

Prospectus

FOR THE ISSUE OF 2,000,000*

Floating Rate Capital Notes

AT \$100 PER NOTE

* Total Minimum Subscription for the Issue is 500,000 Notes. SUNCORP~METWAY LTD may also accept oversubscriptions totalling a further 500,000 Notes.

SUNCORP~METWAY LTD Floating Rate Capital Notes are not bank deposits; they are unsecured subordinated obligations of SUNCORP~METWAY LTD

SUNCORP~METWAY LTD

ACN 010 831 722

Corporate Directory

The Issuer

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This Prospectus

This Prospectus is dated 26 October 1998, the date that a copy was lodged with the Australian Securities and Investments Commission. ASIC takes no responsibility for the contents of this Prospectus. Similarly, Australian Stock Exchange Limited takes no responsibility for the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.

This Prospectus does not constitute an offer or invitation to any person to whom it would be unlawful

to do so, nor an offer or invitation in any jurisdiction where it would be unlawful to do so.

Queries

If you require any further information about the details of the issue or require any further copies of this Prospectus contact SUNCORP~METWAY on (07) 3232 4258, or toll free on 1800 177 079, or your stockbroker or financial adviser.

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Application Forms and Instructions to Applicants can be found at the back of this Prospectus.

Key Dates

- | | |
|---|---|
| ❑ Lodgement of Prospectus with the Australian Securities and Investments Commission | 26 October 1998 |
| ❑ Issue Opens | 6 November 1998 |
| ❑ Issue Closes* | 5pm Brisbane time
on 4 December 1998 |
| ❑ Expected date of allotment of Notes | 10 December 1998 |
| ❑ Expected date of Quotation | 17 December 1998 |
| ❑ Expected date of first Interest Payment | 2 March 1999 |

The first Interest Period will commence on the Closing Date and end on 15 February 1999. Thereafter, Interest Payments will be made quarterly for the periods ending on 15 May, 15 August, 15 November, 15 February. No interest payments will be made to unsuccessful applicants.

- * The Issue may be closed earlier or extended at the discretion of SUNCORP-METWAY. If the closing date is extended, the subsequent dates may be extended accordingly.

Chairman's Letter

26 October 1998

Dear Investor,

The Directors are pleased to announce the SUNCORP~METWAY floating rate capital note issue. This issue will raise a minimum \$50 million and up to a maximum \$250 million from investors.

The floating rate capital notes ("**Notes**") offer an attractive interest rate of 0.75% over the 90 day bank bill rate, reset each quarter. Interest will be paid at the end of each quarter and, at that time, investors will be notified as to the interest rate that will apply for the next quarter.

As the Notes are a capital instrument, there are certain circumstances in which the payment of interest may be deferred by SUNCORP~METWAY. In this regard, investors' attention is drawn to clause 4.4 of the Terms and Conditions of Notes set out in section 5 of the Prospectus.

It should also be recognised that the Notes are a subordinated obligation of SUNCORP~METWAY. On a winding up of the Company, the Notes would be treated like a class of preference shares ranking in priority to all other classes of shares, and would rank behind all other creditors of SUNCORP~METWAY (including Subordinated Creditors) unless their claims are expressed to rank behind or equally with the claims of Noteholders. See clause 2.2 of the Terms and Conditions of Notes set out in section 5 of the Prospectus for further details.

The Notes are perpetual and, as such, form part of the core capital of the SUNCORP~METWAY Group. Application will be made for the Notes to be listed on Australian Stock Exchange Limited. Once listed, the Notes may be bought and sold in a similar manner to SUNCORP~METWAY's ordinary shares.

The Board has decided to make this issue of Notes for a number of reasons:

- ❑ SUNCORP~METWAY intends to redeem, in December 1998, the \$55 million capital note issue undertaken by Metway Bank in 1993. Depending on the amount raised by this Issue, part or all of the proceeds are intended to be used for the redemption of the earlier capital notes;
- ❑ the Notes have been structured as an additional form of capital for SUNCORP~METWAY. They will count towards the Group's "upper tier 2" capital as determined by the Australian Prudential Regulation Authority ("**APRA**"). This will strengthen our existing capital base and provide us with added flexibility with respect to any future capital restructurings, should the need arise.

The Directors examined a number of alternatives for raising capital and decided that a floating rate capital note issue is an appropriate way to strengthen SUNCORP~METWAY's capital position while also providing existing shareholders, customers and others with an opportunity to participate further in our progress.

On behalf of the Directors of SUNCORP~METWAY, I commend this issue of Notes to you.



R John Lamble AO
Chairman

1 Purpose of the Issue

The purpose of the Issue is to raise a minimum of \$50 million of capital to help support the future balance sheet growth of SUNCORP~METWAY. The funds raised from the Issue will contribute to SUNCORP~METWAY's tier 2 capital under the capital adequacy guidelines of APRA. As such, the Issue is expected to improve the relative mix of SUNCORP~METWAY's capital within the prescribed regulatory capital requirements. For further information on SUNCORP~METWAY's capital adequacy position, see section 3.6.

SUNCORP~METWAY intends to redeem the \$55m worth of fixed rate subordinated notes that were issued by the Company in December 1993 and which may be redeemed on 15 December 1998. Depending on the amount raised by the Issue, SUNCORP~METWAY intends to use some or all of the proceeds for this redemption. See section 3.2.3 for further information about the Company's right to redeem those notes.

2 Offer Summary

The Issuer:	SUNCORP–METWAY LTD
Notes:	Unsecured perpetual floating rate subordinated notes each with a face value of \$100 per Note. The Notes are not bank deposits nor deposit liabilities in Australia of SUNCORP–METWAY within the meaning of the Banking Act 1959 (Commonwealth). This means that they do not have such protection as is afforded to deposit liabilities under the Banking Act.
Subordinated:	<p>The Notes are a subordinated obligation of SUNCORP–METWAY. The Terms and Conditions of Notes provide for the principal and interest on the Notes to absorb losses where the Company would not otherwise be solvent. On a winding up, the Noteholders would be treated like a class of preference shareholders ranking in priority to the claims of all other shareholders. They will rank behind all other creditors of the Company (including Subordinated Creditors), unless their claims are expressed to rank behind or equally with the claims of Noteholders.</p> <p>On a winding up, the Notes will rank in priority to the ordinary shares (including Subordinated Dividend Shares), converting preference shares (series 2) and Special Series Capital Notes. They will rank behind all the liabilities described in section 3.4, and all other Subordinated Creditors of the Company described in section 3.2.3 .</p>
Size of the Issue:	The offer is for the issue of a minimum of 500,000 Notes of \$100 each to raise \$50 million. The Issue is for 2,000,000 Notes (\$200 million), but oversubscriptions of a further 500,000 Notes (\$50 million) may be accepted.
Term:	The Notes are perpetual (unless redeemed by SUNCORP–METWAY).
Interest Rates:	<p>Interest will be paid only to successful applicants.</p> <p>From the Closing Date to the date of redemption of the Notes, the interest rate will be fixed quarterly at the 90 Day Bank Bill Rate plus a margin of 0.75% per annum determined at the commencement of each quarter.</p>
Initial Interest Payment:	Noteholders will be paid an initial Interest Payment for the period from the Closing Date to 15 February 1999. The Record Date for determining entitlements for this Interest Payment will be 15 February 1999.
Regular Interest Payments:	Noteholders will be paid regular interest payments for each consecutive quarter from 16 February 1999 until the redemption of the Notes.

Offer Summary continued

Interest Dates:	<p>Interest will be calculated quarterly in arrears while the Notes remain on issue, on 15 February, 15 May, 15 August and 15 November in each year. Interest payments will be made 11 Business Days after the end of each Interest Period.</p> <p>The Record Date for determining entitlements to Interest Payments will be 11 Business Days (or such other period determined under the Listing Rules from time to time) prior to the relevant Interest Payment Date. The registered holder of Notes at that time will receive the next Interest Payment.</p> <p>Notes are expected to trade on ASX "ex-interest" (that is without an entitlement to the next Interest Payment) 6 Business Days prior to the Record Date.</p>
Deferral of Interest:	<p>Interest Payments may be deferred by SUNCORP~METWAY in certain circumstances specified in the Terms and Conditions of Notes, namely where the Company has not paid any dividend on its ordinary and preference shares in the previous financial year, or where the Directors have resolved not to pay any dividend on its ordinary and preference shares in the current financial year.</p>
Redemption:	<p>SUNCORP~METWAY will not redeem any Notes for five years from the date of issue of the Notes unless it is satisfied that the interest paid on the Notes will not be an allowable deduction for Australian income tax purposes or the tax law is changed or is proposed to be changed and SUNCORP~METWAY is of the opinion that it is reasonably probable that the interest will not be an allowable deduction. After the first five years, SUNCORP~METWAY has the right to redeem any Notes even though there has been no change or no proposed change to the tax treatment of the interest. No matter when the Notes are redeemed, SUNCORP~METWAY must obtain the prior consent of APRA to the redemption.</p>
Buy Back of Notes:	<p>SUNCORP~METWAY may, subject to the prior consent of APRA, offer to repurchase some or all Notes on issue at any time. An offer to repurchase Notes may be undertaken in any manner thought fit by SUNCORP~METWAY, for any quantity of Notes and need not be extended to every Noteholder.</p>
Minimum Application:	<p>The minimum number of Notes that may be applied for on any Application is 50 Notes (\$5,000). Applications in excess of the minimum amount must be in multiples of 10 Notes (\$1,000).</p>

Offer Summary continued

Allotment:

The Notes will be allotted as soon as practicable after the close of the Issue. SUNCORP~METWAY reserves the right to reject any Application or part of any Application.

SUNCORP~METWAY also reserves the right to allocate Notes in such a manner and to such applicants as it thinks fit in its absolute discretion. In particular, SUNCORP~METWAY may give preference to holders of fixed rate subordinated notes that were issued in 1993 and which are intended to be redeemed on 15 December 1998.

Uncertificated (CHESS):

SUNCORP~METWAY will apply for the Notes to participate in the Clearing House Electronic Subregister System (CHESS). No certificates will be issued to the successful applicants. In addition to a CHESS subregister, SUNCORP~METWAY will operate an issuer sponsored subregister. The two subregisters together will make up the register of Noteholders.

Following allotment, applicants on the issuer sponsored subregister will receive a statement (similar to a bank account statement) that sets out the number of Notes allotted and the Shareholder Reference Number (SRN) allocated. Successful applicants on the CHESS subregister will be issued a notice stating their Holder Identification Number (HIN) and advising the number of Notes allotted.

Statements will only be issued at the end of each subsequent month to all Noteholders where a transaction has been applied to their holding during the month. End of month statements, when changes have occurred during a month, are issued to CHESS holders by the clearing house and to issuer sponsored holders by the Note Registrar.

ASX Listing:

SUNCORP~METWAY will apply to ASX, within three Business Days after the date of issue of this Prospectus, for Official Quotation of the Notes. It is intended that quotation will occur as soon as possible after allotment of the Notes, and is expected to occur on 17 December 1998.

If Official Quotation is not granted within the time permitted by the Corporations Law, all Application monies will be refunded to Applicants. No interest will be paid on any refunded monies.

Brokerage and Handling Fees:

No brokerage or handling fees are payable by applicants on subscription for the Notes, nor will any such fees be deducted from the Application monies.

Offer Summary continued

Legal and Taxation Considerations:	<p>Dealing in Notes issued under this Prospectus may have taxation implications for Noteholders, which will vary depending on the Noteholder's own circumstances. Potential investors should seek their own advice as to investment in Notes. Certain limited disclosures are made in section 8.7.</p> <p>This Prospectus does not constitute nor contain and it should not be taken as constituting nor containing any legal or taxation advice.</p>
Applications:	<p>All Applications to subscribe for Notes must be made on the Application Form attached to this Prospectus and in accordance with the instructions set out on the reverse side of the Application Form.</p> <p>Payment for the Notes must be made in full with the Application. However, the Company may make arrangements with the holders of the fixed rate subordinated notes that were issued in 1993 to finance the application monies for the Notes, with such loan to be repaid from the proceeds of redemption of those notes.</p>
Future Issues:	<p>SUNCORP–METWAY reserves the right to issue further Notes and to issue other Debt Instruments that could rank ahead of or equally with the Notes issued under this Prospectus.</p>
No Issue Rights:	<p>Noteholders do not have any right to participate in future issues by SUNCORP–METWAY, whether the issues be of equity, debt or some other instrument.</p>
Minimum and Maximum Subscription:	<p>The minimum amount that may be raised under this Prospectus is \$50 million. If the minimum subscription amount is not achieved, all Application monies will be returned to applicants. No interest will be paid on any refunded monies.</p> <p>The maximum amount that may be raised under this Prospectus is \$250 million.</p>
Qualification as Capital:	<p>Under APRA's capital adequacy guidelines the funds raised by the issue of the Notes will qualify as tier 2 capital for the purpose of the Company's capital requirements.</p>
Modifications:	<p>The consent of APRA must be obtained prior to making any changes to the Terms and Conditions of Notes which impact on their eligibility as tier 2 capital, particularly in relation to subordination, minimum term or the repayment, purchase or redemption of the debt.</p>

Potential investors should read the whole Prospectus before making an investment decision. This offer summary is only a summary of the Terms and Conditions of Notes, which are set out in full in section 5.

3.1 The SUNCORP~METWAY Group's Business

History

SUNCORP~METWAY is a public listed company originally formed in 1959 as Metropolitan Permanent Building Society (MPBS). On 1 July 1988, MPBS converted to Metway Bank Limited and was granted a banking authority under the Banking Act 1959 (Cth) by the Reserve Bank of Australia.

In 1990, the Company further diversified its growth away from its building society origins by the acquisition of the Sydney based finance company, Prudential Finance Limited.

On 1 December 1996, the Company acquired the SUNCORP Insurance & Finance Group and QIDC Group from the Queensland Government for a consideration of \$1,290 million, satisfied by an issue of 42.8 million ordinary shares in the Company, 100 million Subordinated Dividend Shares and a cash payment of \$697.5 million. The Queensland Government immediately used the \$697.5 million in cash to subscribe for 155 million Special Series Capital Notes. Prior to the merger, the Queensland Government held approximately 14 million ordinary shares in the Company.

The Company changed its name to SUNCORP~METWAY LTD on 6 May 1997.

The SUNCORP Insurance & Finance Group and the QIDC Group were two of Queensland's oldest financial institutions. The SUNCORP Insurance & Finance Group had its antecedents in the State Government Insurance Office, which commenced in 1916. The QIDC Group was the successor of the Corporation of the Agricultural Bank, which was established in 1923.

The merged Group became the largest financial services group based in Queensland, and, immediately following the merger, was Australia's seventh largest banking group.

Shareholders

The Company has approximately 36,000 shareholders, with the Queensland Government currently the major shareholder. The Queensland Government's holding is registered in the name of Queensland Treasury Holdings Pty Ltd (QTH) and at the date of this Prospectus, was made up of approximately 56 million ordinary shares, 100 million Subordinated Dividend Shares and 155 million Special Series Capital Notes (which are convertible into ordinary shares). However, on 20 October 1998, QTH gave a notice to the Company to convert 12.5 million Special Series Capital Notes into ordinary shares. The conversion must occur before 3 November 1998. See section 3.2.1 for further information on SUNCORP~METWAY's capital structure.

In the Explanatory Memorandum sent to shareholders in relation to the merger of Metway Bank Limited with the SUNCORP Insurance & Finance Group and the QIDC Group, Metway Bank Limited outlined the Queensland Government's intention to offer to sell to shareholders one ordinary share in the Company for every two ordinary shares held on 1 December 1998 at \$5 per share. The offer will not apply to any ordinary shares issued after 1 December 1996. The Queensland Government has advised SUNCORP~METWAY that it will proceed with this offer and is currently working on the necessary arrangements to implement the offer.

The Queensland Government currently holds approximately 67% of the Company's ordinary shares (including the Subordinated Dividend Shares) on a fully diluted basis, assuming that all of the Special Series Capital Notes and the converting preference shares (series 2) and executive options are converted to ordinary shares.

However, the 100 million Subordinated Dividend Shares which are registered in the name of QTH are presently the subject of the Series 1 Exchanging Instalment Notes (Series 1 EINs). Each Series 1 EIN gives

the holder a right to receive from the Queensland Government one ordinary share on 1 November 1999, subject to payment of the second instalment on the Series 1 EIN by 30 September 1998. See section 3.3.1 for further information on the Series 1 EINs.

Holders of Series 1 EINs may vote in relation to the underlying Subordinated Dividend Shares by direction to QTH. QTH may only cast a vote on a resolution in respect of the number of Subordinated Dividend Shares corresponding to Series 1 EINs for which it receives a valid voting direction. However, on a resolution which affects or may affect the entitlements to dividends or the amounts payable in respect of dividends, QTH must vote in accordance with the directions of the Queensland Government.

Therefore, the Queensland Government does not control the exercise of the votes attaching to the Subordinated Dividend Shares except on resolutions in relation to dividends.

The Queensland Government has announced the offer of 142.5 million Series 2 Exchanging Instalment Notes. Each Series 2 EIN will become exchangeable for one SUNCORP~METWAY ordinary share on 31 October 2001 subject to the payment of the second instalment on 6 November 2000. The Queensland Government has stated that it intends to utilise the ordinary shares issued upon conversion of 142.5 million Special Series Capital Notes to meet its obligations to the holders of Series 2 EINs.

The Queensland Government has agreed to convert all the Special Series Capital Notes into ordinary shares by 30 June 2001. Unlike the Series 1 EINs, the Series 2 EINs will not allow the holder to vote at a general meeting of the Company. Therefore, the Queensland Government's aggregate voting power on an undiluted basis will increase as the Special Series Capital Notes are converted.

On a fully diluted basis, the Queensland Government at the date of this Prospectus controls approximately 46% of the votes attaching to ordinary shares.

If all ordinary shareholders take up their full entitlement under the Queensland Government's 1 for 2 offer, and all holders of Series 1 EINs and Series 2 EINs pay the second instalment on those EINs, the Queensland Government is not expected to have a material holding of ordinary shares on a fully diluted basis after 31 October 2001.

Vision

The vision of the Group is:

- To become Australia's leading Allfinanz retailer
To have six or more of the Group's products used by each household
- To become Australia's preferred lender to "owner managed" businesses
To be lender of first choice to small and medium size businesses

Organisation

To enable it to pursue its vision better, the Group's business is split into two areas of operations, Consumer Allfinanz Services and Business Banking.

Consumer Allfinanz Services provides and distributes retail banking, general insurance, life insurance, superannuation and investment products to over 2.4 million customers in 1.7 million households, predominantly in Queensland but with a growing presence in New South Wales and Victoria. The Group is the market leader in Queensland in home insurance, motor insurance, compulsory third party insurance and retail deposits.

About The SUNCORP~METWAY Group continued

Business Banking provides an extensive range of products and services catering for small to medium sized commercial businesses through three key units:

- ▣ a specialist Property Finance unit which combines development finance and property investment finance;
- ▣ Commercial Banking, which comprises the Business Banking and QIDC networks as well as Corporate Finance and International Trade Finance; and
- ▣ Leasing.

Results - Year Ended 30 June 1998

A summary of the financial statements in relation to the year ended 30 June 1998 for the Company and the Group are set out in section 7 of this Prospectus.

Profitability

The profit result for the year ended 30 June 1998 is made up of contributions from the Group's divisions as follows:

The Group profit of \$233 million equates to a 16.6 percent return on shareholders' funds. Initial merger savings and process improvements are reflected in the Group's efficiency ratio (costs as a percentage of income), which improved to 40.8 percent compared to last year's 48.0 percent.

Banking profit before tax was \$157 million and gross loan assets grew by 8.5 percent to \$15.8 billion. As expected, there was continued downward movement on margins due to strong competition and the overall margin reduced from 3.0 percent to 2.8 percent. This was most pronounced in the second half of the year. Bad debts of \$60 million for the year were higher than expected due to a \$32 million provision for losses on four loans from the (now discontinued) investment banking arm of QIDC.

The General Insurance profit before tax was \$120 million. Profit in 1997/98 was lower than 1996/97 because of the lower investment returns on equity

	\$m Year Ending 30/6/98	\$m* Year Ending 30/6/97
Banking	157	117
General insurance	120	109
Life insurance	23	13
Other activities	4	4
Operating profit before tax, goodwill and abnormals	304	243
Less goodwill amortisation	(10)	(6)
Operating profit before tax and abnormals	294	237
Less tax on operating profit	(61)	(61)
Profit after tax, goodwill and before abnormals	233	176
Less abnormal items after tax	-	(26)
Profit after tax and goodwill and abnormals	233	150
Return on average ordinary shareholders' equity (undiluted) %:	16.61	15.67
Return on average total shareholders' equity (diluted) %:	11.83	11.59
Basic earnings per ordinary share after abnormals - cents	56.66	47.07
Diluted earnings per ordinary share after abnormals - cents	45.83	41.23

*5 months' results for the former Metway Bank Limited and its subsidiaries prior to the merger and 7 months' results for the SUNCORP~METWAY Group after the merger.

investments. On a year by year basis, net premium income grew by 9.8 percent, reflecting good growth in home and contents, motor and compulsory third party. Competitive pressure constrained commercial insurance growth. Comparing the underwriting result on a full year basis shows a loss of \$90 million compared to a loss of \$133.1 million last year. The improved result is both a sign of improved performance over a number of products and the discount rate applied to outstanding claims reducing by a lesser amount than last year. Consequently, the loss ratio improved from 97.8 percent to 91.3 percent. The expense ratio also improved by 7.7 percent, to 22.3 percent.

While underwriting performance improved in the year, investment returns - both the Group's and market's generally - were below those of 1996/97.

Life and Superannuation achieved substantial increases in sales of risk, superannuation and investment products, including unit trusts. While sales grew significantly, costs were maintained at prior year levels. This enabled the contribution to profit from life insurance activities to increase by 7.9 percent on an annualised basis to approximately \$23 million.

Transformation Programme

Since the merger a number of performance improvements have been made, including eliminating duplicated functions and using the purchasing power of the larger company.

In October 1997 the Group launched the Transformation Programme, inviting staff from all parts of the Group to nominate ideas for further improvements. The aim was to improve efficiency while delivering competitive products and quality service. Over 16,000 ideas were suggested and then evaluated for business risk, customer impact and practicality. A total of 1450 ideas were ultimately selected.

If all remaining selected ideas are fully implemented, SUNCORP~METWAY has estimated their future full

potential for improvement to be approximately \$100 million per annum. Cost savings are expected to account for approximately 75 percent, reduced claims expense for 13 percent and revenue improvements for the balance. Non-recurring implementation costs are expected to be \$60 million.

Implementation of the Transformation Programme ideas began in April 1998 and will continue on a quarter-by-quarter schedule through 1998 and 1999 and is expected to be completed by December 1999.

It is important to understand how the Transformation Programme improvements will improve the Group's profits, and how they will not. It would be erroneous to assume that all improvements, if realised, will automatically flow through to the pre-tax profit. As business conditions change, some improvements may be required to offset adverse effects of the changes. For example, if competition squeezes profit margins, some of the improvement may be required just to offset the squeeze and maintain current profitability. In addition, some of the savings will be re-invested in growth opportunities where the earnings improvement may take a year or two to exceed the original investment.

The implementation of the ideas makes the Transformation Programme a major plank in the strategy to grow earnings. The aim of management and the Board is to strike the right balance between re-investing savings or taking them directly to profit to give the highest value to shareholders over the long term.

The focus of the Transformation Programme has been on how to do things more efficiently and better, not a target reduction in jobs per se. While the improvements will reduce the size of the Group's work force, natural attrition, re-investment projects and natural growth will help keep redundancies to a minimum.

One Brand Project

The One Brand project is well under way and will take the Group from separate brands, products, branches

About The SUNCORP~METWAY Group continued

and computer systems to one common SUNCORP~METWAY approach. For example, the banking product range will be simplified from 680 products to 140. By April 1999 all customers will be converted to the new product set and from May 1999 the Group will trade as SUNCORP~METWAY, with new logo, colour scheme and signage.

Employment

During the year ended 30 June 1998 the full-time equivalent work force reduced from 5341 to 4762. Natural attrition accounted for a large portion of the reduction and during the year 648 people were hired to fill positions that became vacant and could not be filled internally.

During the year, a Certified Agreement was put in place giving staff and the Group greater flexibility in the work environment. New remuneration schemes for all staff have been introduced, rewarding individuals for the combination of their individual performance and the performance of the Group.

Events since the end of the Financial Year

Since the end of the 1998 financial year, the Company has entered into a scheme of arrangement with QIDC, a wholly owned subsidiary, to facilitate the transfer of all the assets and liabilities of QIDC to the Company from 1 July 1998. There has been no material effect on the affairs of the Company or the Group as a result of the completion of the scheme.

Other than the above and Queensland Government's proposed issue of Series 2 EINs described in Section 3.3.2, no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company or the Group, the results of those operations, or the state of affairs of the Company or the Group in subsequent financial years.

Outlook

SUNCORP~METWAY expects the Group's financial performance for 1998/99 will be influenced by three key factors:

- the Australian economy will grow more slowly due to dramatic slowdown in Asia and a modest slowing in the U.S. economy. Consequently, the Group expects slower growth in banking and insurance. Slower industry growth means competitive pricing pressure will continue;
- under that economic outlook, investment markets are generally not expected to perform as well in 1998/99. If that proves true, the Group's investment income may be less than last year; and
- internally, the Group expects to incur significant one-time costs for the One Brand and Year 2000 projects and to implement the Transformation Programme. These costs are expected to total approximately \$75 million and they will largely offset the merger and Transformation Programme benefits expected to be realised in the year.

If these assumptions about the economy hold true then SUNCORP~METWAY expects the 1998/99 Group profit will be similar to the 1997/98 result.

Although the expense of the major change programmes will constrain the Group's earnings in the current financial year, the programmes are expected to improve core profitability on an ongoing basis. They are key parts of the Company's 1998/99 strategy for growing shareholder value, which is to:

- make the Group's operations as efficient as they can be through the Transformation Programme and One Brand project;
- improve service to customers and carefully manage changes that affect them, so that, unlike most mergers, the customer franchise is maintained and grows; and
- begin to vigorously and systematically pursue, in the second half of the year, the Allfinanz and business lending opportunities in the 2.4 million customers the Group serves.

SUNCORP~METWAY's Ability to Pay Dividends

The ability of the Company to pay dividends and the extent to which they are franked will depend on the continued profitability of the Group, which in turn will be affected by general economic conditions and specific conditions affecting the trading operations of the Group.

At the date of the Prospectus the Directors are not aware of any circumstances that would prevent the Company from paying a dividend on its ordinary or preference shares.

Regulatory Environment

As of 1 July 1998, the regulation of financial institutions in Australia including insurance and superannuation companies and banks is handled jointly by APRA and ASIC. Under the new guidelines all banks must comply with statutory requirements contained in the Banking Act 1959 (Cth) and certain Regulatory Supervision Prudential Guidelines issued by the Reserve Bank of Australia (and adopted by APRA effective 1 July 1998). All funds management and insurance entities are required to adhere to one or more of the Life Insurance Act 1995, Superannuation Industry (Supervision) Act 1993 and Insurance Act 1973 and other Acts.

On the basis of draft terms and conditions of the Notes provided to it by the Company, APRA has indicated that the Notes will qualify as upper tier 2 capital.

Corporate Governance Statement

The main Corporate Governance practices established by the Board to ensure the interests of shareholders, customers and staff are protected are summarised below.

Board Composition

The Queensland Government is currently a major shareholder of the Company and has the right to

appoint a maximum of four directors out of a nine director Board. Pursuant to a Deed of Covenant between the Company, the Queensland Government and the Commonwealth, the Queensland Government has agreed that it will not appoint or procure the appointment of its representative or nominee as Chairman or managing director of SUNCORP~METWAY. The Queensland Government has also agreed that it will not, whether through its representatives on the Board or in any other way, conduct or attempt to conduct the operations of the SUNCORP~METWAY Group.

The Deed of Covenant ceases to have effect when the Queensland Government is entitled to less than 15% of the voting rights attached to issued shares in SUNCORP~METWAY.

Committees

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

Chairman's Committee

This committee makes recommendations to the Board on:

- board appointments;
- operation and performance of the Board;
- remuneration of directors, including the Managing Director; and
- setting performance targets for the Managing Director and reviewing recommended performance targets for senior executives. The Managing Director is not present during discussion of his own remuneration or the setting of his performance targets.

Audit, Business Risk and Compliance Committee

The primary role of this committee is to monitor and review, on behalf of the Board, the effectiveness of the Group's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting, including reviewing the annual and semi-annual financial statements of the Group. The Committee is also responsible for recommending to the Board the appointment and removal of the external auditors and for determining their terms of engagement. To enhance the independence of the audit functions (both internal and external) there are no management representatives on the committee and the committee holds discussions with the auditors in the absence of management on a regular basis.

Board Credit Committee

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

Investment Committee

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

Year 2000 Compliance

The SUNCORP~METWAY Group is aware of the challenge of the Year 2000 issue. In 1997, a programme to address this challenge was established with DMR Consulting Group (Australia) Pty Ltd, a major information technology consulting organisation.

The Group's Year 2000 programme also includes participation in various industry Year 2000 strategy groups and the Group will participate in the Testing Sub-Committee of the Inter-Bank Working Group.

Business banking clients have been surveyed to assess their risk of non-compliance. New business applications will require completion and satisfactory risk assessment of SUNCORP~METWAY's Year 2000 survey form as part of the credit risk approval process.

The Group has identified all business critical suppliers and has requested written compliance statements. These responses are being reviewed and follow-up undertaken based on the supplier. This includes direct contact to review the supplier's progress with Year 2000 compliance.

The Group's Year 2000 programme includes a project to ensure the systems that control air conditioning, lighting, security systems and fire alarms on Group owned and occupied properties will continue functioning over the century date change.

The Group's programme at this time is well advanced. Solutions for the Group's major business critical systems are expected to be implemented and tested by the end of 1998, with solutions for remaining business critical systems implemented and tested by June 1999.

The Group is also directing resources towards the development of contingency plans to reduce the risk of non compliant external sources, including utility and third party resource providers, affecting the Group's operation.

3.2 Capital Structure

3.2.1 Equity

SUNCORP~METWAY's equity structure is as follows:

Type of Share/Option	Number of Shares/Options 30 June 1998	Number of Shares/Options 30 September 1998
Ordinary Shares		
fully paid	192,280,137	192,458,187
issued at 50c		
partly paid to 45c	36,600	33,800
partly paid to 44c	169,950	Nil
partly paid to 5c	124,050	118,750
Subordinated Dividend Shares	100,000,000	100,000,000
Converting Preference Shares (Series 2)	5,455,140	5,455,140
Non-Participating Shares	2,000	2,000
Executive Options	3,369,000	3,244,000

Ordinary Shares

As at 30 September 1998, SUNCORP~METWAY had approximately 192.5 million fully paid ordinary shares (other than Subordinated Dividend Shares) on issue. However on 20 October 1998, the Company received from QTH a notice to convert 12.5 million Special Series Capital Notes into ordinary shares. The conversion must occur before 3 November 1998, following which, the Company will have approximately 205 million fully paid ordinary shares on issue.

In addition there were 152,550 partly paid ordinary shares which were issued pursuant to an employee share acquisition scheme.

Subordinated Dividend Shares

As part of the consideration for the acquisition of the SUNCORP Insurance & Finance Group and the QIDC Group, the Company issued 100 million Subordinated Dividend Shares to QTH (on behalf of the Queensland Government) on 1 December 1996.

The Subordinated Dividend Shares rank behind other ordinary shares in respect of dividends declared by SUNCORP~METWAY for the financial years ending 30 June 1998 and 30 June 1999. Any dividends declared by SUNCORP~METWAY in relation to a particular financial year will first be applied to ordinary shares to the extent of 44 cents. Any dividends declared above those levels will be applied firstly to the Subordinated Dividend Shares to the extent of 44 cents, and then equally in respect of the ordinary shares and Subordinated Dividend Shares. Except as set out above, the Subordinated Dividend Shares have the same rights and entitlements as ordinary shares in SUNCORP~METWAY.

On the day immediately after the declaration of the first dividend by SUNCORP~METWAY after 30 June 1999 (expected to be September 1999), but in any event on 1 July 2000, the Subordinated Dividend Shares will rank equally for dividends with all other ordinary shares on

issue, and will be recognised for all purposes as ordinary shares in SUNCORP~METWAY.

The Queensland Government has given an undertaking that none of the Subordinated Dividend Shares held on its behalf will be transferred out of its control until they rank equally with other ordinary shares. The Subordinated Dividend Shares are currently the subject of the Series 1 EINs described in section 3.3.1.

Converting Preference Shares (Series 2)

The Converting Preference Shares (Series 2) are fully paid non-redeemable non-cumulative converting preference shares.

The base dividend payable on each Converting Preference Share is 110.5 cents per annum, with a pro rata amount for any part of a year. A supplementary dividend may also be payable in accordance with the formula set out in the terms of issue of the Converting Preference Shares. Each Converting Preference Share converts into one ordinary share on 17 October 2000. Between 17 October 1999 and 17 October 2000, the Company may accelerate conversion by resolving to convert some or all of the Converting Preference Shares. At present, the Company does not intend to accelerate conversion of any Converting Preference Shares.

Additional ordinary shares must also be issued upon conversion of each Converting Preference Share in accordance with the formula summarised as follows:

(\$13.00 / Reference Price)-1

where: "Reference Price" means the lesser of \$7.00 and the weighted average sale price per ordinary share on ASX during the 10 trading days immediately before and inclusive of the conversion date, discounted by 7.5%.

An adjustment may be made where fully paid ordinary shares are trading cum or ex dividend, entitlement or distribution during that period.

Non-Participating Shares

There are 2,000 non-participating shares in the capital of SUNCORP~METWAY held by Permanent Trustee Australia Limited as trustee under a deed of trust dated 23 March 1988. Essentially the non-participating shares confer certain limited rights on the trustee in relation to pre-conversion reserves of approximately \$13,261,000.

These are reserves in existence as at the date of conversion of SUNCORP~METWAY from MPBS to Metway Bank Limited in 1988 and are held for the benefit of former MPBS members. The non-participating shares confer limited voting rights upon the trustee. The Company's Constitution also contains certain entrenched provisions in relation to the non-participating shares and pre-conversion reserves.

Executive Options

On 14 March 1997, the members of SUNCORP~METWAY resolved to adopt an executive option plan. Under the plan, the Board may offer options to employees of Group companies or their associates. The number of options, option price and exercise price are determined by the Board in accordance with the terms of the plan. The exercise period and conditions upon which the options may be exercised are also set by the Board.

The total number of unissued shares which are the subject of the options granted under the plan must not exceed 5% of the Company's total number of fully paid ordinary shares on issue from time to time.

As at 30 September 1998, there were 3,244,000 options issued under the plan which had not been exercised.

3.2.2 Special Series Capital Notes

At the date of the Prospectus, SUNCORP~METWAY has 155 million Special Series Capital Notes on issue with a principal value of \$697.5 million. However, on 20 October 1998, QTH gave a notice to the Company to convert 12.5 million Special Series Capital Notes into ordinary shares. The conversion must occur before 3 November 1998, following which the Company will have 142.5 million Special Series Capital Notes on issue.

The Special Series Capital Notes were issued to Queensland Treasury Holdings Pty Ltd (on behalf of the Queensland Government) on 1 December 1996. These notes are subordinated unsecured fixed rate convertible notes carrying interest at 8.7% per annum on their face value of \$4.50. They mature on 30 November 2006 and are subordinated to all other creditors of the Company other than those whose claims rank or are expressed to rank pari passu with, or junior to, the claims of the holder of the Special Series Capital Notes. On a winding up, the holders of the Special Series Capital Notes will rank equally with holders of ordinary shares in SUNCORP~METWAY.

Each Special Series Capital Note is convertible by the noteholder into one ordinary share at any time before it matures. The Queensland Government has agreed to convert all outstanding Special Series Capital Notes should the aggregate of the nominal amount of voting shares in SUNCORP~METWAY held by it and any entity owned or controlled by it fall below 15% of the aggregate of the nominal amount of all voting shares issued by SUNCORP~METWAY. This percentage is calculated by dividing the number of voting shares in SUNCORP~METWAY held by the Queensland Government together with the number of voting shares that would be held by the Queensland Government if all the Special Series Capital Notes were converted to ordinary shares on a notional basis, by the sum of the aggregate of the nominal amount of voting shares issued by

SUNCORP~METWAY and the number of voting shares that would be held by the Queensland Government if all the Special Series Capital Notes were converted to ordinary shares on a notional basis.

In any event the Queensland Government has agreed to convert all the Special Series Capital Notes by 30 June 2001.

3.2.3 Subordinated Debt

SUNCORP~METWAY also has the following notes on issue:

Subordinated Notes	A\$ million*
Floating rate notes due December 1998	5
Fixed rate notes due December 2003	55
Floating rate notes due December 2004	10
Fixed rate note due October 2005	50
Fixed rate note due August 2006	50
Fixed rate notes due November 2006	256

* Face value of notes

Floating Rate Subordinated Notes Due December 1998

On 6 December 1991, SUNCORP~METWAY issued 5 unsecured subordinated notes of \$1 million each, to raise \$5 million, which mature on 15 December 1998.

Interest is payable on these notes at the 180 day BBSW rate (as defined in the terms of the notes) plus a margin six monthly in arrears. Under the terms of issue of the notes, SUNCORP~METWAY must not pay a dividend to its shareholders unless it would still be able to pay amounts of principal or interest in accordance with the terms of the notes and on any other notes subordinated in the same manner as and when such amounts fall due for payment.

The rights of the holders of the notes are subordinated to the claims of all creditors, including

depositors of SUNCORP~METWAY who are:

- ❑ unsecured creditors;
- ❑ subordinated creditors of any subsidiary of SUNCORP~METWAY; or
- ❑ Subordinated Creditors, other than those whose claims rank, or are expressed to rank *pari passu* with or junior to the claims of the holders of the notes.

SUNCORP~METWAY's obligation to make payments of principal or interest is conditional on SUNCORP~METWAY being solvent at the time of payment and remaining solvent immediately after making such payment and all payments due in the same month in respect of other notes issued by the Company which are subordinated in the same manner.

Fixed Rate Subordinated Notes Due December 2003

In 1993, SUNCORP~METWAY issued approximately 550,000 unsecured subordinated notes of \$100 each to raise \$55 million. These notes mature on 15 December 2003. SUNCORP~METWAY may redeem all of these notes on 15 December 1998 or on 15 December in any subsequent year prior to maturity, by notice to the holders of the notes.

SUNCORP~METWAY intends to use some or all of the proceeds of the Issue to redeem all of these notes on 15 December 1998.

Until 14 December 1998, interest is paid on these notes at 7.5% per annum 6 monthly in arrears. From 15 December 1998 to the date of redemption or maturity, interest is payable at the higher of the One Year Swap Rate (as defined in the terms of the notes) plus a margin, or 7.5% per annum.

The obligations of SUNCORP~METWAY in respect of the monies owing pursuant to these notes are expressed to rank:

- ❑ before any shareholder of SUNCORP~METWAY;
- ❑ equally with all other subordinated obligations of SUNCORP~METWAY;

- ❑ equally among the holders of the notes in respect of monies owing pursuant to the terms of the notes;
- ❑ after payment of any other obligations; and
- ❑ after payments required by law to be made in priority to monies owing pursuant to these notes.

Floating Rate Subordinated Notes Due December 2004

In November 1994, SUNCORP~METWAY issued \$10 million worth of subordinated floating rate certificates of deposit. The notes mature in December 2004, but SUNCORP~METWAY may, subject to APRA approval, redeem some or all of the notes on the fifth anniversary of the date of issue, and on each subsequent anniversary until maturity by giving 10 days' notice to the holder of the notes.

Until 9 December 1999, interest is paid on these notes at the BBSW rate (as defined in the terms of the notes) plus a margin. For the period from that date until maturity or redemption, the margin is increased.

The rights of the holders of the notes are subordinated to the claims of all unsecured creditors of SUNCORP~METWAY.

Fixed Rate Subordinated Note Due October 2005

Pursuant to a Note Facility Agreement dated 24 October 1995 between QIDC and Queensland Treasury Corporation, QTC subscribed for a subordinated note having a principal sum of \$50 million. The note was issued by QIDC to QTC on 25 October 1995.

QIDC's rights and obligations under this note were transferred to and assumed by SUNCORP~METWAY on 1 July 1998 pursuant to a scheme of arrangement between QIDC and its sole member, SUNCORP~METWAY.

The note matures on 25 October 2005. However, with the consent of APRA, SUNCORP~METWAY may redeem the note on 25 October 2001 or every three calendar months thereafter by giving 21 days' notice to QTC.

The note pays interest six monthly in arrears until 25 October 2001, with a coupon rate of 10% per annum. Thereafter, interest is payable three monthly in arrears at the BBSW rate (as defined in the terms of the note) plus a margin for the period from 25 October 2001 to 24 October 2002, such margin increasing each year until maturity or redemption.

The rights of the holder of the note are subordinated to the claims of all creditors, including depositors, of SUNCORP~METWAY who are:

- unsubordinated creditors; or
- Subordinated Creditors, other than those whose claims rank or are expressed to rank pari passu with or junior to the claims of the holder of the note.

SUNCORP~METWAY's obligation to make payments of principal or interest is conditional on SUNCORP~METWAY remaining solvent immediately after making such payment.

Fixed Rate Subordinated Note Due August 2006

Pursuant to a facility agreement between QIDC and QTC dated 26 August 1996, QTC agreed to subscribe for an unsecured subordinated note.

The note, having a principal sum of \$50 million, was issued by QIDC to QTC on 30 August 1996.

QIDC's rights and obligations under this note were transferred to and assumed by SUNCORP~METWAY on 1 July pursuant to the scheme of arrangement between QIDC and SUNCORP~METWAY.

The note matures on 30 August 2006. However, with the consent of APRA, SUNCORP~METWAY may redeem the note on 30 August 2002, or every three calendar months thereafter by giving 21 days' notice to QTC.

The note pays interest six monthly in arrears until 29 August 2002, with a coupon rate of 10% per annum. Thereafter, interest is payable at the BBSW rate (as defined in the terms of the note) plus a margin for the period 30 August 2002 to 29 August 2003, such margin

increasing each year until maturity or redemption.

The rights of the holder of the note are subordinated to the claims of all creditors, including depositors, of SUNCORP~METWAY who are:

- unsubordinated creditors; or
- Subordinated Creditors, other than those whose claims rank or are expressed to rank pari passu with or junior to the claims of the holder of the note.

SUNCORP~METWAY's obligation to make payments of principal or interest is conditional on SUNCORP~METWAY remaining solvent immediately after making such payment.

Fixed Rate Subordinated Notes Due November 2006

Pursuant to a Facility Agreement between SUNCORP~METWAY and QTC dated 1 December 1996, QTC agreed to subscribe for up to two unsecured subordinated notes.

The first note, having a principal sum of \$192 million, was issued by SUNCORP~METWAY to QTC on 1 December 1996. The second note, having a principal sum of \$64 million, was issued by SUNCORP~METWAY to QTC in April 1997.

The notes mature on 30 November 2006. However, with the consent of APRA, SUNCORP~METWAY may redeem the notes on 1 December 2002, or every three calendar months thereafter by giving 21 days' notice to QTC.

The notes pay interest six monthly in arrears until 30 November 2002, with a coupon rate of 10% per annum. Thereafter, interest is payable at the BBSW rate (as defined in the terms of the notes) plus a margin for the period 1 December 2002 to 30 November 2003, such margin increasing each year until maturity or redemption.

The rights of the holders of the notes are subordinated to the claims of all creditors, including depositors, of SUNCORP~METWAY who are:

- unsubordinated creditors; or

- Subordinated Creditors, other than those whose claims rank or are expressed to rank pari passu with or junior to the claims of the holders of the notes. SUNCORP~METWAY's obligation to make payments of principal or interest is conditional on SUNCORP~METWAY remaining solvent immediately after making such payment.

3.3 Exchanging Instalment Notes

3.3.1 Series 1 Exchanging Instalment Notes

In October 1997, the Queensland Government issued 100 million Series 1 Exchanging Instalment Notes. Each Series 1 EIN corresponds to a Subordinated Dividend Share held by Queensland Treasury Holdings Pty Ltd.

The Series 1 EINs are not issued by, nor obligations of, SUNCORP~METWAY.

The Subordinated Dividend Shares corresponding to the Series 1 EINs are held on separate trusts by Queensland Treasury Holdings Pty Ltd for:

- the holder of the Series 1 EIN in relation to their interest, including the right to vote by direction to the trustee and to receive capital accretions such as bonus issues and rights issues; and
- the Queensland Government for all interests in the share, including the right to dividends, other than legal title and the Series 1 EIN holder's interest.

A holder of a Series 1 EIN will receive the corresponding Subordinated Dividend Share from the Queensland Government on 1 November 1999, subject to payment of the second instalment on the Series 1 EIN by 30 September 1998. By 1 November 1999, SUNCORP~METWAY expects that the dividend subordination of the Subordinated Dividend Shares will have ceased and that they will rank equally with all other ordinary shares on issue. See section 3.2.1 for

further details in relation to the Subordinated Dividend Shares.

Holders of Series 1 EINs will not be entitled to participate in the Queensland Government's 1 for 2 offer described in section 3.1 - Shareholders.

3.3.2 Series 2 Exchanging Instalment Notes

The Queensland Government has announced the offer of 142.5 million Series 2 Exchanging Instalment Notes. Each Series 2 EIN will become exchangeable for one SUNCORP~METWAY ordinary share on 31 October 2001 subject to the payment of the second instalment on 6 November 2000. The Queensland Government has stated that it intends to utilise the ordinary shares issued upon conversion of 142.5 million Special Series Capital Notes to meet its obligations to the holders of Series 2 EINs.

Shares transferred in exchange for Series 2 EINs will not participate in dividends in respect of the period ending 30 June 2001. **The Series 2 EINs are not issued by, nor obligations of, SUNCORP~METWAY.**

Holders of Series 2 EINs will not be entitled to participate in the Queensland Government's 1 for 2 offer described in section 3.1 - Shareholders.

3.4 Funding

The Company is a retail-based Allfinanz entity which derives a significant portion of its funding from retail deposits raised through its branch network. Other sources of funds include commercial deposits and wholesale funding from both the domestic and offshore markets. A separate senior debt facility is provided by Queensland Treasury Corporation. This facility terminates on 30 November 1999.

SUNCORP~METWAY is also in the process of establishing a securitisation vehicle which, once completed, will allow the Company to access an

alternate source of funds from the wholesale market.

The Company's funding is broken down as follows:

Retail and Commercial Deposits

As at June 1998, approximately 60% of the Company's banking liabilities were funded from the retail and commercial markets. Retail deposits are sourced from the retail market via its branch network. Retail deposit products include call and term deposits, savings, cheque and investment accounts, and Queensland Investment Bonds. Commercial deposits are raised by the Company's Treasury Financial Services desks in Brisbane, Sydney and Melbourne. These deposits range from overnight cash to five years.

Wholesale

SUNCORP~METWAY raises funds from the wholesale market through the direct issuance of Negotiable Certificates of Deposit and via a number of specific debt programmes. These programmes include :

Transferable Certificate of Deposit Programme

This programme, originally set up by the Company in 1993, was upgraded in July 1997 to an expanded group of five dealers. There have been a number of issues under this programme including several large syndicated tranches and a number of smaller private placements. Total outstandings at 30 June 1998 were approximately \$850 million.

Asian Debt Instrument Programme

Metway Bank Limited established a US\$100 million Asian Commercial Paper Programme in September 1988. This original programme has been upgraded on a number of occasions since that time. It was most recently revised, in April 1997, to a US\$1.5 billion Debt Instrument Programme. Total outstandings as at 30 June 1998 were A\$515,381,151 million equivalent.

Euro Medium Term Note Programme

In October 1997, the Company established a US\$2 billion Euro Medium Term Note Programme with a

total of six dealers. Since that time there have been three large syndicated tranches and a significant number of private placements issued under this programme. Total outstandings as at 30 June 1998 were A\$1,325,764,467 million equivalent.

Euro Commercial Paper Programme

In April 1998, SUNCORP~METWAY established a US\$1 billion Euro Commercial paper programme to provide a further avenue for opportunistic short-term funding. There were no outstandings as at 30 June 1998.

Queensland Treasury Corporation

As a direct result of the merger, the SUNCORP~METWAY Group had a significant proportion of wholesale debt issued to Queensland Treasury Corporation. This arose from the Queensland Government's ownership of the QIDC Group and SUNCORP Insurance & Finance Group. The formation of the SUNCORP~METWAY Group in December 1996 saw the amalgamation of these pre-existing funding lines into a \$3 billion debt facility repayable over a three year period.

The repayment schedule provides for the facility limit to be reduced from its \$3 billion ceiling to zero by 30 November 1999. The facility decreases by \$600 million increments every 6 months starting from 30 November 1997. Outstandings under this facility as at 30 June 1998 were \$1,670 million which was slightly ahead of schedule.

Securitisation

SUNCORP~METWAY is in the process of establishing a multi-asset securitisation vehicle which will provide access to a different source of funds from the wholesale market. It is expected that the initial tranche of assets to be securitised will be a pool of residential mortgages currently held on-balance sheet by the Company. Future tranches of securitised assets may include auto loans and leases and commercial loans.

3.5 Risk Management

Management of risk throughout the SUNCORP~METWAY Group is through a system of delegated limits. These limits govern the maximum amount and type of risk that can be assumed, severally by units within the Group and by the Group as a whole. The limits are delegated from the Board of Directors to executive management.

The risk management framework includes policies and procedures which detail a formal feedback process to the Audit, Business Risk and Compliance Committee, the Credit Committee and/or the Investment Committee. These Board Committees are collectively responsible for ensuring the Group has appropriate systems and policies and procedures to measure, monitor and report on risk management. For further information on their functions, see section 3.1 - Committees.

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

The Company has specific risk management policies both at the Board and executive levels which deal with the management of:

- liquidity risk - the risk of being unable to meet financial obligations as they fall due;
- credit risk - the risk of future financial loss resulting from the failure of clients or counterparties to meet contractual payment obligations to the Group as they fall due;
- interest rate risk - the potential for a change in the interest rate to have an adverse effect on the revenue earnings in the current reporting period and in future years;
- foreign exchange risk - the risk that arises from the effects of movements in the exchange rate on open foreign currency positions; and
- equity risk - the potential for a change in equity prices to have an adverse effect on the Group's revenue;
- operational risk - the risk of exposure to unexpected financial and non-financial losses arising from the way in which the Group conducts its business operations.

3.6 Capital Adequacy

The following is a summary of SUNCORP~METWAY's capital adequacy calculations including a pro-forma calculation as at 30 June 1998 which shows the capital adequacy figures as if \$200 million had been raised by the Issue with \$55 million applied to redeem fixed rate subordinated notes that were issued by the Company in December 1993 and the balance invested in 100% Risk Weighted Assets.

	Actual 30 June 1997	Actual 30 June 1998	Proforma 30 June 1998
Total tier 1 Capital (\$m)	1,485	1,594	1,594
Total tier 2 Capital (\$m)	532	543	688
Less Deductions from Capital (\$m)	(669)	(630)	(630)
Total Qualifying Capital (\$m)	1,348	1,507	1,652
Total Risk Weighted Assets (\$m) *	12,892	14,410	14,555
Risk Weighted Capital Ratios (%)			
tier 1	11.52%	11.06%	10.95%
tier 2	4.13%	3.77%	4.73%
Deductions	(5.19%)	(4.37%)	(4.33%)
Net Capital Adequacy	10.46%	10.46%	11.35%

* includes off balance sheet and market risk capital charges

Following the Issue, the capital adequacy ratio will increase from 10.46% to 11.35% and continue to exceed the minimum 10% ratio required by APRA. The Company may not necessarily invest all of the balance of the proceeds of the Issue in 100% Risk Weighted Assets. In such circumstances, the Pro-forma 30 June 1998 figure above may not reflect the capital position of the Company.

Additionally, APRA announced on 28 August a widening of the 50% risk weighted concession to include housing loans with a loan-to-valuation ratio above 80 per cent provided they are covered by adequate mortgage insurance. This concession has increased the capital adequacy ratio by approximately 1 per cent from 1 July 1998.

In line with APRA capital adequacy measurement rules, the amounts of subordinated notes included in tier 2 capital have been reduced by 20 percent for each of their last 5 years to maturity.

3.7 Credit Ratings

A credit rating is a rating assigned to an organisation by a ratings agency. It expresses the ratings agency's opinion about the relative credit worthiness of the organisation. Credit ratings may be expressed to relate to specific types of securities or obligations of an organisation or may relate to the organisation.

About The SUNCORP~METWAY Group continued

The ratings system is designed to provide a consistent framework for comparing the relative credit worthiness of different organisations. A credit rating is not a recommendation to buy securities, personalised or otherwise. The ratings agencies are not inducing or advising investors to take any action with respect to the Notes or any other security.

A credit rating may be changed or withdrawn at any time. A ratings agency does not independently verify the information on which ratings are based. None of the ratings referred to below were given by a ratings agency for the Notes.

The table below sets out the ratings assigned to SUNCORP~METWAY by various ratings agencies:

	Short Term	Long Term	Claims Paying	
			General Insurance	Life and Super
Standard & Poor's	A-2	A-	A-	A-
Fitch IBCA	F-1	A	A+	A
Moody's				
Bank Deposits	P-2	Baa1	n/a	n/a
Senior Debt	P-2	Baa2	n/a	n/a

Note :

1. A Standard & Poor's credit rating is not a recommendation to purchase, sell or hold a financial obligation, inasmuch as it does not comment as to market price or suitability for a particular investor. On 16 June 1998, Standard & Poor's affirmed its counterparty ratings and its long and short term ratings for deposits and other senior obligations for SUNCORP~METWAY. Standard & Poor's has not, however, assigned a credit rating to the notes being issued by SUNCORP~METWAY under this Prospectus.
2. Fitch IBCA stresses that its ratings are solely an opinion on SUNCORP~METWAY's ability to meet its debt obligations. Ratings are not statements of fact or recommendations to purchase, sell or hold securities. The ratings assigned by Fitch IBCA do not, in any way, relate to the Notes being issued by SUNCORP~METWAY under the Prospectus.
3. Moody's has not consented to the inclusion of its rating in the Prospectus. Moody's do not independently verify the information provided to it

by the issuer and therefore it makes no representation or warranty with respect to the accuracy for the ratings it has provided.

Investors are advised that the ratings assigned by Moody's do not relate, and should not be construed as relating to, the Notes the subject of this Prospectus. The ratings are not recommendations to buy, hold or sell securities. By publishing a rating, Moody's is not inducing or advising investors to take any action with respect to this or any other security. The ratings should not be construed as investment advice, personalised or otherwise. Accordingly, each investor should conduct his or her own evaluation of the security or consult with his or her investment adviser.

The ratings supplied by Moody's to SUNCORP~METWAY are current as at the date of the Prospectus. The ratings are subject to changes or withdrawal at any time at Moody's sole discretion. The ratings provided by Moody's were solicited by SUNCORP~METWAY.

4 Board of Directors and Management

4.1 Board of Directors

The names, particulars of qualifications, and experience of each director in office at the date of this prospectus are as follows:

R John Lamble AO, Chairman, BSc(Hons), Hon D Univ (UNSW), FAII

Appointed 1 December 1996. Mr Lamble's principal career was as Chief Executive Officer of NRMA Insurance Limited (1968 to 1992). He is Chairman of Perpetual Trustees Australia Limited and a director of Email Limited. Age 68. Resides Sydney.

Martin D E Kriewaldt, Deputy Chairman, BA, LLB(Hons), FAICD

Appointed 1 December 1996. Previously Chairman of SUNCORP Insurance and Finance, Mr Kriewaldt is a partner in the law firm Allen Allen & Hemsley. He is Chairman of Infratil Australia Limited and a director of GWA International Limited and St Peters Lutheran College Foundation Limited. Age 49. Resides Brisbane.

W S (Steve) Jones, Managing Director, MBA(Hons), BEcon

Appointed 6 January 1997. Mr Jones was Managing Director of the ANZ Banking Group (New Zealand) Limited from April 1995 to November 1996 and Senior General Manager, Retail Financial Services, ANZ Melbourne from 1993 to 1995. Previously with McKinsey and Co. he had significant experience consulting on strategy and merger management to large organisations. Age 46. Resides Brisbane.

Rodney F Cormie, BCom, AAUQ, ASA, FSIA, FAICD

Appointed 1 December 1996. Previously a non-executive director of QIDC Limited, Mr Cormie is a director of Bligh Oil and Minerals NL, Bligh Ventures Limited, Buderim Ginger Limited, Magellan Petroleum Australia Limited and Techniche Limited. Age 66. Resides Brisbane.

Patricia A Cross, BSc(Hons), FAICD

Appointed 1 December 1996. Mrs Cross was General Manager, Wholesale Banking and Finance for National Australia Bank Limited until her retirement in June 1996. She is a director of Collins Street Retailing Limited, Georges Melbourne Pty Ltd, The Transport Accident Commission of Victoria, and The Financial Sector Advisory Council and is a member of the Companies and Securities Advisory Committee. Age 39. Resides Melbourne.

Frank C B Haly AO, FCA, AAUQ, FAICD

Appointed 13 May 1981. Previously a non-executive director of Metropolitan Permanent Building Society and Chairman of Metway Bank Limited, Mr Haly is a company director and a Chartered Accountant. He has practised in Townsville and Brisbane and is now a consultant to the Queensland office of Deloitte Touche Tohmatsu. Age 65. Resides Brisbane.

James J Kennedy AO, CBE, FCA, D Univ(QUT)

Appointed 1 August 1997. Mr Kennedy is a Chartered Accountant and is Chairman of Queensland Investment Corporation, Deputy Chairman of GWA International Limited and a director of Qantas Airways Limited, Australian Stock Exchange Limited and Industrial Property Management Ltd. Age 64. Resides Brisbane.

John D Story, BA, LLB, FAICD

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

Barry Thornton KSJ, FCA

Appointed 1 December 1996. Mr Thornton is Chairman of GWA International Limited, the Ports Corporation of Queensland, Brisbane Airport Corporation Limited and South Pacific Equities Ltd and a director of Stockland Corporation Limited. He is also Chairman of the Salvation Army Brisbane Advisory Board and a Trustee of the Leukemia Foundation. Age 59. Resides Brisbane.

4.2 Management

Steve Jones, Managing Director, MBA(Hons), BEcon

Mr Jones was appointed Managing Director of the merged Group in January 1997. He was previously Managing Director of the ANZ Banking Group (New Zealand) Limited. Prior to his New Zealand appointment he was Senior General Manager Retail Financial Services with the ANZ in Melbourne, responsible for the Australian Retail Bank, ANZ Funds Management and Town and Country in Western Australia.

Mark Blucher, General Manager - Human Resources, ABINZ

Mr Blucher spent 19 years with the ANZ Bank's operation in New Zealand before his present appointment with the Group in September 1997. He was General Manager Human Resources with the bank and held a number of senior positions in retail banking, marketing and strategy. Mr Blucher was also involved in implementing ANZ's Hogan computer system and the integration of New Zealand's PostBank with ANZ.

Andy Hogendijk, Chief Financial Officer, AAUQ, FCPA

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

Peter Johnstone, Group General Manager - Operations, LLB

Mr Johnstone was Integration Project Manager for the merger. Before joining the Group, he was previously General Manager Operational Support and General Counsel for the Bank of South Australia and headed the corporatisation of the State Bank of South Australia. He has 27 years' experience in finance, business and law.

Greg Moynihan, Group General Manager - Retail Financial Services, BCom, ASA, ASIA

Mr Moynihan was appointed to his current role following the merger. He had previously been CEO of Metway Bank Limited after having held the role of General Manager Personal Banking as well as a number of senior positions in the bank.

Ray Reimer, (Acting) Group General Manager - Business Banking

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

Terry Towell, Group General Manager - Insurance & IT

Mr Towell had the role of Group General Manager General Insurance of the merged Group prior to his current appointment. He had previously been General Manager SUNCORP General Insurance Limited since 1995. Mr Towell has had more than 30 years' experience in the insurance industry.

5 Terms and Conditions of Notes

The Floating Rate Capital Notes offered by SUNCORP~METWAY LTD ACN 010 831 722 (the "Notes") will be issued upon and subject to the following terms and conditions (the "Conditions"):

1 Glossary

In these Conditions, unless the context otherwise requires:

- (a) a reference to a clause is to a clause of these Conditions;
 - (b) a reference to "\$" is to an amount in Australian currency;
 - (c) a reference to a date or time is to that date or time in Brisbane;
 - (d) a reference to any legislation, rules or instruments is to such legislation, rules or instruments as modified, consolidated, amended, re-enacted or replaced from time to time;
 - (e) the singular includes the plural and vice versa, references to any gender include all genders and where a word or expression is defined, other parts of speech in respect of that word (or expression) have corresponding meanings;
- "APRA" means the Australian Prudential Regulation Authority or any successor authority responsible for prudential regulation of the Company;
- "ASX" means Australian Stock Exchange Limited;
- "Business Day" has the meaning given to the term "business day" in the Listing Rules;
- "CHESS Approved" has the meaning given to that term in the SCH Business Rules;
- "Closing Date" means 4 December 1998 or such earlier or later date determined by the Company in its complete discretion to be the closing date of the applications for the Notes;
- "Company" means SUNCORP~METWAY LTD ACN 010 831 722;

"Debt Instrument" means an interest bearing security or instrument, whereby one party has an obligation to pay a specific amount to another party upon maturity;

"Face Value" means \$100;

"Financial Year" means a period of 12 months commencing on 1 July and ending on 30 June in the following calendar year;

"Initial Interest Calculation Date" means 15 February 1999;

"Initial Interest Period" means the period from the Closing Date to the Initial Interest Calculation Date inclusive;

"Interest Calculation Date" means the Initial Interest Calculation Date, and each subsequent 15 May, 15 August, 15 November and 15 February prior to and including the date on which the Notes are redeemed in accordance with these Conditions;

"Interest Payment Date" means 11 Business Days after the relevant Interest Calculation Date, or such other date required by the Listing Rules or applicable law;

"Interest Period" means the Initial Interest Period or a Regular Interest Period, as the case requires;

"Interest Rate" has the meaning set out in clause 4.1;

"Interest Rate Determination Date" means:

- (a) in relation to the Initial Interest Period - the Closing Date; and
- (b) in relation to each subsequent Interest Period - each of 15 February 1999 and each subsequent 15 May, 15 August, 15 November and 15 February, prior to and including the date on which the Notes are redeemed in accordance with these Conditions;

Terms and Conditions of Notes continued

"Issue Date" means the date the Notes are allotted and issued by a resolution of the board of directors of the Company;

"Listing Rules" means the listing rules of ASX (subject to any waiver or modification);

"Noteholder" means, in respect of a Note, a person whose name is for the time being entered as the holder of that Note in the Register and includes that person's executors and administrators;

"Ordinary Share" means an ordinary share in the capital of the Company;

"Preferred Share" means a share in the capital of the Company which carries a preference or priority as to payment of dividend whilst the Company is a going concern, or as to a return of capital on a winding up;

"Quarter" means each consecutive period of three calendar months commencing on 16 February, 16 May, 16 August and 16 November in a year;

"Record Date" means, in relation to an Interest Payment Date, the day determined by the Company in accordance with the Listing Rules (which until the Company otherwise determines will be 11 Business Days before the Interest Payment Date);

"Register" means a register of Noteholders kept and maintained under **clause 3.1**;

"Registered Address" means, in relation to a Noteholder, the address of that Noteholder as is shown in the Register;

"Regular Interest Period" means each consecutive Quarter from 16 February 1999 to the date of redemption of the Notes in accordance with these Conditions, provided that the last Regular Interest Period will be the period between the last occurring 16 February, 16 May, 16 August or 16 November and the date of redemption;

"SCH Business Rules" has the meaning given to the term "SCH business rules" in the Corporations Law;

"Subordinated Creditors" means unsecured creditors whose claims against the Company, in the event of a winding up of the Company, rank behind the claims of unsecured, unsubordinated creditors of the Company;

"Tax Act" means the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997;

"Tax Change" means:

- (a) any amendment, modification or replacement of the Tax Act;
- (b) the announcement of any proposed amendment, modification or replacement of the Tax Act by the Commissioner of Taxation or the Australian Taxation Office or by the Treasurer or any other responsible Minister of the Crown;
- (c) a decision of any court of competent jurisdiction or any Administrative Appeals Tribunal; or
- (d) any announcement or ruling by the Commissioner of Taxation or the Australian Taxation Office of, or any assessment from the Commissioner of Taxation disclosing, any change in the interpretation or administration of the Tax Act by the Commissioner of Taxation; and

"Variable Interest Benchmark Rate" means, in relation to an Interest Period:

- (a) the rate calculated by the Company by taking the mid rate displayed at or about 10.00 am (Brisbane time) on the Interest Rate Determination Date, as quoted on the Reuters screen BBSW page for a term equivalent (or as near as equivalent as possible) to that Interest Period (rounded up, if necessary, to the nearest two decimal places); or
- (b) if on that day, the rate cannot be determined in accordance with paragraph (a), the rate determined by the Company based on the arithmetic mean (rounded up, if necessary, to the nearest two decimal places) of the mid rates

Terms and Conditions of Notes continued

on that day for bank bills of exchange of the equivalent tenor to that Interest Period by four leading dealers in the market for bank bills of exchange of the equivalent tenor (or as near as equivalent as possible), as selected by the Company, after eliminating one of the highest and one of the lowest rates, as certified by the Company.

2 Notes

2.1 Conditions

The Notes shall be held with the benefit of and subject to these Conditions, and these Conditions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively.

2.2 Status of Notes

(a) The Notes are designed to absorb losses where the Company would not otherwise be solvent, and accordingly each Noteholder is to be (as far as practicable and subject to any applicable law) treated as if, in the event of a winding up of the Company and with effect from the day immediately preceding:

- (i) the date an application is made to any court for the winding up of the Company on the grounds of insolvency;
- (ii) unless paragraph (i) applies, the date that a meeting of creditors or members of the Company resolves that the Company be wound up; or
- (iii) in any other case, the date of commencement of the winding up for the purposes of the Corporations Law,

it was, in respect of each Note, the holder of one preference share ranking in priority to all other classes of shares as to repayment of capital equal to the Face Value and accrued but unpaid interest, but

otherwise to have no other rights (and in particular no right to participate in surplus assets or profits).

- (b) Notwithstanding any other clause, the rights of Noteholders against the Company are subordinated in right of payment to the claims of all of the creditors of the Company (other than those creditors whose claims are expressed or required by law to rank equally with or after the claims of Noteholders) in the manner set out in **clause 2.2(c)**.
- (c) The obligations of the Company to Noteholders in respect of monies owing pursuant to these Conditions constitute direct, unsecured and general obligations of the Company and, in the event of a winding up of the Company, rank for payment:
 - (i) before any obligation of the Company to:
 - (A) a shareholder of the Company; or
 - (B) persons whose claims are expressed or required by law to rank after the claims of Noteholders; and
 - (ii) equally with any obligation of the Company expressed to rank equally with the Notes; and
 - (iii) equally amongst themselves;but after:
 - (iv) payment of any other obligation of the Company (including, without limitation, obligations to repay, and to pay interest on, deposit liabilities of the Company and obligations to other Subordinated Creditors); and
 - (v) payments required by law to be made in priority.
- (d) Payment in accordance with this **clause 2.2** will be in full and final satisfaction of the obligations of the Company to the Noteholders in respect of the Notes.
- (e) Once payment has been made by the Company in accordance with this **clause 2.2**, the Noteholders shall be deemed to have released the Company from any further liability in respect of the Notes.
- (f) Notes are not deposit liabilities of the Company for the purpose of the Banking Act 1959.

Terms and Conditions of Notes continued

2.3 Face Value

Each Note shall be issued at the Face Value. The Face Value shall be payable in full on application.

3 Title and Transfer of Notes

3.1 The Register

- (a) The Company shall establish and maintain, or cause to be established and maintained, a Register or Registers of Noteholders at such place or places as the Company may from time to time determine.
- (b) In each Register there shall be entered the names and addresses of Noteholders whose Notes are registered on that Register, the number of Notes held by each such Noteholder and such other particulars as the Company thinks fit.
- (c) Where there is more than one Register, Noteholders may elect as to the Register on which their Notes shall for the time being be registered. If no election is made, the Notes will be registered on such Register as the Company may decide.
- (d) All Registers must be open during business hours to the inspection of any Noteholder, any person authorised in writing by any Noteholder and any other person permitted by law.
- (e) Where there is more than one Register, Notes will be transferred from one Register to another Register without fee on the written request of a Noteholder subject to the payment by the Noteholder of any stamp duty involved.
- (f) The Company may from time to time close any Register for any period or periods not exceeding 30 days in one year.
- (g) The property in the Notes shall for all purposes be regarded as situated at the place where the Register on which the Notes are for the time being registered is situated and not elsewhere.

3.2 Noteholders

- (a) The Company will recognise the Noteholder as the absolute owner of Notes registered in that person's name, and all persons may act accordingly.
- (b) Except as ordered by a court of competent jurisdiction or required by law, the Company is not bound to take notice of, or to enter upon the Register, any trust, encumbrance or equity affecting the ownership of any Notes or the rights incidental to the Notes. The receipt of a Noteholder in respect of his or her Notes and any monies payable in respect of the Notes is a good and sufficient discharge to the Company.
- (c) There must not be more than three joint Noteholders of any Notes except in the case of the legal personal representatives of a deceased Noteholder.
- (d) In the case of the death of one of the joint Noteholders of any Notes, the survivor or survivors will be the only person or persons recognised by the Company as having any title to or interest in such Notes.
- (e) The executors and administrators of a deceased Noteholder (not being one of several joint Noteholders) shall be the only persons recognised by the Company as having any title to or interest in his or her Notes.
- (f) Any person becoming entitled to Notes in consequence of the death, unsoundness of mind, bankruptcy or liquidation of any Noteholder, upon producing such evidence satisfactory to the Company that that person is so entitled, may become registered as the Noteholder or, subject to **clause 3.3**, may transfer the Notes.
- (g) The Company shall be at liberty to retain any amounts payable in respect of any Notes to which any person under **clause 3.2(f)** is entitled until such person is registered as the Noteholder.

3.3 Transfers

- (a) Every Noteholder may transfer any of his or her Notes in accordance with the SCH Business Rules, the Listing Rules and the Corporations Law, or in any other manner permitted by law.
- (b) No fee will be charged for the registration of a transfer.
- (c) The transferor remains the legal owner of the Notes until the name of the transferee is entered in the Register in respect of the Notes.
- (d) On registration of the transfer of the Notes, the transferee will be recognised as entitled to the Notes free from any equity, set-off or cross-claim of the Company against the transferor.

3.4 No Certificates

As all Notes will be CHESS Approved, the Company is not required to, and will not, issue certificates evidencing title to the Notes. The Company shall comply with the SCH Business Rules, the Listing Rules and the Corporations Law concerning CHESS Approved securities, including in relation to the issue of notices or statements relating to CHESS Approved securities.

4 Interest

4.1 Interest Rate

While a Note is on issue, interest shall accrue from day to day on the Face Value of the Note at the Interest Rate, based on a 365 day year. The Interest Rate is:

- (a) during the Initial Interest Period - the aggregate of the Variable Interest Benchmark Rate applicable to the Initial Interest Period and 0.75% per annum; and
- (b) during a Regular Interest Period - the aggregate of the Variable Interest Benchmark Rate applicable to that Regular Interest Period and 0.75% per annum.

4.2 Interest Calculation and Payment

Interest shall be calculated for each Interest Period in arrears on each Interest Calculation Date. The Company shall pay interest to persons who are Noteholders as at the relevant Record Date on the relevant Interest Payment Date.

4.3 Variable Interest Benchmark Rate

The Variable Interest Benchmark Rate applicable to an Interest Period shall be:

- (a) announced by the Company to ASX on the first day of the Interest Period; and
- (b) notified to persons who are Noteholders as at the immediately preceding Interest Calculation Date not later than 15 Business Days after the Interest Calculation Date.

4.4 Deferral of Payment of Interest

- (a) The Company may, in its sole discretion, defer the payment of interest payable on any Interest Payment Date in a Financial Year if:
 - (i) the Company has not paid or declared any dividend on its Ordinary Shares and Preferred Shares in the previous Financial Year;
 - or
 - (ii) the board of directors of the Company has resolved not to pay any dividend on its Ordinary Shares and Preferred Shares in that Financial Year.
- (b) Subject to **clause 4.4(c)**, such interest shall accumulate (but not compound) and shall be paid on the next Interest Payment Date on which interest is payable in accordance with these Conditions.
- (c) Interest may be deferred by the Company more than once under **clause 4.4(a)**.

5 Repayment of Principal

5.1 Perpetual Notes

Subject to these Conditions, the term of the Notes shall be in perpetuity.

5.2 Not Redeemable at Noteholder's Option

The Company is not required to repay, redeem or repurchase any Notes at the request of a Noteholder.

5.3 Non-Redemption by the Company for five years

The Company shall not redeem a Note within the period of five years from the Issue Date of the Note unless the Company is satisfied that:

- (a) the interest or any part of the interest paid or payable in respect of the Notes is not or may not be allowed as a deduction for Australian income tax purposes; or
- (b) a Tax Change occurs or a Bill to effect such a Tax Change is presented to the Parliament of the Commonwealth of Australia and the Company is of the opinion that it is reasonably probable that any such change has or will have the result that the interest or any part of the interest paid or payable by the Company in respect of the Notes is not or may not be allowed as a deduction for Australian income tax purposes,

in which event the Company may at its option (at the expiration of not more than 60 nor less than 30 days' notice to the Noteholders concerned), and with the

prior approval of APRA, redeem all, or from time to time some, of the Notes by repaying the Face Value together with all unpaid interest which has accrued on the Notes in the period up to and including the date of repayment (if any) in respect of those Notes.

5.4 Redemption by the Company after five years

The Company may, with the prior consent of APRA, redeem all or, from time to time, some, of the Notes at any time after the five year period mentioned in **clause 5.3** by:

- (a) announcing the intended redemption to ASX and the date of redemption ("**the Early Redemption Date**") on a date at least 60 Business Days prior to the Early Redemption Date ("**the Announcement Date**");
- (b) giving notice to all Noteholders on the Register as at the Announcement Date within 15 Business Days of the Announcement Date; and
- (c) repaying the Face Value of the Notes together with all unpaid interest which has accrued on the Notes in the period up to and including the Early Redemption Date (if any), 11 Business Days after the Early Redemption Date.

5.5 Buy-Back

Notwithstanding **clauses 5.3** and **5.4**, the Company may, at any time, with the prior consent of APRA, purchase any Notes on-market on the stock market conducted by ASX or by private treaty.

6 Payment

6.1 Method of Payment

Subject to **clauses 6.2 and 6.3**, payments by the Company of the Face Value and interest in respect of a Note shall be paid by cheque in favour of the Noteholder and crossed "Not Negotiable" and sent:

- (a) to the Registered Address of the Noteholder; or
- (b) in the case of joint Noteholders, to the Registered Address of the joint Noteholder who is first named on the Register in respect of the relevant Notes; or
- (c) if approved by the Company, as otherwise directed by the Noteholder.

6.2 Alternative Methods of Payment

The Company can in its discretion make payment other than by the method referred to in **clause 6.1** by any of the following:

- (a) electronic funds transfer;
- (b) through Austraclear Ltd; or
- (c) any other method generally accepted in the Australian banking industry as an appropriate method of payment.

6.3 Non-resident Noteholders

- (a) Notwithstanding anything contained in these Conditions, when the Note is held by a Noteholder resident outside of Australia, the obtaining of all necessary approvals and any statutory requirements which may then be required or in existence shall be a condition precedent to the right of a Noteholder to receive payment of any interest in respect of or of the Face Value represented by his or her Notes.
- (b) The Company shall not be obliged to pay, nor shall it be deemed to have committed any breach by failure to pay, any interest in respect of or the Face Value

payable in respect of any of the Notes, unless the condition precedent referred to in **clause 6.3(a)** has been satisfied.

- (c) All payments in respect of the Notes to a Noteholder resident outside of Australia shall be made after withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any State or Territory of the Commonwealth of Australia. In that event, the Company shall not be liable to pay any additional amount in order that the amount received by the Noteholder shall equal the amount which would have been receivable in respect of the Notes in the absence of the withholding or deduction.

7 Remedies

If the Company defaults in the performance of any of its obligations under these Conditions, the rights of a Noteholder against the Company are limited to taking action:

- (a) for specific performance of these Conditions;
- (b) to recover outstanding interest (but excluding any interest deferred under **clause 4.4**); and
- (c) to apply for the winding up of the Company.

Except as required by law, the Noteholder shall have no other right to take any action or proceeding against the Company in respect of the Notes or these Conditions.

8 Notices

8.1 Method of Giving Notices by Company

All notices required or permitted to be given by the Company to a Noteholder pursuant to these Conditions must be in writing and are to be treated as duly given if:

- (a) left at the Noteholder's Registered Address, in which case the notice is treated as given on the day on which the notice is so left;
- (b) sent by prepaid mail to that Noteholder's Registered Address (which must be by air mail if outside the country of posting), in which case the notice is treated as given on the fourth day after posting;
- (c) sent by facsimile transmission to a facsimile number nominated by the Noteholder, in which case the notice is treated as given when the Company's facsimile machine produces a transmission report indicating that the facsimile was sent to the Noteholder's facsimile number; or
- (d) sent to an electronic address nominated by the Noteholder, in which case the notice is treated as given when sent unless the Company receives a delivery failure report.

8.2 Joint Noteholders

If several person are entered in the Register as joint Noteholders of any Note, a notice to any one of those persons is effective as notice to all those persons.

9 General

9.1 Non-Business Days

If the date specified for any payment, repayment, redemption or determination under these Conditions is not a Business Day, then that payment, repayment, redemption or determination (as the case may be) shall be due or determined on the first Business Day following the specified due date.

9.2 Governing Law and Jurisdiction

The Notes and these Conditions are governed by and construed in accordance with the laws of Queensland. The Company and the Noteholders submit to the non-exclusive jurisdiction of the courts of Queensland and any court hearing appeals from those courts.

9.3 Modification

No alteration or modification may be made to these Conditions without the prior consent of APRA (if required by APRA).

9.4 Right to Issue Further Securities

The Company reserves the right to:

- (a) issue further Notes; and
- (b) issue further Debt Instruments ranking equally with or in priority to the Notes.

6 Risks of Investing in Notes and Subordination Terms

Investors should be aware that the price of the Notes may fall as well as rise and that there are certain risks associated with an investment in the Notes. These can be categorised as general risks, that is matters which relate to business in general, and specific risks, that is those that relate directly to SUNCORP-METWAY. Other matters have been identified throughout the Prospectus. The Directors urge you to read the Prospectus in full.

6.1 General Risks

Share Market Conditions

As the Notes will be listed on ASX, the price of the Notes will be subject to numerous influences which may affect both the broad trend in the share market and the prices of individual securities and sectors.

Economic Conditions

Both domestic and world economic conditions may affect the performance of the Group. Factors such as the Asian economic situation, Australian competition, inflation and interest rates will impact on the Group's operations and earnings.

Government Policies and Legislation

The Group's business may be impacted by changes to Government policies and legislation including those relating to prudential regulation, and regulation of the insurance, superannuation and banking industries.

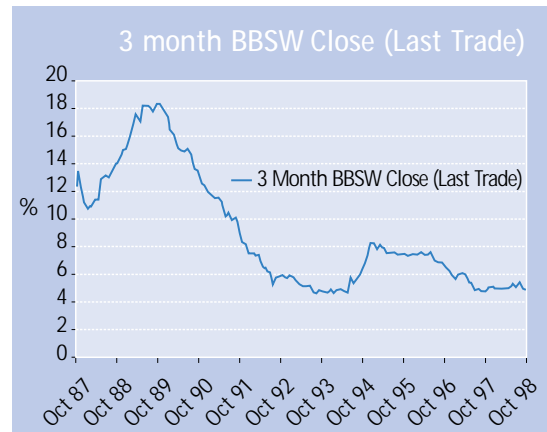
6.2 Specific Risks

There are several specific risks associated with investing in the Notes, including:

Interest Rate Risk

The interest rate payable on the Notes is calculated each quarter by reference to the 90 day bank bill rate. This rate is determined by the financial markets taking

account of the Reserve Bank of Australia's current monetary policy settings together with the markets' expectations of future settings. As can be seen from the graph below, the 90 day bank bill rate can fluctuate over time.



Source: Reuters

Market Risk

The trading price of the Notes may vary depending on, among other things, the interest rate and credit environment at any time, in particular for securities with similar characteristics to the Notes.

Business Risk

The trading price of the Notes may vary depending on the assessment of the credit risk associated with SUNCORP-METWAY. This may depend at any time on:

- the profit performance of SUNCORP-METWAY or the Group;
- the credit ratings placed on SUNCORP-METWAY or the Group by particular ratings agencies;
- other factors which may affect the business or assets of SUNCORP-METWAY or the Group; and
- solvency of SUNCORP-METWAY or the Group.

The SUNCORP-METWAY Group's business is subject to many risks, including:

- liquidity risk - the risk of being unable to meet financial obligations as they fall due;

Risks of Investing in Notes and Subordination Terms continued

- ❑ credit risk - the risk of future financial loss resulting from the failure of clients or counterparties to meet contractual payment obligations to the Group as they fall due;
- ❑ interest rate risk - the potential for a change in the interest rate to have an adverse effect on the revenue earnings in the current reporting period and in future years;
- ❑ foreign exchange risk - the risk that arises from the effects of movements in the exchange rate on open foreign currency positions;
- ❑ equity risk - the potential for a change in equity prices to have an adverse effect on the Group's revenue; and
- ❑ operational risk - the risk of exposure to unexpected financial and non-financial losses arising from the way in which the Group conducts its business operations.

6.3 Note Subordination Terms

Investors should understand that Notes rank after all other creditors of the Company, including other subordinated creditors (unless expressed to rank equally with or junior to the Notes). On a winding up, the Notes will rank in priority to the ordinary shares (including Subordinated Dividend Shares), converting preference shares (series 2) and Special Series Capital Notes. They will rank behind all the liabilities described in section 3.4, and all other Subordinated Creditors of the Company described in section 3.2.3 .

In the event of a liquidation of the Company, if the assets of the Company are not sufficient to repay the Company's creditors who rank ahead of the Notes, the Noteholders would not receive any payment. The Notes are not bank deposits or deposit liabilities in Australia of SUNCORP-METWAY within the meaning of the Banking Act 1959 (Cth).

6.4 Interest Deferral

Interest payments may be deferred by the Company in certain circumstances specified in the Terms and Conditions of Notes. Interest payments, if deferred, do not compound. The circumstances in which interest payments may be deferred are:

- ❑ where the Company has not paid or declared any dividend on its ordinary shares and preference shares (including the converting preference shares (series 2)) in the previous financial year; or
- ❑ where the Board has resolved not to pay any dividend on its ordinary shares and preference shares (including the converting preference shares (series 2)) in that financial year.

Accordingly, investors may need to have regard to the risk that SUNCORP-METWAY may not pay dividends and may therefore have the capacity to defer interest on the Notes. SUNCORP-METWAY's recent dividend history for ordinary shares is as follows:

Date of Dividend	Type	Amount per Share	Amount
1 April 1997	Interim	18 cents	\$26,914,965
17 October 1997	Final	22 cents	\$42,334,270
6 April 1998	Interim	22 cents	\$42,342,157
16 October 1998	Final	22 cents	\$42,350,192

The Board of Directors of SUNCORP-METWAY intend that the Company should continue to pay dividends when there are available profits, and the financial position of the Company permits dividends to be paid. If the Company's profitability and financial position does not justify payment of dividends the Company may decide not to pay dividends and may defer interest on the Notes. Where dividends are not paid, the Company may nevertheless pay interest on the Notes. In such a case, the Company would consult with APRA before making or deferring payment.

7 Financial Summary

The Group's consolidated financial statements for the year ended 30 June 1998, which are accompanied by an unqualified audit report, are included in the Company's 1998 Annual Report. This section contains extracts from those financial statements. It also includes a pro forma balance sheet after issue of the Notes and redemption of the capital notes issued in 1993.

SUNCORP-METWAY LTD and Controlled Entities

CONSOLIDATED BALANCE SHEET

At 30 June 1998

	1998 \$m	1997 \$m
ASSETS		
Cash and short term liquid assets	424	701
Receivables due from other financial institutions	53	25
Trading securities	1,810	-
Investment securities	2,183	3,618
Loans, advances and other receivables	15,812	14,644
Statutory deposit with Reserve Bank of Australia	163	153
Property, plant and equipment	134	152
Unlisted investment in life insurance statutory funds	90	111
Intangible assets	184	194
Other assets	571	310
TOTAL ASSETS	21,424	19,908
LIABILITIES		
Deposits and short term borrowings	11,846	11,734
Payables due to other financial institutions	56	198
Accounts payable and other liabilities	449	431
Provisions	308	346
Outstanding claims and unearned premium provisions	2,038	1,902
Bonds, notes and long term borrowings	4,449	3,098
Subordinated notes	463	463
TOTAL LIABILITIES	19,609	18,172
NET ASSETS	1,815	1,736
SHAREHOLDERS' EQUITY		
Share capital	149	149
Converting capital notes	697	697
Reserves	791	791
Retained profits	171	90
Shareholders' equity attributable to members of the Company	1,808	1,727
Outside equity interests in controlled entities	7	9
TOTAL SHAREHOLDERS' EQUITY	1,815	1,736
	\$	\$
Net tangible asset backing per share	2.93	2.62

Financial Summary continued

SUNCORP-METWAY LTD and Controlled Entities

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 1998

	1998	1997
	\$m	\$m
Interest income	1,449	1,124
Interest expense	(854)	(710)
	595	414
General insurance premium revenue	703	387
Reinsurance and other recoveries revenue	68	66
Other operating income	263	247
Total operating income	1,629	1,114
Claims expense	(674)	(407)
Outwards reinsurance expense	(39)	(23)
Other operating expenses	(551)	(419)
Total operating expenses	(1,264)	(849)
Operating profit before bad and doubtful debts expense, amortisation of goodwill, abnormal items and income tax	365	265
Bad and doubtful debts expense	(61)	(22)
Operating profit before amortisation of goodwill, abnormal items and income tax	304	243
Amortisation of goodwill	(10)	(6)
Operating profit before abnormal items and income tax	294	237
Abnormal items	-	(38)
Operating profit before income tax	294	199
Income tax (expense) benefit associated with		
Operating profit before abnormal items	(61)	(61)
Abnormal items	-	12
Income tax attributable to operating profit	(61)	(49)
Operating profit after income tax attributable to the members of the Company	233	150
Retained profits at the beginning of the financial year	90	57
Total available for appropriation	323	207
Dividends paid or provided	(152)	(117)
Retained profits at the end of the financial year	171	90
	Cents	Cents
Basic earnings per share after abnormal items	56.66	47.07
Diluted earnings per share after abnormal items	45.83	49.01
	Percent	Percent
Payout ratio after abnormal items	65.24	78.00

SUNCORP-METWAY acquired the SUNCORP Insurance & Finance Group and QIDC Group on 1 December 1996. Accordingly, the comparative consolidated profit and loss account for the year ended 30 June 1997 reflects 5 months' results for the former Metway Bank Limited and its subsidiaries prior to the merger and 7 months' results for the SUNCORP-METWAY Group after the merger.

Financial Summary continued

SUNCORP–METWAY LTD and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 1998

	1998	1997
	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,456	1,088
Dividends received	18	13
Premiums received	710	372
Reinsurance and other recoveries received	72	14
Other operating income received	285	136
Interest paid	(831)	(648)
Outwards reinsurance premiums paid	(39)	(23)
Claims paid	(538)	(297)
Operating expenses paid	(675)	(476)
Income taxes paid - operating activities	(43)	(23)
Net cash inflow (outflow) from operating activities	415	156
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of controlled entities	-	(701)
Proceeds from disposal of controlled entity	-	32
Capital redemption from life insurance statutory funds	28	-
Proceeds from (payments for) plant and equipment	(24)	23
Net (purchase) disposal of banking securities	(696)	(520)
Net increase in loans, advances and other receivables	(1,229)	(1,595)
Lodgement of deposits with Reserve Bank of Australia	(10)	(59)
Purchase of investments integral to insurance activities	(4,187)	(3,729)
Proceeds from disposal of insurance investments	4,443	4,384
Net movement in other assets and liabilities	-	(88)
Income taxes paid - investing activities	(14)	-
Net cash (outflow) from investing activities	(1,689)	(2,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of converting capital notes	-	697
Proceeds from issues of share capital	-	2
Proceeds from subordinated notes	-	284
Repayment of subordinated notes	-	(17)
Net increase in deposits and other borrowings	1,292	1,109
Dividends paid	(125)	(59)
Net cash inflow from financing activities	1,167	2,016
NET INCREASE IN CASH AND CASH EQUIVALENTS	(107)	(81)
Cash at the beginning of the financial year	528	319
Cash balances acquired during the period	-	290
CASH AT THE END OF THE FINANCIAL YEAR	421	528

SUNCORP–METWAY acquired the SUNCORP Insurance & Finance Group and the QIDC Group on 1 December 1996. Accordingly, the comparative consolidated statement of cash flows for the year ended 30 June 1997 reflects 5 months' results for the former Metway Bank Limited and its subsidiaries prior to the merger and 7 months' results for the SUNCORP–METWAY Group after the merger.

Financial Summary continued

SUNCORP~METWAY LTD and Controlled Entities

CONSOLIDATED SEGMENT INFORMATION

For the year ended 30 June 1998

	Banking \$m	General Insurance \$m	Life Insurance \$m	Other \$m	Eliminations \$m	Consolidated Total \$m
1998 Financial Year						
Revenue outsider the Group	1,450	976	34	23	-	2,483
Inter-segment revenue	29	12	11	12	(64)	-
Total revenue	1,479	988	45	35	(64)	2,483
Segment operating result before income tax, amortisation of goodwill and abnormal items						
	157	120	23	4	-	304
Segment assets	19,284	2,793	133	28	(814)	21,424
1997 Financial Year						
Revenue outside the Group	1,129	635	40	20	-	1,824
Inter-segment revenue	12	-	-	3	(15)	-
Total revenue	1,141	635	40	23	(15)	1,824
Segment operating result before income tax, amortisation of goodwill and abnormal items						
	117	109	13	4	-	243
Segment assets	18,041	2,713	180	25	(1,051)	19,908

SUNCORP~METWAY acquired the SUNCORP Insurance & Finance Group and the OIDC Group on 1 December 1996. Accordingly, the comparative segment results for the year ended 30 June 1997 reflect 5 months' result for the former Metway Bank Limited and its subsidiaries and 7 months' results for the SUNCORP~METWAY Group after the merger.

The above industry segments derive revenue from the following activities:

Banking	Banking, finance and other services.
General insurance	General insurance including compulsory third party, home and car insurance.
Life insurance	Group's interest in life insurance statutory funds, investment of shareholder's funds and superannuation administration services.
Other	Funds management, financial planning, funds administration, property management services and investment products.

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

Financial Summary continued

SUNCORP--METWAY LTD and Controlled Entities
CONSOLIDATED PROFORMA BALANCE SHEET AFTER ISSUE OF NOTES
 At 30 June 1998

The following Proforma Consolidated Balance Sheet has been prepared to show the impact of the issue of \$200 million of Notes on the Balance Sheet at 30 June 1998. The proceeds of the issue have been allocated as follows:

	\$m
Redemption of fixed rate subordinated notes that were issued in December 1993	55
Investment in 100% Risk Weighted Assets	145
	200

	\$m
ASSETS	
Cash and short term liquid assets	424
Receivables due from other financial institutions	53
Trading securities	1,810
Investment securities	2,183
Loans, advances and other receivables	15,957
Statutory deposit with Reserve Bank of Australia	163
Property, plant and equipment	134
Unlisted investment in life insurance statutory funds	90
Intangible assets	184
Other assets	571
TOTAL ASSETS	21,569
LIABILITIES	
Deposits and short term borrowings	11,846
Payables due to other financial institutions	56
Accounts payable and other liabilities	449
Provisions	308
Outstanding claims and unearned premium provisions	2,038
Bonds, notes and long term borrowings	4,449
Subordinated notes	608
TOTAL LIABILITIES	19,754
NET ASSETS	1,815
SHAREHOLDERS' EQUITY	
Share capital	149
Converting capital notes	697
Reserves	791
Retained profits	171
Shareholders' equity attributable to members of the Company	1,808
Outside equity interests in controlled entities	7
TOTAL SHAREHOLDERS' EQUITY	1,815

8 Additional Information

8.1 Directors' Interests

The relevant interest of each director in the share capital of the Company (including interests in Series 1 EINs) as notified by the directors to the ASX in accordance with Section 235(1)(a) of the Corporations Law, at the date of lodgement of this Prospectus is as follows:

	Fully Paid Ordinary Shares	Converting Preference Shares (Series 2)	Exchanging Instalment Notes (Series 1)	Options over Ordinary Shares
R J Lamble	16,000	Nil	6,000	Nil
M D E Kriewaldt	11,900	Nil	Nil	Nil
W S Jones	100	Nil	25,000	2,000,000
R F Cormie	5,000	Nil	Nil	Nil
P A Cross	14,000	Nil	Nil	Nil
F C B Haly	173,116	Nil	20,000	Nil
J J Kennedy	1,000	Nil	115,000	Nil
J D Story	12,959	376	20,000	Nil
B Thornton	Nil	Nil	Nil	Nil

Mr Kriewaldt is a partner in the firm of Allen Allen & Hemsley, Solicitors, which from time to time renders legal services to the Group in the ordinary course of business and receives professional fees for those services.

Mr Story is a partner in the firm of Corrs Chambers Westgarth, Lawyers, which from time to time renders legal services to the Group in the ordinary course of business and receives professional fees for those services. Corrs Chambers Westgarth has acted for the Company in relation to the preparation of the Prospectus and will receive professional fees for those services.

8.2 Corporations Law Exemptions

On 18 August 1997, the Australian Securities Commission (the predecessor of ASIC) declared that SUNCORP-METWAY was an "excluded corporation" for the purpose of section 65 of the Corporations Law.

The effect of the declaration is that SUNCORP-METWAY is not required to comply with certain parts of the Corporations Law relevant to the issue of debentures such as the Notes. In particular, SUNCORP-METWAY is not required to make provision in a trust deed relating to the Notes for the appointment of a trustee for the holders of Notes. Accordingly, there is no trust deed for the Notes, nor a trustee for the holders of Notes.

On 23 October 1998, ASIC declared that SUNCORP-METWAY should be exempted from section 1032 of the Corporations Law in relation to the reference to the ratings of SUNCORP-METWAY by Moody's Investor Service Pty Ltd, referred to in section 3.7.

8.3 ASX Waiver

On 15 September 1998, ASX granted SUNCORP~METWAY a waiver from Listing Rule 2.5 condition 5, "...to the extent necessary not to require the Company to provide a trust deed in relation to any issues of subordinated unsecured debt securities made during the period in which the Company remains an excluded corporation pursuant to section 65 of the Corporations Law."

8.4 Sections 1023 and 1028 Corporations Law

In accordance with section 1023 of the Corporations Law, SUNCORP~METWAY undertakes that it will, within 2 months after the acceptance of Application monies issue to each Noteholder a document which acknowledges, evidences or constitutes an acknowledgment of the indebtedness of SUNCORP~METWAY in respect of the Notes issued. This document will be the initial holding statement sent to Noteholders following allotment of the Notes. See section 2 - Uncertificated (CHESS) for further information about holding statements.

For the purpose of section 1028 of the Corporations Law, SUNCORP~METWAY states that if the oversubscriptions up to the limit of \$250 million were accepted or retained, the total assets of SUNCORP~METWAY would be \$21.619 billion on a consolidated basis and the total liabilities of SUNCORP~METWAY would be \$19.804 billion on a consolidated basis, in each case based on SUNCORP~METWAY's accounts as at 30 June 1998.

8.5 Consents

Douglas Heck & Burrell Registries has given (and has not at the date of this prospectus withdrawn) its written consent to be named as the Notes Registrar in this

Prospectus. Douglas Heck & Burrell Registries has had no involvement in the preparation of any part of this Prospectus. Douglas Heck & Burrell Registries has not authorised or caused the issue of any part of this Prospectus.

Corrs Chambers Westgarth has given (and has not at the date of this Prospectus withdrawn) its written consent to being named in this Prospectus as Solicitors to the Issuer in connection with the Issue. It has not authorised or caused the issue of this Prospectus.

KPMG has given (and has not at the date of this Prospectus withdrawn) its written consent to the issue of this Prospectus naming it as Auditor of the Company and with the reference to the unqualified audit report in the summary financial information in Section 7 in the form and context in which it is included. It has not been involved in the preparation of any other part of this Prospectus. It has not authorised or caused the issue of this Prospectus.

Standard & Poor's (Australia) Pty Ltd ACN 007 324 852 has given (and has not at the date of this Prospectus withdrawn) its written consent to the issue of this Prospectus with the statements concerning the credit ratings assigned to the Company and other debt issues of the Company in the form and context in which they are included. It has not been involved in the preparation of any part of this Prospectus. It has not authorised or caused the issue of this Prospectus.

Fitch IBCA (Australia) Pty Ltd ACN 081 339 184 has given (and has not at the date of this Prospectus withdrawn) its written consent to the issue of this Prospectus with the statements concerning the credit ratings assigned to the Company and other debt issues of the Company in the form and context in which they are included. It has not been involved in the preparation of any part of this Prospectus. It has not authorised or caused the issue of this Prospectus.

Reuters Australia Pty Ltd has given (and has not at the date of this Prospectus withdrawn) its written consent to the issue of this Prospectus with the table contained in section 6.2 in the form and context in which it is included. It has not been involved in the preparation of any part of this Prospectus. It has not authorised or caused the issue of this Prospectus.

8.6 Fees and Commissions

Corrs Chambers Westgarth will receive, for work done in connection with this Prospectus, fees in accordance with time based charges agreed with SUNCORP~METWAY. Their fees are not expected to exceed \$75,000.

KPMG will receive, for work done in connection with this Prospectus, fees in accordance with their usual time based charges. Their fees are not expected to exceed \$10,000.

SUNCORP~METWAY has the right to pay fees or commission in respect of any brokerage or handling. These fees will be calculated as 1.0% of the Application amount accepted by SUNCORP~METWAY under this Prospectus.

8.7 Taxation Disclosures

Traditional Securities

The Notes will be treated as “traditional securities” for the purpose of the Income Tax Assessment Act 1936 (Cth) for investors other than share traders. This means that Notes will not be subject to the capital gains tax regime, gains on disposal of Notes will be taxable as income (with no indexation) and losses will generally be deductible against other income.

Tax File Numbers

Under current Australian tax law, SUNCORP~METWAY may be required to withhold interest at the highest marginal tax rate plus Medicare levy if a Noteholder chooses **not** to quote a tax file number or exemption to SUNCORP~METWAY.

Collection and quotation of tax file numbers is authorised and strictly regulated by taxation laws and the Privacy Act (Cth). Declining to quote a tax file number is not an offence and will not invalidate an application for Notes.

Withholding Tax

Under current Australian tax law, SUNCORP~METWAY may be required to deduct withholding tax from interest payments to a non-resident Noteholder. Interest payments will not be “grossed up” if withholding tax is deducted.

Investors are urged to seek their own taxation advice, having regard to their personal circumstances.

9 Glossary

Please Note: There are other definitions contained in the Terms and Conditions of Notes (refer to section 5) which are specifically defined for the purpose of those Terms and Conditions.

TERM	MEANING
Application	an application made for Notes under this Prospectus made on the Application Form
Application Form	an application form that is attached to this Prospectus
Application Period	the period during which applications may be made for Notes under this Prospectus
APRA	Australian Prudential Regulation Authority (which from 1 July 1998 has succeeded the Reserve Bank of Australia as the prudential regulation authority for Australian banks, including SUNCORP~METWAY)
ASIC	the Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited
Board	board of directors of SUNCORP~METWAY
Business Day	a day that is a business day for the purposes of the Listing Rules
CHESS	Clearing House Electronic Subregister System
Company	SUNCORP~METWAY
Debt Instrument	an interest bearing security or instrument, whereby one party has an obligation to pay a specific amount to another party upon maturity
Directors	the directors of SUNCORP~METWAY
Fitch IBCA	Fitch IBCA (Australia) Pty Ltd ACN 081 339 184
Group	SUNCORP~METWAY and its controlled entities within the meaning of the Corporations Law
Interest Payment	the payment of interest in accordance with the Terms and Conditions of Notes
Interest Period	the meaning ascribed to it in the Terms and Conditions of Notes
Issue	the issue of Notes at \$100 per Note under this Prospectus
Issuer	SUNCORP~METWAY
Listing Rules	the Listing Rules of ASX together with all modifications and waivers
90 Day Bank Bill Rate	this term is defined for the purpose of the Notes in clause 1 of the Terms and Conditions of Notes as the Variable Interest Benchmark Rate
Moody's	Moody's Investors Service Pty Ltd ACN 003 399 657
Notes	the Floating Rate Capital Notes to be issued under this Prospectus
Note Registrar	Douglas Heck & Burrell Registries
Official Quotation	official quotation by ASX
Prospectus	this prospectus
QIDC	QIDC Limited ACN 075 437 544

TERM

QIDC Group

QTC

Queensland Government

Register

Risk Weighted Assets (Capital)

Series 1 EIN

Series 2 EIN

Special Series Capital Notes

Standard & Poor's

Subordinated Creditors

Subordinated Dividend Shares

SUNCORP Insurance & Finance Group

SUNCORP~METWAY

SUNCORP~METWAY Group

Terms and Conditions of Notes

Transformation Programme

MEANING

QIDC and its controlled entities within the meaning of the Corporations Law

Queensland Treasury Corporation

the State of Queensland

the register of Noteholders kept and maintained pursuant to the Terms and Conditions of Notes

the risk weighting applied to different asset classes to account for the varying degrees of risk for the purpose of determining the capital adequacy ratio as defined by APRA

series 1 exchanging instalment note as described in section 3.3.1

series 2 exchanging instalment note as described in section 3.3.2

subordinated unsecured fixed rate convertible notes described in section 3.2.3

Standard & Poor's (Australia) Pty Ltd ACN 007 324 852

unsecured creditors whose claims against SUNCORP~METWAY in the event of a winding up of the Company, rank behind the claims of unsecured unsubordinated creditors of the Company

shares in the capital of SUNCORP~METWAY having the rights described in section 3.2.1

SUNCORP Insurance & Finance Limited and its controlled entities within the meaning of the Corporations Law

SUNCORP~METWAY LTD ACN 010 831 722

SUNCORP~METWAY and its controlled entities within the meaning of the Corporations Law

the terms and conditions upon which the Notes are to be issued, as set out in section 5

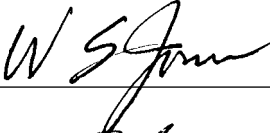
the transformation programme being undertaken by the Group as described in section 3.1

10 Authorisation

The issue of this Prospectus has been duly authorised by the Board of Directors of SUNCORP-METWAY LTD and is signed by the Directors in office on the date of the Prospectus.

R. J. Lamble 

M. D. E. Kriewaldt 

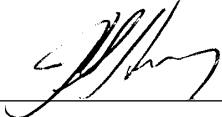
W. S. Jones 

R. F. Cormie 

P. A. Cross 

F. C. B. Haly 

J. J. Kennedy 

J. D. Story 

B. Thornton 

Dated 26 October 1998.

How to complete the Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A) Enter the **NUMBER OF NOTES** you wish to apply for.
Applications must be for the minimum of 50 notes (\$5,000) and thereafter in multiples of 10 notes (\$1,000).
- B) Enter the **TOTAL AMOUNT** of application money payable.
To calculate the amount multiply the number of Notes applied for by the face value of the Notes.
- C) Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s).
Refer to the **Name Standards** below for guidance on valid registration.
- D) Enter the **POSTAL ADDRESS** for all communications from the Company. Only one address can be recorded.
- E) Enter telephone numbers and a contact person the registry can speak to if they have any queries regarding this application.
- F) If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN), or if you are an issuer sponsored holder in SUNCORP~METWAY LTD please quote your Shareholder Reference Number (SRN).
Please ensure that your registration details in Box C of the Application Form are identical to those of your HIN or SRN.
- G) Payment must be made in **Australian Currency** and cheques must be drawn on an **Australian Bank, Building Society or Credit Union**.
Cheques or bank drafts must be payable to **SUNCORP~METWAY LTD "FRCN OFFER"** and crossed "**Not Negotiable**".
Direct deposits to SUNCORP~METWAY LTD accounts will not be accepted.
Cheques not properly drawn will be rejected.
Cheques will generally be deposited on the day of receipt. If cheques are dishonoured the application may be rejected.
- H) Before completing the Application Form the applicant(s) must read the Prospectus to which the application relates. The applicant(s) agree(s) that this application is for Notes in SUNCORP~METWAY LTD upon and subject to the terms of the Prospectus, agree(s) to take any number of Notes equal to or less than the number of Notes indicated in Box A that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.
- I) Enter the tax file number (s) or exemption(s) of the applicants. With a joint holding, only the tax file numbers of two holders are required.

Forward your completed application to: **Douglas Heck & Burrell Registries, GPO Box 35, Brisbane Qld 4001**
Applications must be received by no later than 5.00pm Brisbane Time 4 December 1998.

Name Standards

- ☑ Only legal entities may be registered as the holders of securities.
- ☑ The full and correct name of each entity must be shown.
- ☑ Salutations such as MR, MRS & MS should be included.
- ☑ Securities cannot be registered in the name of a trust and no trust can be implied.
- ☑ Securities should not be registered in the name of a minor or a deceased person.
- ☑ An account designation can be included. If shown, it must be contained within one line and within the "< >" symbols.
The last word of the designation must be ACCOUNT or A/C.

Type of Investor		Correct Form of Registration
Individual	Use given names in full, not initials.	Mr John Alfred Smith
Company	Use the company's full title, not abbreviations.	ABC Pty Ltd
Joint Holdings	Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams
Trusts	Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>
Deceased Estates	Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>
Minor (a person under the age of 18)	Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>
Partnerships	Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>
Long Names		Mr John William Alexander Robertson-Smith
Clubs/Unincorporated Bodies/Business Names	Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>
Superannuation Funds	Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>

How to complete the Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

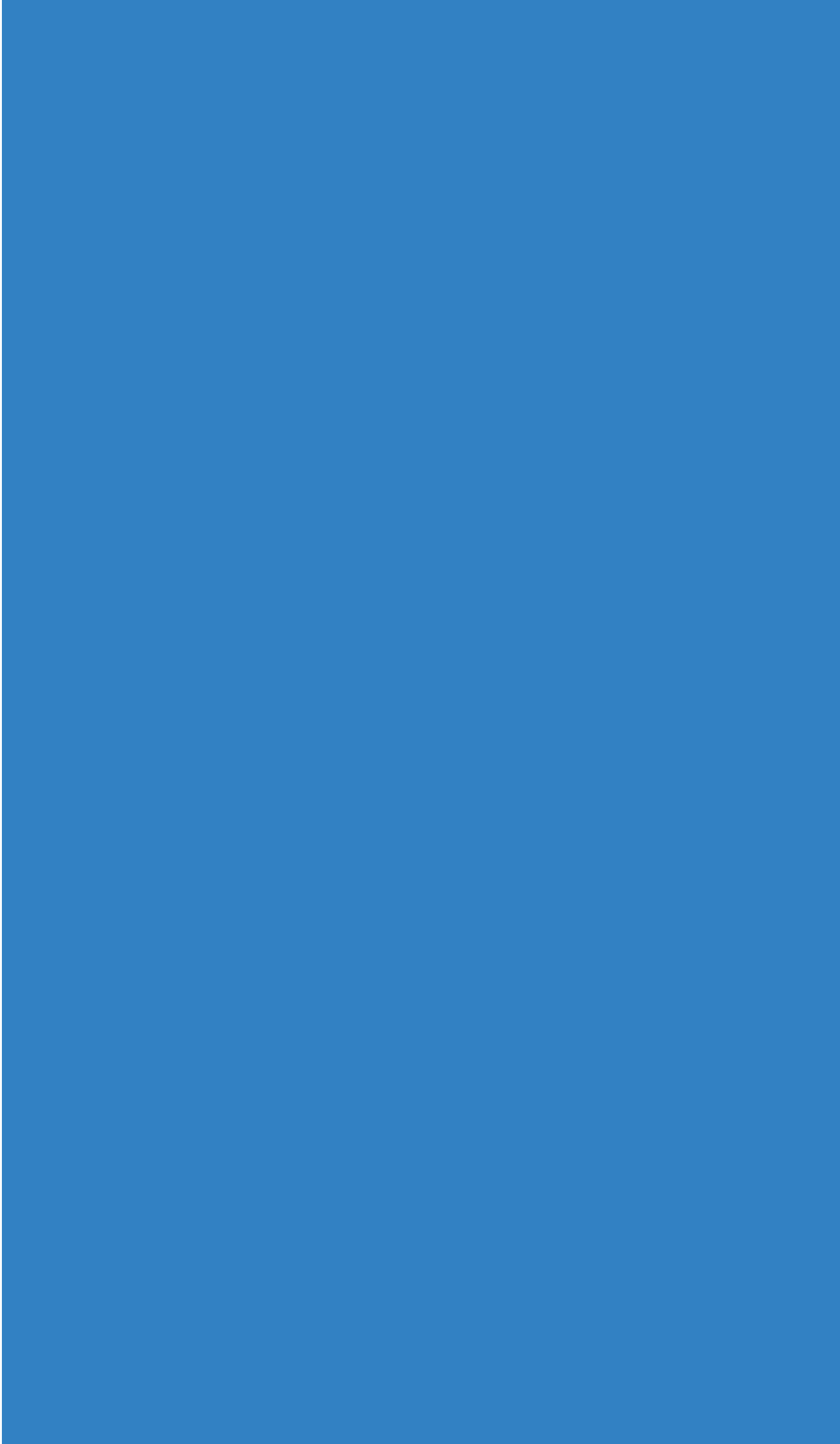
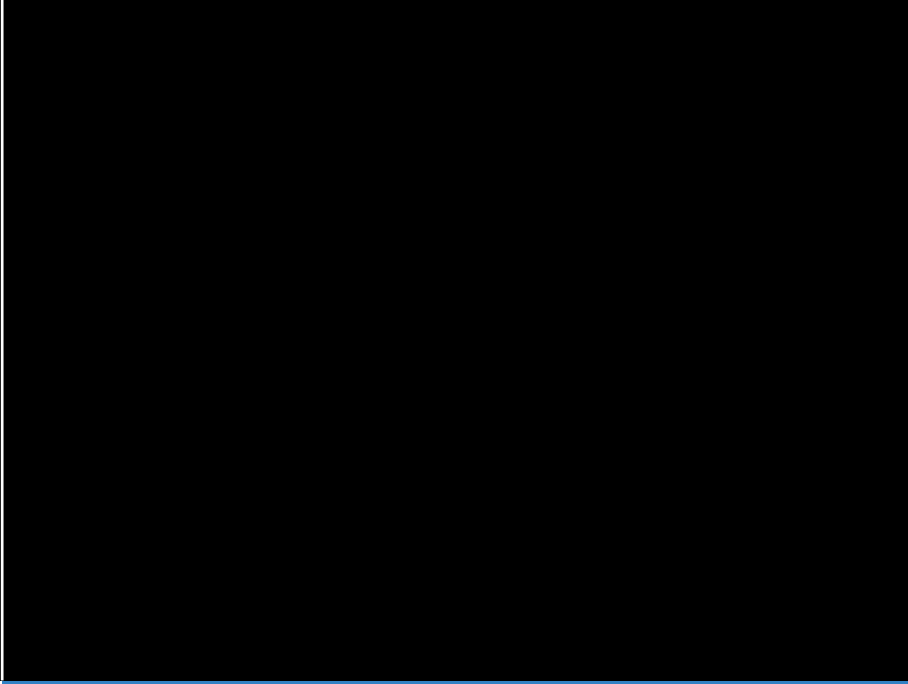
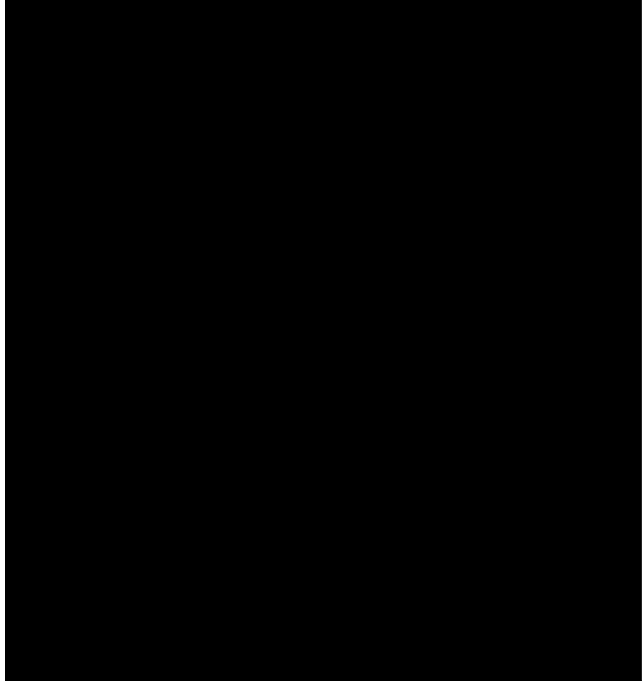
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- D) Enter the **POSTAL ADDRESS** for all communications from the Company. Only one address can be recorded.
- E) Enter telephone numbers and a contact person the registry can speak to if they have any queries regarding this application.
- F) If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN), or if you are an issuer sponsored holder in SUNCORP~METWAY LTD please quote your Shareholder Reference Number (SRN).
Please ensure that your registration details in Box C of the Application Form are identical to those of your HIN or SRN.
- G) Payment must be made in **Australian Currency** and cheques must be drawn on an **Australian Bank, Building Society or Credit Union**.
Cheques or bank drafts must be payable to **SUNCORP~METWAY LTD "FRCN OFFER"** and crossed "**Not Negotiable**".
Direct deposits to SUNCORP~METWAY LTD accounts will not be accepted.
Cheques not properly drawn will be rejected.
Cheques will generally be deposited on the day of receipt. If cheques are dishonoured the application may be rejected.
- H) Before completing the Application Form the applicant(s) must read the Prospectus to which the application relates. The applicant(s) agree(s) that this application is for Notes in SUNCORP~METWAY LTD upon and subject to the terms of the Prospectus, agree(s) to take any number of Notes equal to or less than the number of Notes indicated in Box A that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.
- I) Enter the tax file number (s) or exemption(s) of the applicants. With a joint holding, only the tax file numbers of two holders are required.

Forward your completed application to: **Douglas Heck & Burrell Registries, GPO Box 35, Brisbane Qld 4001**
Applications must be received by no later than 5.00pm Brisbane Time 4 December 1998.

Name Standards

- ☑ Only legal entities may be registered as the holders of securities.
- ☑ The full and correct name of each entity must be shown.
- ☑ Salutations such as MR, MRS & MS should be included.
- ☑ Securities cannot be registered in the name of a trust and no trust can be implied.
- ☑ Securities should not be registered in the name of a minor or a deceased person.
- ☑ An account designation can be included. If shown, it must be contained within one line and within the "< >" symbols.
The last word of the designation must be ACCOUNT or A/C.

Type of Investor		Correct Form of Registration
Individual	Use given names in full, not initials.	Mr John Alfred Smith
Company	Use the company's full title, not abbreviations.	ABC Pty Ltd
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Minor (a person under the age of 18)	Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>
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Long Names		Mr John William Alexander Robertson-Smith
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SUNCORP~METWAY LTD

ACN 010 831 722