments integral to insurance activities'. The agreement is not an agreement of the kind known as a securities lending arrangement. The terms of the repurchase agreement with Suncorp Metway Insurance Limited allow the liability in relation to the obligation to repurchase the securities to be offset against a deposit with the Company, being the consideration paid by the Company under the original sale. The net of the liability and deposit have been recognised in the statements of financial position in accordance with Accounting Standards.

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	
	2005 $m	2004 $m
Current amounts receivable		
Controlled entities	2,047	1,813
Current amounts payable		
Controlled entities	257	348

Ultimate parent entity

The ultimate parent entity in the wholly owned group is Suncorp-Metway Ltd.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(a) controlled entities – note 35
(b) joint ventures – note 39

38. Fiduciary activities

The consolidated entity conducts investment management and other fiduciary activities as trustee, custodian or manager for various investment funds and trusts, Suncorp Metway approved deposit funds, superannuation funds, and wholesale and retail unit trusts. These activities result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not the property of the consolidated entity and are not included in the consolidated financial statements.

Where controlled entities, as single responsible entities or trustees, incur liabilities in respect of these activities, a right of indemnity exists against these assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is not probable that the controlled entities will be required to settle them, the liabilities are not included in the consolidated financial statements. At 30 June 2005 the value of assets under management was $1,570 million (2004: $1,676 million).

Notes to the financial statements (continued)

For the year ended 30 June 2005

39. Investments in joint ventures

The financial report of the consolidated entity includes the financial position, the results from operations and cash flows of the following joint ventures in accordance with the accounting policy described in note 1(p). Information relating to the joint ventures is set out below:

Name of company	Principal activity	Ownership Interest		Consolidated carrying amount	
		2005	2004	2005	2004
		%	%	$m	$m
RACQ Insurance Ltd (1)(2)	Insurance	50	50	100	87
RAA - GIO Insurance Holdings Limited (1)	Insurance	50	50	12	13
Australand Land and Housing No 5 (Hope Island) Pty Ltd (3)	Property investment	50	50	-	-
Australand Land and Housing No 7 (Hope Island) Pty Ltd (3)	Property investment	50	50	-	-
Australand Land and Housing No 8 (Hope Island) Pty Ltd (3)	Property investment	50	50	-	-
				112	100

(1) Investments held by GIO Insurance Investment Holdings A Pty Ltd.

(2) RACQ Insurance Ltd has a 31 December balance date.

(3) Investments held by Suncorp Property Development Equity Fund.

	Consolidated	
	2005	2004
	$m	$m
Movements in carrying amounts of investments in joint venture entities		
Carrying amount at the beginning of the financial year	100	83
Share of profits from ordinary activities after income tax	28	21
Notional goodwill amortisation	(2)	(2)
Dividends received/receivable	(14)	(12)
Increased investments in joint venture entities	-	10
Carrying amount at the end of the financial year	112	100
Results attributable to joint venture entities		
Profits from ordinary activities before income tax	39	30
Income tax expense	(11)	(9)
Profits from ordinary activities after income tax	28	21
Less: Dividends received/receivable	(14)	(12)
Less: Disposal of joint venture entity	-	(1)
	14	8
Retained profits attributable to joint venture entities at the beginning of the financial year	14	6
Retained profits attributable to joint venture entities at the end of the financial year	28	14
Summary of the performance and financial position of joint venture entities		
The aggregate profits, assets and liabilities of joint venture entities are:		
Profits from ordinary activities after income tax expense	56	42
Assets	974	835
Liabilities	803	693

The share of profits of joint venture investments reflected in the statements of financial performance includes the notional goodwill amortisation.

40. Director and executive disclosures

Remuneration of specified directors and specified executives

Details of specified directors' and executives' remuneration are set out in the audited Remuneration report, which forms part of the Directors' Report, set out on pages 38 to 48.

Equity holdings

Analysis of movements in shareholdings

The number of shares held by specified directors and specified executives of the Company in the Company are set out below[1]:

	Balance 1 July 2004	Received as remuneration [2]	Options exercised	Purchases (Sales)	Other changes	Balance 30 June 2005
Specified directors						
Executive directors						
J F Mulcahy	500,000	100,000	-	-	-	600,000
C Skilton	162,124	32,808	-	-	-	194,932
Non-executive directors						
J D Story	72,067	2,424	-	-	-	74,491
W J Bartlett	4,307	4,674	-	-	-	8,981
I D Blackburne	17,000	2,599	-	-	-	19,599
R F Cormie	15,735	-	-	-	-	15,735
C Hirst	3,383	669	-	-	-	4,052
J J Kennedy	31,735	-	-	(11,735)	-	20,000
M D E Kriewaldt	48,320	-	-	338	-	48,658
Specified executives						
M Blucher	123,684	27,559	116,000	(42,000)	-	225,243
D Eilert	37,783	27,559	-	(8,396)	-	56,946
C Gray [3]	62,718	11,155	10,000	-	(83,873)	-
B Inglis	39,387	27,559	-	-	-	66,946
P Johnstone	180,450	22,310	206,000	4,919	-	413,679
H Kogekar	4,197	10,663	-	-	-	14,860
R Reimer	244,615	27,559	51,250	-	-	323,424

(1) The number of shares disclosed for executive directors and executives may include shares held by the trustee of the Executive Performance Share Plan and therefore beneficial entitlement to those shares remains subject to satisfaction of specified performance hurdles. In regard to the 500,000 shares attributed to Mr Mulcahy, 300,000 of those shares remain subject to TSR performance hurdles.

(2) For executive directors and specified executives, includes shares allocated under the Executive Performance Share Plan. These shares are recorded in the Company's share register in the executive's name when allocated, but the shares vest only when performance hurdles are met. No shares vested during the 2005 financial year. The remuneration disclosure includes the fair value of the shares allocated over the vesting period. For non-executive directors, includes shares relating to a 'salary sacrifice' under the Non-Executive Directors Share Plan.

(3) Ms Gray resigned during the period and is no longer a specified executive.

Specified directors and specified executives of the Company and their personally-related entities received normal distributions on these shares. Details of the specified directors' shareholdings in the Company at the date of signing these financial statements are set out in the Directors' Report.

40. Director and executive disclosures (continued)

Analysis of movements in options

	Number of options held				Vested at 30 June 2005		
	Balance 1 July 2004	Options exercised	Net change other [1]	Balance 30 June 2005	Total	Exercisable	Not Exercisable
Specified directors							
C Skilton	350,000	-	-	350,000	350,000	233,334	116,666
Specified executives							
M Blucher	225,000	(116,000)	-	109,000	109,000	75,000	34,000
C Gray	215,000	(10,000)	(205,000)	-	-	-	-
P Johnstone	332,000	(206,000)	-	126,000	126,000	84,000	42,000
R Reimer	95,250	(51,250)	-	44,000	44,000	35,000	9,000

(1) Ms Gray resigned during the period and she is no longer a specified executive.

Loans to executive directors, specified executives and personally-related entities

The Australian Securities and Investments Commission has issued class order 98/0110 dated 10 July 1998 (as amended by CO 04/665 dated 15 July 2004) which relieves Australian banks from disclosure of bank loans and other financial instrument transactions made to related parties in the ordinary course of business, other than loans and financial instrument transactions to a director or executive of the Company or an entity controlled or significantly influenced by a director or executive. 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 consolidated financial statements to the Australian Securities and Investments Commission.

Details regarding the aggregate of loans made by the Company to specified directors and specified executives, and the number of individuals in each group, are as follows:

	Opening balance	Interest charged	Closing balance	Individuals in group at 30 June
Specified directors				
2005	-	-	-	-
2004	79,424	5,113	-	1
Specified executives				
2005	2,442,010	157,256	2,684,275	4
2004	1,376,566	69,970	2,442,010	3

Details regarding loans outstanding at the reporting date to specified directors and specified executives, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2004	Interest charged	Balance 30 June 2005	Highest balance in period
Specified executives				
M Blucher	754,163	42,776	750,475	761,738
P Johnstone	816,333	57,398	853,436	853,436
H Kogekar	-	1,440	225,121	226,121
R Reimer	871,514	55,642	855,243	871,514

The loans to executives are housing loans and asset lines provided in the ordinary course of the banking business. All loans have commercial terms, which may include staff discounts at the same terms available to all employees of the consolidated entity. The loans may have offset facilities, in which case the interest charged is after the offset.

Notes to the financial statements (continued)

40. Director and executive disclosures (continued)

Other transactions with executive directors, specified executives and personally-related entities

Financial instrument transactions
Financial instrument transactions between the Company and specified directors, specified executives and their personally-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 some 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 highest consecutive three years of service.

Mr John D Story is the non-executive Chairman of Corrs Chambers Westgarth Lawyers, which from time to time rendered legal services to the Company in the ordinary course of business. Fees paid to the firm during the financial year amounted to $1,375,277 (2004: $1,342,757). Amounts currently payable at balance date to Corrs Chambers Westgarth Lawyers totalled $31,820 (2004: nil).

Mr Martin D E Kriewaldt provides advice to Aon Holdings Australia Limited and Allens Arthur Robinson Lawyers. Those firms provided insurance brokerage and legal services respectively, to the Suncorp Group. These services are provided under normal terms and conditions.

Other transactions with specified directors, specified executives and their personally-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 specified director, specified executive or personally-related entity has entered into a material contract with the consolidated entity during the reporting period, and there were no material contracts involving specified directors, specified executives or their personally-related entities existing at the end of the reporting period.

41. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Profit from ordinary activities after income tax	821	618	893	405
Classified as investing activities				
Income tax paid - investing activities	179	52	-	-
Non-cash items				
Amortisation of goodwill	61	60	-	-
Change in net market value of trading securities	(17)	(25)	(10)	(10)
Change in net market value of investments	(517)	(258)	-	-
Bad and doubtful debts expense	27	49	21	43
Depreciation of property, plant and equipment	81	89	1	1
Loss on disposal of property, plant and equipment	1	1	-	-
Share of net profits of joint ventures accounted for using the equity method	(12)	(13)	-	-
Change in assets and liabilities				
Gross up of GST on lease instalments included in operating payments	14	10	9	10
Net movement in tax balances	130	34	130	80
Increase in accrued interest receivable	(27)	(29)	-	(14)
(Increase) decrease in prepayments and deferred expenses	(36)	(23)	(4)	6
Increase in excess of net market value of interests in controlled entities	(3)	(3)	-	-
(Increase) decrease in receivables and other financial assets	(23)	414	(94)	80
Increase (decrease) in accrued interest payable	(19)	1	(19)	1
Increase (decrease) in sundry creditors and accrued expenses	151	237	125	(3)
Increase in outstanding claims provisions	316	44	-	-
Increase in unearned premiums provisions	23	97	-	-
Increase in life insurance gross policy liabilities	443	144	-	-
Increase (decrease) in policy owner retained profits	(24)	30	-	-
Increase in provisions	21	23	5	3
Net cash inflow from operating activities	1,590	1,552	1,057	602

42. Auditors' remuneration

During the year the auditor of the Company and its related practices earned the following remuneration:

	Consolidated		Company	
	2005	2004	2005	2004
	$000	$000	$000	$000
Audit services				
Auditors of the Company - KPMG				
Audit and review of the financial reports	2,479	2,397	811	776
Other regulatory audit services	528	639	322	344
	3,007	3,036	1,133	1,120
Other auditors				
Audit and review of the financial reports	97	118	-	-
	3,104	3,154	1,133	1,120
Other services				
Auditors of the Company - KPMG				
Other assurance services	1,510	1,658	350	547
	1,510	1,658	350	547

43. Contingent liabilities and contingent assets

Contingent liabilities

There are outstanding court proceedings, potential fines, claims and possible claims against the consolidated entity, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities for which no provisions are included in these financial statements are as follows:

- The consolidated entity has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 44 sets out details of these guarantees.
- Certain controlled entities act as trustee for various trusts. In this capacity, the controlled entities are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business the consolidated entity enters into various types of investment contracts, including derivative positions, that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.
- As part of the consolidated entity's acquisition of 100 percent of GIO Insurance Investment Holdings A Pty Ltd and its wholly-owned controlled entities during the 2002 financial year, 15,028,800 cash settleable warrants were issued to AMP Life Limited. The exercise price is $16.38 per warrant at any time until 28 September 2006. Should the cash settleable warrants be settled in cash, the amount payable by the consolidated entity is the volume weighted average price of the consolidated entity's share price over the 10 business days prior to the exercise date, less the exercise price.
- In respect of the sale of property investments, undertakings have been provided by the consolidated entity to purchasers in relation to costs which may arise due to conditions existing prior to sale for which the purchasers were not notified. The amounts attributable cannot be quantified and it is considered unlikely that any material liability will arise in respect of these items. In some cases, counter claims would be available against design engineers and other contractors to recover any liability incurred by the consolidated entity.
- A controlled entity, Suncorp Metway Insurance Ltd (SMIL), entered into lease securitisation and defeasance transactions in May 1993 under which SMIL 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 2005 is approximately $60 million (2004: $61 million). In the event of crystallisation of this liability, that entity would reassume the interest in the leasehold over the two properties. The prospect of a resumption of liability has been reviewed and is assessed as highly improbable.

Contingent assets

There are claims and possible claims made by the consolidated entity against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that receivables are not required in respect of these matters, as it is not probable that future economic benefits will eventuate or the amount is not capable of reliable measurement.

44. Commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers, including commitments to extend credit, letters of credit and financial guarantees. The consolidated entity uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

Credit commitments – Banking activities

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA:

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Notional amounts				
Guarantees entered into in the normal course of business	238	142	238	142
Commitments to provide loans and advances	5,470	5,180	5,470	5,180
	5,708	5,322	5,708	5,322
Credit equivalent amounts				
Guarantees entered into in the normal course of business	134	76	134	76
Commitments to provide loans and advances	1,214	1,160	1,214	1,160
	1,348	1,236	1,348	1,236

Operating lease commitments

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Aggregate future non-cancellable operating lease rentals contracted for but not provided in the financial statements are payable as follows:				
Within one year	45	44	36	30
Later than one year but not later than five years	109	128	99	104
Later than five years	42	46	42	45
	196	218	177	179

The consolidated entity leases property under operating leases expiring from 1-12 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.

Expenditure commitments

	Consolidated		Company	
	2005	2004	2005	2004
	$m	$m	$m	$m
Expenditure for the acquisition of plant and equipment contracted for but not provided in the financial statements is payable as follows:				
Not later than one year	7	7	1	-

44. Commitments (continued)

Superannuation commitments

On 1 October 1998 the then SUNCORP Staff (Closed) Superannuation Plan was re-named the Suncorp Staff Superannuation Plan (Staff 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 Staff Superannuation Plan at that same date. Some members of the former SUNCORP Staff (Closed) Superannuation Plan and the QIDC Superannuation Scheme elected to retain their benefits accrued to 30 September 1998 in defined benefit form. Further, some members of the AMP Officers' Provident Fund have transferred into the Staff Plan, following the GIO acquisition, with a defined benefit attaching. Accordingly, the Suncorp Staff Superannuation Plan is still technically a defined benefit plan, although no contributions since October 1998 other than the transfer from the AMP Officers' Provident Fund have actually purchased defined benefits.

In the case of the defined benefit fund, an actuarial assessment of the fund is made each year, previously not less than every three years. At the date of the last review of the Suncorp Staff Superannuation Plan (effective 30 June 2005), the actuary (Mr P D Francis, BSc, DipFP, FIAA), in his report dated 6 July 2005, concluded that the assets of the funds are sufficient to meet all the benefits payable in the event of the funds' termination, or the voluntary or compulsory termination of employment of each employee.

Employer contributions to the Suncorp Staff Superannuation Plan during the year ended 30 June 2005 were $43 million (2004: $47 million).

Employer contributions payable to the Suncorp Staff Superannuation Plan as at 30 June 2005 were $0 million (2004: $3 million).

Defined benefit assets at net market value, accrued benefits and vested benefits of the Plan are as follows:

	Consolidated	
	2005	**2004**
	$m	**$m**
Suncorp Staff Superannuation Plan (formerly SUNCORP Staff (Closed) Superannuation Plan)		
Plan assets at net market value as at 30 June 2005 (2004: 30 June 2003)	8	7
Total accrued benefits as at 30 June 2005 (2004: 1 July 2002)	(6)	(7)
Excess of the present value of employees' accrued benefits over assets held to meet future benefit payments	2	-
Total vested benefits as at 30 June 2005 (2004: 30 June 2003)	6	7

The amounts relate to the actuarial report for the period ended 30 June 2005. The next review is due for completion in July 2006 and will relate to the period ended 30 June 2006.

45. Employee benefits

At an Extraordinary General Meeting of the Company held on 14 March 1997, shareholders approved an Exempt Employee Share Plan (EESP), a Deferred Employee Share Plan (DESP), and an Executive Option Plan (EOP).

At the Annual General Meeting on 1 November 2000, shareholders approved the establishment of the Non-Executive Directors' Share Plan (NEDSP).

On 21 October 2002 directors resolved to discontinue the issue of options to Executive Officers under the EOP and establish an Executive Performance Share Plan (EPSP).

Shares required for the above Share Plans are acquired by an unrelated special purpose trustee and/or custodial companies in ordinary trading on the Australian Stock Exchange.

Features of the plans currently in operation are as follows:

Feature	EESP	DESP	EPSP	NEDSP
Eligibility	Employees (other than Executive Officers) having completed 12 months' service (or less at the discretion of the Board).	Employees having completed three months' service (or less at the discretion of the Board).	Executive Officers.	Non-executive directors or their associates as approved by the Board.
Basis of Share Offers	Each eligible employee can receive shares up to a maximum value of $1,000 in any one year. The value of shares to be offered each year is determined by the Board based on the consolidated entity's overall performance.	Employees can elect to fund the acquisition of shares to be held under this Plan from their pre-tax remuneration or the Company may offer shares to employees as part of their terms of employment. Shares offered to employees under this Plan as part of their terms of employment are subject to achievement of tenure based criteria or criteria based on the individual's performance.	Offers under this Plan can be made on commencement of employment however offers are also made on an annual basis. The value of shares offered is determined by the Board based on the participating executive's level of remuneration and individual performance. Share offers are subject to performance criteria.	All non-executive directors are invited to participate in this Plan. If a director elects to participate they nominate a percentage of their pre-tax remuneration that is to be used to fund the acquisition of shares on market. Shares acquired are held in the Plan for a maximum of ten years from the date of acquisition.
Price	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.	Shares acquired from employees' pre-tax remuneration are purchased on market each month. The price of shares acquired for offers funded by the Company is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.	Shares acquired from director's pre-tax remuneration are purchased on market at predetermined dates during the year. Those dates reflect the terms of the Company's share trading policy.
Vesting	Fully vested, not subject to forfeiture.	If the acquisition of the shares is funded through the employee's remuneration the shares are fully vested at the date of acquisition. If entitlement to shares is subject to performance criteria, those shares will vest when that criteria is satisfied.	Vesting of shares is subject to satisfaction of performance criteria over the performance period.	As the acquisition of shares is funded through the participating director's remuneration, the shares are fully vested at the date of acquisition.

Notes to the financial statements (continued)

For the year ended 30 June 2005

45. Employee benefits (continued)

Feature	EESP	DESP	EPSP	NEDSP
Performance criteria	Shares offered to employees under this Plan are not subject to individual performance criteria.	If the acquisition of the shares is funded through the employee's remuneration no performance criteria apply. If the acquisition of shares is funded by the Company then performance criteria are applied. Those criteria will either be tenure based or based on the individual's performance over specified periods.	The criteria is based on total shareholder returns (TSR) achieved by the Company over a performance period compared to the TSR by a comparator group comprising the Top 50 Industrial companies in the S&P/ASX 100, excluding listed property trusts. No shares are vested unless the Company's TSR ranking at the end of a performance period is above the 50th percentile of the comparator group. If the Company's TSR ranking is less than the 50th percentile no shares will vest, at the 50th percentile 50% of shares will vest and at or above the 75^{th} percentile 100% of the shares will vest. Between the 50^{th} and 75^{th} percentiles, an additional 2% of the shares will vest for each 1% increase (on a straight line basis) in the Company's TSR ranking above the 50^{th} percentile. A performance period generally commences on the date of offer to the employee to participate in the EPSP and the first performance measurement point is three years after the offer date. The employee has the right to elect to receive an allocation of shares at that point, based on the allocation described above, or extend the performance period a further two years. If the employee elects to accept the year three performance result, any shares subject to that same offer that are not allocated are forfeited. After year three, performance measurements are undertaken on a six monthly basis, in April and October each year, up to the end of year five. Employees electing to extend the performance period from three to five years waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five. The employee's entitlement to an allocation of shares at the end of year five will be based on the highest performance measurement result recorded at any of the prescribed performance measurement points over the period from the end of year three to the end of year five inclusive. Shares not allocated at the end of year five are forfeited.	Not applicable.

45. Employee benefits (continued)

Feature	EESP	DESP	EPSP	NEDSP
Minimum holding period	Three years from date of allocation, or upon cessation of employment.	One year or as otherwise specified in the terms of individual offers.	No minimum holding period applies once shares have vested unless otherwise determined by the Board.	None.
Plan maximum limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlements	Full entitlement from date of shares held in the Plan.	Full entitlement from date of shares held in the Plan.	Full entitlement from date of vesting.	Full entitlement from date of shares held in the Plan.
Voting rights	Participating employees have the right to vote from the date shares are held in the Plan.	Participating employees have the right to vote from the date shares are held in the Plan.	Voting rights are held by the Plan Trustee until shares have vested with the participating employee.	Participating employees have the right to vote from the date shares are held in the Plan.

45. Employee benefits (continued)

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

	Dates on which shares were issued/ allocated	Total number of shares issued/ allocated	Issue/Allocation Prices	Fair value (market value at dates of issue/allocation)	Amounts received from employees
2005 financial year	Various dates	993,319	Various, based on market value at date of issue	$16,122,880	$5,514,213
2004 financial year	Various dates	915,951	Various, based on market value at date of issue	$11,407,433	$4,928,976

The amounts recognised in the statements of financial performance of the Company and the consolidated entity during the year in relation to the issue of shares under the EESP, DESP, EPSP and NEDSP was $8,038,502 (2004: $4,202,086).

During the financial year $6,184,400 (2004: $3,258,942) was provided to acquire shares to the value of $1,000 (2004: $500) for each employee eligible under the EESP. These shares will be issued in October 2005.

At 30 June 2005 unissued fully paid ordinary shares of the Company under the Executive Option Plan are:

Issue date of option	Start date	Expiry date	Exercise price of option (1) $	Strike price (2) $	No of options held at 30 June 2005 (3)	No of options held at 30 June 2004
06 Oct 1999	31 Mar 2002	06 Oct 2004	8.11	9.12	-	63,400
06 Oct 1999	31 Mar 2003	06 Oct 2004	8.11	9.56	-	63,400
06 Oct 1999	31 Mar 2004	06 Oct 2004	8.11	10.05	-	154,450
01 Oct 2000	31 Mar 2003	01 Oct 2005	8.89	9.78	-	82,000
01 Oct 2000	31 Mar 2004	01 Oct 2005	8.89	10.31	-	153,000
01 Oct 2000	31 Mar 2005	01 Oct 2005	8.89	10.85	153,000	203,000
01 Oct 2000	31 Mar 2003	01 Oct 2005	8.89	10.00	31,400	62,000
01 Oct 2000	31 Mar 2004	01 Oct 2005	8.89	10.49	34,900	83,000
01 Oct 2000	31 Mar 2005	01 Oct 2005	8.89	11.02	74,300	101,300
20 Sep 2001	31 Mar 2004	20 Sep 2006	11.62	12.20	116,666	284,666
20 Sep 2001	31 Mar 2005	20 Sep 2006	11.62	13.13	285,667	302,334
20 Sep 2001	31 Mar 2006	20 Sep 2006	11.62	13.94	306,333	306,333
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	13.24	-	700,000
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	14.25	-	700,000
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	15.13	-	600,000
22 Apr 2002	31 Oct 2004	22 Apr 2007	12.30	(4)	-	116,667
22 Apr 2002	31 Oct 2005	22 Apr 2007	12.30	(4)	116,667	116,667
22 Apr 2002	31 Oct 2006	22 Apr 2007	12.30	(4)	116,666	116,666
					1,235,599	4,208,883

(1) The exercise price of options granted is the weighted average market price of the Company's shares in the week preceding the issue date of the option.

(2) The strike price is sometimes referred to as a 'hurdle price'. Options are only exercisable if the volume weighted average price of the company's shares over a continuous five day trading period on the Australian Stock Exchange, during the term of the options, exceeds the strike price.

(3) During the year 2,934,117 options (2004: 1,139,866) were exercised under the Executive Option Plan. All options expire on the earlier of their expiry date or termination of the employee's employment unless otherwise approved by the Board. In addition to those options shown above, 39,167 (2004 40,500) options expired in respect of employees who resigned.

(4) The Company has adopted Total Shareholder Return (TSR) as the performance measure on which option vesting is based and the Top 50 Companies in the ASX All Industrials Index has been adopted as the comparator group. Currently the following vesting schedule applies:

- If the Company's TSR growth over a relevant evaluation period is equal to the median TSR performance for the comparator group, then 50% of those options available to be exercised at that time will vest.
- For each additional percentile increase in the Company's ranking above the median, a further 2% of the relevant tranche of options will vest.
- If the Company's TSR growth over the relevant evaluation period reaches the 75th percentile, 100% of the options will vest.

45. Employee benefits (continued)

Options granted under the Executive Option Plan carry no dividend or voting rights when unexercised.

There were no options granted during the financial year as the Company ceased to issue options under the Executive Option Plan (2004: nil).

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 directors under an employee incentive scheme without specific shareholder approval.

The market price of the Company's shares at 30 June 2005 was $20.11 (2004: $14.20).

At the date of this report unissued fully paid ordinary shares of the Company under the Executive Option Plan decreased to 700,266 from 30 June 2005 due to the following options being exercised since the end of the financial year:

Issue date of option	Start date	Expiry date	Exercise price of option $	Strike price $	Number of options
1 Oct 2000	31 Mar 2003	1 Oct 2005	8.89	10.00	6,600
1 Oct 2000	31 Mar 2004	1 Oct 2005	8.89	10.49	9,900
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	10.85	111,000
1 Oct 2000	31 Mar 2005	1 Oct 2005	8.89	11.02	30,500
20 Sep 2001	31 Mar 2004	20 Sep 2006	11.62	12.20	116,666
20 Sep 2001	31 Mar 2005	20 Sep 2006	11.62	13.13	260,667

	Consolidated		Company	
	2005 $m	2004 $m	2005 $m	2004 $m
Employee benefits and related on-costs liabilities				
Included in Payables and other liabilities (note 17)	6	13	-	-
Provision for employee benefits - current (note 18)	106	97	6	3
Provision for employee benefits - non-current (note 18)	26	15	-	-
	138	125	6	3

As explained in note 1(ae), the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values:

	Consolidated	
	2005	2004
Weighted average rate of increases in annual employee benefits to settlement of the liabilities	4.0%	4.0%
Weighted average discount rate	5.10%	5.93%
Weighted average term to settlement of liabilities	4 years	3 years

	Consolidated	
	2005	2004
Employee numbers		
Average number of employees during the financial year	8,404	7,871

46. Matters subsequent to the end of the financial year

For reporting periods beginning on or after 1 July 2005 the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The potential impact of adopting AIFRS is detailed in Note 2 to the financial statements.

On 26 August 2005 the directors declared a special dividend of 75 cents per fully paid ordinary share amounting to $409 million payable 3 October 2005.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' declaration

For the year ended 30 June 2005

The directors declare that the financial statements and notes set out on pages 56 to 162:

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 2005 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.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2005.

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

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
26 August 2005

Independent audit report to the members

For the year ended 30 June 2005

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial performance, statements of financial position, statements of changes in equity, statements of cash flows, accompanying notes to the financial statements, the disclosures made by the Company in accordance with the *Corporations Regulations 2001* as required by AASB 1046 *Director and Executive Disclosures by Disclosing Entities* on pages 38 to 43 and pages 46 to 48 of the "Remuneration report" in the Directors' report ('remuneration disclosures') and the directors' declaration (as set out on pages 56 to 163) for both Suncorp-Metway Ltd (the 'Company') and Suncorp-Metway Ltd and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Remuneration report also contains information on pages 40 to 41 and pages 44 to 46 not required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, which is not subject to our audit.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independent audit report to the members (continued)

For the year ended 30 June 2005

Audit Opinion

In our opinion, the financial report including the remuneration disclosures that are contained on pages 38 to 43 and pages 46 to 48 of the Remuneration report in the Directors' 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 2005 and of their performance for the year ended on that date; and
   ii) complying with Accounting Standards in Australia including AASB 1046 *Director and Executive Disclosures by Disclosing Entities* and the *Corporations Regulations 2001*; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Brian Greig
Partner

Brisbane
26 August 2005

Glossary

For the year ended 30 June 2005

Item	Definition
APRA	APRA stands for the Australian Prudential Regulatory Authority, which is the prudential regulator of banks, insurance companies, superannuation funds, credit unions, building societies and friendly societies. APRA is responsible for ensuring that policy holders, depositors and superannuation fund members are protected by, for example, ensuring that companies have enough capital to be able to meet their ongoing business needs, including reserving to pay claims.
Basic shares	Ordinary fully paid shares on issue.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Diluted shares	Comprises ordinary shares, partly paid shares and outstanding options. Preference shares are not dilutive for the purpose of the Earnings per Share ratios as they cannot convert to ordinary shares in the first five years. For the purposes of weighted average shares, excludes options where the exercise price exceeds the market price.
Earnings per share	Basic earnings per share is calculated by dividing the earnings for the financial year less dividends on preference shares by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Calculated in accordance with accounting standard AASB 1027 'Earnings per Share'.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding general insurance shareholder funds' investment income and excluding the impact of life insurance accounting standard AASB 1038 "Life Insurance Business".
Long-tail and short-tail insurance	Insurance products can be categorised as 'short tail' or 'long tail'. In general terms, this name stems from the length of time (the 'tail') that it takes for a claim to be made and settled. or 'short tail' insurance products, claims are usually known and settled within 12 months, and are generally based around property. or 'long tail' insurance products, claims may not even be reported within 12 months, and settlements can take many years, and are generally based around injury compensation (eg medical, legal and loss of income) or other risks such as professional indemnity.
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing per share (basic)	Shareholders' equity attributable to members of the Company less preference shares and intangibles, divided by the number of ordinary shares at the end of the period. In determining the number of ordinary shares at the end of the period, partly paid shares are taken into account by assuming that the unpaid amount is paid.
Operating income	Total income from ordinary activities.
Outstanding claims	All unpaid claims and related claims handling expenses relating to claims incurred prior to the reporting date.
Payout ratio (basic)	Total dividends and distributions which relate to the financial year divided by operating profit after tax.
Return on average shareholders' equity (basic)	Operating profit after tax less preference dividends divided by adjusted average ordinary shareholders equity. The ordinary shareholders' equity excludes preference shares. Averages are based on beginning and end of period balances.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of AASB 1038 'Life Insurance Business'. Averages are based on beginning and end of period balances.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighted, as defined by APRA.
Underlying profit	Operating profit before tax, amortisation of goodwill, investment income on Shareholder Funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained earnings in Wealth Management and one-off items.

Financial statements

For the year ended 30 June 2005

Statement of financial position as at 30 June 2005

	2005 $	2004 $
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 2005

1. Significant accounting policies

The financial report of the Trust is a general purpose financial report which has been prepared in accordance with the requirements of Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the provisions of the Trust Deed dated 23 March 1988 and the Corporations Act 2001. It is prepared in accordance with the historical cost convention and does not take into account changing money values. These accounting policies have been consistently applied.

The carrying amounts of all non-current assets are reviewed at balance date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present values.

2. Impact of adopting Australian equivalents to International Financial Reporting Standards

Australian reporting entities are required to comply with Australian Equivalents to International Financial Reporting Standards and their related pronouncements (AIFRS) for reporting periods beginning on or after 1 January 2005. The trust will report for the first time in accordance with AIFRS in the financial report for the year ending 30 June 2006.

The effect of applying AIFRS on the Trust has been assessed. The only AIFRS standard with significant impact on the Trust is AASB139 *Financial Instruments: Recognition and Measurement*. The Trust has elected to apply the exemption available under AASB1 from the requirement to provide comparative financial information for this standard. Accordingly the Trust does not have to apply this standard until the reporting period commencing 1 July 2005.

In accordance with AASB139 the Trust's investments will be classified as Available-for-Sale Financial Assets. The investments will be recorded at fair value with movements in the fair value at each reporting period being recorded in equity. The fair value of the investments at 1 July 2005 is $1,000. Accordingly there is no change to the recorded value of the Trust's assets or equity when applying AIFRS for the first time at 1 July 2005.

3. 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.

4. Disclosures about fair value of financial instruments

The fair value of the non-participating shares as at 30 June 2005 is $1,000 (2004: $1,000). These shares are not readily traded on an organised market in a standardised form.

5. Remuneration of auditors

	2005 $	2004 $
Audit services		
Auditors of the Trust – KPMG		
Audit of the financial report	256	250

Fees for services rendered by the Trust's auditor in relation to the statutory audit are borne by Suncorp-Metway Ltd.

Metropolitan Permanent Building Society Trust

Trustee's report

For the year ended 30 June 2005

As Trustee of the above Trust we report for the year ended 30 June 2005 that:

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

Mike Britton

General Manager Corporate Services
Permanent Trustee Australia Limited

Sydney
26 August 2005

Independent audit report to the beneficiaries of Metropolitan Permanent Building Society Trust

For the year ended 30 June 2005

Scope

The financial report and Trustee's responsibility

The financial report comprises the statement of financial position, accompanying notes and the Trustee's report for Metropolitan Permanent Building Society Trust (the 'Trust') for the year ended 30 June 2005.

The Trustee is responsible for the preparation and true and fair presentation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the beneficiaries of the Trust. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustee.

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

Audit opinion

In our opinion, the financial report of Metropolitan Permanent Building Society Trust:

(a) presents fairly in accordance with the provisions of the Trust Deed dated 23 March 1988, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the Trust's financial position as at 30 June 2005 and its performance for the year ended on that date; and

(b) is properly drawn up in accordance with the provisions of the Trust Deed dated 23 March 1988.

KPMG

KPMG

BGreig

Brian Greig
Partner

Brisbane
26 August 2005

Shareholder Information

Major Shareholders

(i) Ordinary Shares

At 17 August 2005, the 20 largest holders of fully paid Ordinary Shares held 205,921,635 shares, equal to 37.69 percent of the total fully paid shares on issue.

	Number of Shares	%
J P Morgan Nominees Australia Limited	51,633,725	9.45
National Nominees Limited	43,927,453	8.04
Westpac Custodian Nominees Limited	35,765,377	6.55
ANZ Nominees Limited	10,009,308	1.83
Citicorp Nominees Pty Limited	9,201,336	1.68
Cogent Nominees Pty Limited	9,107,943	1.67
Queensland Investment Corporation	8,814,431	1.61
AMP Life Limited	7,568,333	1.39
ANZ Nominees Limited	7,201,025	1.32
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	2,813,786	0.51
IAG Nominees Pty Limited	2,417,070	0.44
Cogent Nominees Pty Limited	2,377,565	0.43
Australian Foundation Investment Company Limited	2,356,462	0.43
ANZ Nominees Limited	1,997,341	0.37
Milton Corporation Limited	1,910,198	0.35
HSBC Custody Nominees	1,908,554	0.35
ANZ Nominees Limited	1,893,507	0.34
Questor Financial Services Limited (TPS RF A/C)	1,780,346	0.33
PSS Board	1,671,213	0.31
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	1,566,662	0.29
	205,921,635	**37.69**

(ii) Reset Preference Shares

At 17 August 2005, the 20 largest holders of fully paid Reset Preference Shares held 1,336,270 shares, equal to 53.45 percent of the total fully paid shares on issue.

	Number of Shares	%
JP Morgan Nominees Limited	134,766	5.39
Cogent Nominees Pty Limited (SMP Accounts)	131,310	5.25
AMP Life Limited	128,987	5.16
National Nominees Limited	124,200	4.97
Citicorp Nominees Pty Limited	116,419	4.66
Westpac Custodian Nominees Limited	95,000	3.80
ANZ Nominees Limited (Cash Income A/C)	75,200	3.01
UBS Nominees Limited (Prime Broking A/C)	68,841	2.75
Citicorp Nominees Pty Limited (CMIL Cwlth Income Fund A/C)	60,000	2.40
ANZ Executors and Trustee Company Limited	59,753	2.39
Javl Pty Ltd	50,000	2.00
The Australian National University	50,000	2.00
UBS Private Clients Australia Nominees Pty Ltd	45,895	1.84
Kaplan Equity Limited	40,000	1.60
Argo Investments Ltd	32,000	1.28
Australian Industrial Sands Pty Limited	30,000	1.20
Brencorp No 11 Pty Limited	30,000	1.20
ANZ Nominees Limited	29,000	1.16
Perpetual Trustee Company Ltd (ISG A/C)	18,028	0.72
MF Custodians Ltd	16,871	0.67
	1,336,270	**53.45**

Shareholder Information

Distribution Of Shareholdings

(i) Fully paid Ordinary Shares at 17 August 2005

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	116,195	66.42	58,006,053	10.62
1,001-5,000 shares	47,463	27.13	103,641,338	18.97
5,001-10,000 shares	7,136	4.08	49,705,277	9.10
10,001-100,000 shares	3,979	2.27	82,225,966	15.05
100,001-shares and over	178	0.10	252,801,428	46.26
	174,951	**100.00**	**546,380,062**	**100.00**

(ii) Fully paid Ordinary Shares at 17 August 2005

Location	Number of holders	% of holders	Number of shares	% of shares
Australia				
– Queensland	100,418	57.40	193,359,311	35.39
– New South Wales	32,504	18.58	196,220,493	35.91
– Victoria	26,801	15.32	130,865,415	23.96
– South Australia	4,912	2.81	10,823,934	1.98
– Western Australia	4,620	2.64	6,304,141	1.15
– Tasmania	1,584	.91	2,281,665	.42
– ACT	2,798	1.60	4,177,665	.76
– Northern Territory	346	.20	413,584	.08
New Zealand	337	.19	830,530	.15
Hong Kong	77	.04	152,169	.03
United Kingdom	165	.09	214,155	.04
United States	94	.05	187,824	.03
Other overseas	295	.17	549,176	.10
	174,951	**100.00**	**546,380,062**	**100.00**

Some registered holders own more than one class of security.

(iii) Non-participating shares

All shares of this class are fully paid shares and are held by the Trustee of the Metropolitan Permanent Building Society Trust, Permanent Trustee Australia Limited.

(iv) Partly paid Ordinary Shares at 17 August 2005

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	1	33.33	1,000	8.89
1,001-5,000 shares	1	33.33	4,450	39.56
5,001-10,000 shares	1	33.34	5,800	51.55
10,001-100,000 shares	-	-	-	-
100,001-shares and over	-	-	-	-
	3	**100.00**	**11,250**	**100.00**

(v) Fully paid Reset Preference Shares at 17 August 2005

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	1,819	89.91	606,175	24.25
1,001-5,000 shares	165	8.16	392,363	15.69
5,001-10,000 shares	13	0.64	89,430	3.58
10,001-100,000 shares	21	1.04	776,350	31.05
100,001-shares and over	5	0.25	635,682	25.43
	2,023	**100.00**	**2,500,000**	**100.00**

Shareholder Information

Substantial Shareholders

At 17 August 2005, the following entries were contained in the register of substantial shareholdings, based on Substantial Holding Notices received:

	Number of Shares
Barclays Group	26,870,448

Voting rights of shareholders

(i) Ordinary Shares

The fully paid Ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:

- Show of hands – one vote per shareholder; and
- Poll – one vote per fully paid ordinary share

(ii) Non-participating Shares

The non-participating shareholder has an entitlement to vote only in certain circumstances.

(iii) Reset Preference Shares

Reset Preference shareholders are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as Ordinary shareholders with one vote per Reset Preference Share. The limited circumstances are set out in the Information Memorandum dated 16 August 2001.

Holders of non-marketable parcels

At 17 August 2005 the number of shareholders with less than a marketable parcel for fully paid Ordinary Shares (1-25 shares) was 2,165 (1.24% of shareholders) representing 26,636 shares.

Shareholder Information

Suncorp major ASX announcements

Annual Results – announced record net profit of $618 million for 2004 and increased dividend	27 August 2004
Subordinated Debt Issue – announced $200 million issue by SMIL	27 August 2004
AGM 2004 and AGM results	27 October 2004
Upgrades Earnings Guidance announced	25 January 2005
Amendment to Dividend Reinvestment Plan – announced removal of minimum participation limit of 100 shares	31 January 2005
Half Year Results – announced record net profit of $413 million and increased dividend	25 February 2005
Market Update & Strategy Briefing	7 June 2005

Dividend history

Since Suncorp/Metway/QIDC merger 1 December 1996

1997	Interim	18c	Final	22c
1998	Interim	22c	Final	22c
1999	Interim	22c	Final	22c
2000	Interim	22c	Final	24c
2001	Interim	24c	Final	28c
2002	Interim	25c	Final	29c
2003	Interim	26c	Final	30c
2004	Interim	30c	Final	40c
2005	Interim	42c	Final	45c

All dividends fully franked

Shareholder Information

Annual General Meeting

2.30pm Wednesday 26 October 2005
Great Halls 3 & 4, Brisbane Convention and Exhibition Centre
cnr Merivale and Glenelg Streets, South Brisbane

Share Registry

Shareholders can obtain information about their shareholdings by contacting the Company's share registry:

ASX Perpetual Registrars Limited
Level 22
300 Queen Street
Brisbane Qld 4000
Telephone: 1300 882 012
Facsimile: (02) 9287 0303
Mailing address: PO Box A118, Sydney South NSW 1234
Email: registrars@asxperpetual.com.au
Website: www.asxperpetual.com.au

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

Change of Address

Shareholders who are issuer sponsored must advise the share registry in writing, appropriately signed, of the amended details. Change of address forms can be obtained via the share registry website or by contacting the share registry.

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

Payment of Dividends

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

Dividend Reinvestment Plan

Shareholders can reinvest all or part of their dividends in Suncorp shares, with no brokerage or transaction costs. There is no minimum or maximum limit for participation and no discount applies. Shareholders can participate in the scheme, vary their participation or withdraw from the Dividend Reinvestment Plan at any time. They can also choose to take their dividends in cash. An election/variation form is available on the share registry website

Removal from Annual Report mailing list

Shareholders no longer wishing to receive a Concise Report or a Full Annual report should advise the share registry in writing, by fax, telephone or by email, quoting their SRN/HIN. A form is available on the share registry website.

Register your email address

Now you can register your email address for dividend advices, notices of meeting, notification of availability of annual reports and other shareholder communications. To register your details, go to Share Registry Services on the Suncorp website **www.suncorp.com.au** which provides a link to the share registry, or directly to the share registry website **www.asxperpetual.com.au** where, by using your SRN/HIN and other requested details, you will be able to view details of your shareholding, update your details, obtain registry forms and record your own email address.

Stock Exchange Listed Securities

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

Ordinary shares (code SUN)
Floating Rate Capital Notes (SUNHB)
Reset Preference shares (SUNPA)

Shareholder Information

Key Dates

Ordinary Shares (SUN)

2005

Final dividend

Ex dividend date	31 August
Record date	6 September
Dividend payment	3 October

2006

Interim dividend

Ex dividend date	1 March
Record date	7 March
Dividend payment	3 April

Final dividend

Ex dividend date	30 August
Record date	5 September
Dividend payment	2 October

Floating Rate Capital Notes (SUNHB)

2005

Ex interest date	9 September
Record date	15 September
Interest payment	30 September

2006

Ex interest date	9 February
Record date	15 February
Interest payment	2 March
Ex interest date	9 May
Record date	15 May
Interest payment	30 May
Ex interest date	9 August
Record date	15 August
Interest payment	30 August
Ex interest date	9 November
Record date	15 November
Interest payment	30 November

Reset Preference Shares (SUNPA)

2005

Ex dividend date	31 August
Record date	6 September
Dividend payment	14 September

2006

Ex dividend date	1 March
Record date	7 March
Dividend payment	14 March
Ex dividend date	30 August
Record date	5 September
Dividend payment	14 September

All key dates may be subject to change.

All Ex dividend dates are subject to ASX confirmation.

This page has been left intentionally blank.

Contact us

Registered Office

Suncorp-Metway Ltd

Level 18
36 Wickham Terrace
Brisbane Qld 4000

Telephone: (07) **3835 5355**
Facsimile: (07) **3836 1190**

Internet: www.suncorp.com.au
Email: direct@suncorp.com.au

Annual Report

Copies of both the 2005 Concise Report and the full Annual Report (which includes the Consolidated Financial Statements) can be obtained from Suncorp Investor Relations (07) 3835 5797 or on the Suncorp website: www.suncorp.com.au

Information about the group is also available on the website and includes half-year results and profit announcements. The group's announcements to the Australian Stock Exchange can also be accessed via the Suncorp website.

Suncorp

General enquiries	**13 11 55**
Quickcall phone banking	**13 11 25**
Insurance sales and enquiries	**13 11 55**
Insurance claims	**13 25 24**
Loan hotline	**13 11 34**
Lost or stolen cards & passbooks	**1800 775 020**
Life insurance, superannuation, financial planning	**13 11 55**
Investment funds enquiries centre	**1800 067 732**
Business Banking	**13 11 55**
Small Business Banking	**13 11 55**
Share Trade	**1300 135 190**
New Sales enquiries/new customers for Margin Lending	**1800 115 211**
Existing customer enquiries for Margin Lending	**1800 805 972**

GIO

General enquiries	**13 10 10**
Personal and Business Insurance	**13 10 10**
Personal Insurance Claims	**13 14 46**
Workers Compensation NSW policies and claims	**13 10 10**

CREDIT RATINGS	SHORT TERM	LONG TERM	INSURER FINANCIAL STRENGTH GENERAL INSURANCE	INSURER FINANCIAL STRENGTH LIFE AND SUPER
Standard & Poor's	A-1	A	A	A
Moody's				
Bank Deposits	P-1	A2	n/a	n/a
Senior Debt	P-1	A2	n/a	n/a
Fitch	F1	A	A+	A

Internet Sites

http://www.suncorp.com.au

http://www.gio.com.au

Suncorp's internet site
http://www.suncorp.com.au provides information on banking, insurance and investment products and services, sponsorships, financial results, company and shareholder information. Applications can be made online for a credit card, home or investment property loan, small business loan, or personal finance loan. Applications for transaction accounts may be made through internet banking. Customers can also obtain a quote and purchase home or car insurance.

The site offers internet banking, Share Trade to buy and sell shares, the ability to manage a margin lending facility and managed superannuation and wrap accounts.

GIO's internet site
http://www.gio.com.au provides customers with information about our insurance products, details on how to obtain quotes for personal and commercial insurance, online quoting for CTP/Green Slips, home, contents and motor insurance, the ability to make payments and submit home or motor insurance claims. There are also direct links to Suncorp banking, loans and credit card products.

BANKING
INSURANCE
INVESTMENT

SUNCORP

COR 08376 V1 A 0905