



2004 ANNUAL REPORT

BANKING INSURANCE INVESTMENT

SUNCORP

Suncorp-Metway Ltd ABN 66 010 831 722

VISION To be the most desirable financial services company in Australia

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

Business Banking client David McNamee and his family operate a beef fattening operation near Millmerran, Toowoomba. With David is Suncorp's Geoff Magoffin (left) and Greg Leahy (right).

Wallaby Wendell Sailor with an aspiring Wallaby at the Suncorp Fan Day, Suncorp Stadium.

Claudia Rose Worland – Attends the Hear and Say Centre.

Julie Miller, Business Banking Officer, Cairns.

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COMPANY PROFILE Suncorp is one of Australia's 30 largest listed companies, with a market capitalisation of around $7 billion, 183,000 shareholders and 537 million shares on issue. Our head office is in Brisbane, Queensland.

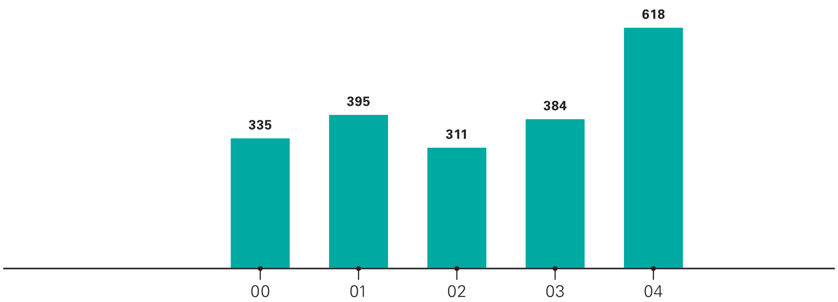
We are Australia's sixth largest bank and the third largest insurance group with assets of more than $43 billion and $11 billion funds under management. There are 8,000 staff nationally.

The main businesses are retail and business banking, general insurance, life insurance, superannuation and funds management with a focus on retail consumers and small to medium businesses. We have 3.8 million customers across Australia and strong market shares in most of our insurance business classes including Compulsory Third Party, home and motor.

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

FINANCIAL HIGHLIGHTS

Operating profit after tax $m



$618m
record net profit – up 61% on June 2003

Banking

$371m
up 17% for the year

Banking pre-tax profit increased 17% for the year through strong lending, maintenance of margins and very sound credit quality.

General Insurance

$465m
up 100% for the year

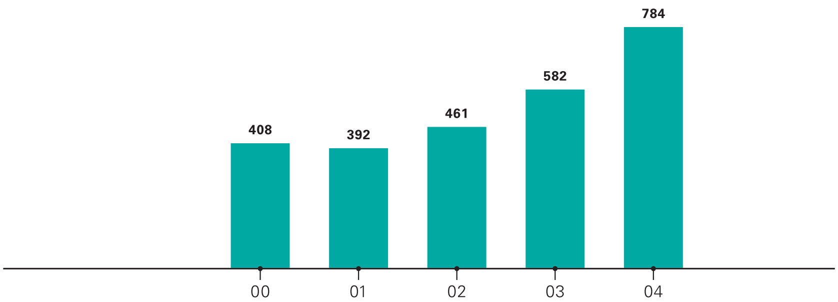
General Insurance pre-tax profit increased 100% for the year. A record result through improved claims experience, better investment returns and greater operating efficiencies.

Wealth Management

$66m
up 61% for the year

Wealth Management pre-tax profit* increased 61% for the year driven mainly by increased investment returns, and improved operating performance.

Underlying profit* $m

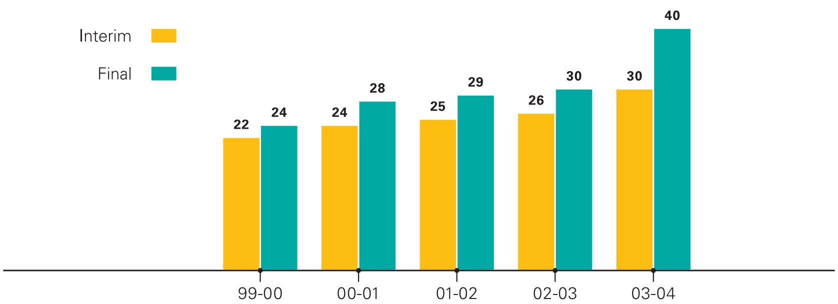


Underlying profit

$784m
up 35% for the year

Profit before tax, goodwill, one-off gains and investment income on general insurance shareholder funds. Demonstrates strong operating performance of the business.

Dividends interim/final cents

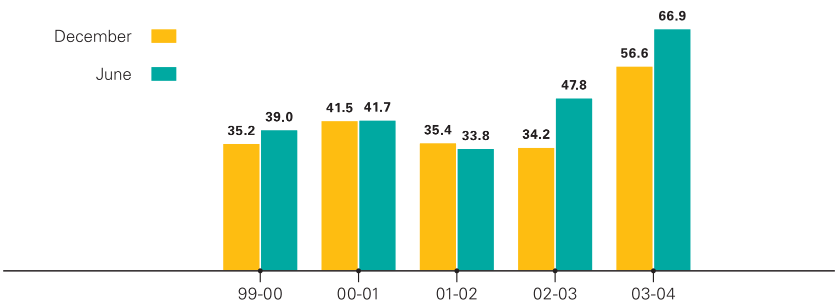


Full Year dividend

70cents
up 25% for the year

40 cents final dividend taking full year dividend to 70 cents, fully franked.

Cash earnings per share diluted Half Year %



Cash earnings per share

$1.24
up 51% for the year

Cash earnings per share diluted up 51% for the year, a record.

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

CHAIRMAN'S LETTER TO SHAREHOLDERS

'We achieved record profits for the Company as a whole, record results in each of our operating divisions and announced a record dividend, so by any measure this is an outstanding financial performance.'

JOHN STORY, CHAIRMAN

Dear Shareholder,

The financial year ending 30 June 2004 has been an important year for Suncorp. It has been a successful year in financial terms, as evidenced by the bottom line profit and the substantial increase in dividend. More significantly, it has been a successful year in operational terms, and that success has not only led to this year's financial result but has provided a sound base for confidence for future years.

The 2004 year is significant in the history of Suncorp. It is the year in which we have clearly entered into the third phase of our development. In the first phase, following the merger in 1996, Suncorp was focused on the integration of the three merger parties. This was a formidable challenge, but was well executed. In the second phase, Suncorp acquired and integrated the businesses of GIO. The acquisition of GIO was of enormous strategic importance for Suncorp, but the integration was a further formidable challenge. This strained our resources, and had implications with respect to growth across the entire organisation. It has, however, proven to be a highly successful acquisition, and the operations of GIO are now integral to the business of the Company.

We entered into our third phase of development under the outstanding leadership of John Mulcahy, and the very effective management team that he has, in a short time, welded together. This phase represents the consolidation of what has gone before and the realisation of the potential and opportunities that had been created. This in no way implies that we have been standing still. The diversified financial services strategy announced in June 2003 is in the course of being implemented and applied. The organisational structure and leadership roles and positions have been comprehensively reviewed, and detailed operational improvements have been introduced throughout the organisation. The change

John Story meets with shareholders at the 2003 Annual General Meeting.

within Suncorp during 2004 has been profound.

The outcome is a company of which we may all be proud. In offering diversified financial services, with the strength of its operations in banking, general insurance and wealth management, and with the strength of those operations throughout Australia, Suncorp is unique. In its third phase, Suncorp is emerging as a great Australian company, with a strong focus on meeting customer needs. But we also recognise that we have our base and our roots in Queensland, and we will retain our market position and community role within Queensland.

2004 has been a great year for Suncorp, and as we enter the third phase of our development with sound, effective and professional management, we have realistic grounds for optimism.

Financial Results Overview

The Company has reported a full year profit of $618 million after tax, which was up 61 percent from $384 million in 2003. Profit for the last six months to June increased by 47 percent to a record $337 million.

Cash earnings per share for the full year increased 51 percent to $1.24 per share, and return on shareholders' equity, before goodwill, was a respectable 17.5 percent.

The financial results are summarised in the table below.

	Year ended		
	Jun-04 $m	Jun-03 $m	Variance %
Profit Overview			
Banking	371	318	16.7
General Insurance	465	233	99.6
Wealth Management*	66	41	61.0
Other	43	9	377.8
Profit before tax and goodwill	**945**	**601**	**57.2**
Goodwill amortisation	(60)	(62)	(3.2)
Tax	(267)	(155)	72.3
Net profit	**618**	**384**	**60.9**

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

While it is clearly an excellent result, the headline numbers can be skewed by external factors such as the strength of the sharemarket, which affects our investment returns, and by one-off profits during the year, such as the sale of our investment in the Cashcard business for a $31 million pre-tax gain. If we exclude those items to get a better understanding of underlying performance, we see earnings still increased by 34.7 percent to $784 million, before tax. So the core profitability of the Company has improved significantly over the year.

As indicated in the table, each of the operating divisions has produced a commendable increase in earnings.

The Banking division lifted profit by 16.7 percent to $371 million, with the highlights being a rapid recovery in home lending, the continued outperformance of our business banking operations, maintenance of margins and the very sound credit quality of the entire book.

In General Insurance, the result rose by almost 100 percent to $465 million. Operating conditions in the industry have recovered significantly over the past two years as insurers have adopted more disciplined pricing practices, and as legislative reforms have reined in escalating claims costs.

Suncorp has a strong focus on meeting customer needs, and in response to customer demands we opened a number of new branches during the year, including Victoria Point, Queensland.

Consequently, the industry as a whole is now earning a level of profits which is more appropriate for the risks involved. The improvement simply reflects the fact that the industry in prior periods was recording very poor profitability, which ultimately led to the demise of some participants, or the withdrawal of some insurers from markets such as public liability. The improved profitability of the industry is a good thing for all consumers, because it means that they can be much more confident that their insurance provider is strong and secure, and will be there to pay claims when needed.

The Suncorp insurance business, fresh from the merger with GIO, has been well positioned to benefit from that structural upturn in the industry. Our results show the business has been operating efficiently, and generating satisfactory underwriting results. The profit has also been assisted by a substantial recovery in investment markets, particularly over the last six months.

Wealth Management similarly has enjoyed a strong improvement in investment earnings, contributing to a 61 percent increase in profit to $66 million for the year.

Dividend

The strength of these results, combined with the underlying performance of the Company, has given the Board the confidence to announce a significant increase in the final dividend to 40 cents per share, up from 30 cents for the June half of 2003. That takes the full year dividend to 70 cents per share, fully franked, which represents a 25 percent increase in the dividend for the full year.

The increase in dividends reflects the significant step-up in our earnings profile during the past year as we have reaped the full benefits of the GIO acquisition and implemented improvements to our business lines. We are confident that the higher dividend level is sustainable and in accordance with our longer term policy of delivering continued steady increases for shareholders.

Another factor in our decision to lift the dividend was the franking position of the Company. We have been gradually building up our franking account over time, and we recognise that these franking credits only have value in the hands of the shareholders. The increased dividend helps us to pass more of this value through to shareholders.

The payout ratio for the full year remains at 63 percent, and was 66 percent for the second half, which is a prudent position, having regard to our capital needs for future growth, and our goal of delivering good returns for shareholders.

Outlook

Your Board and Management are optimistic about the future.

In general terms, the business environment continues to be conducive to growth. The economy remains resilient, inflation remains well in check, unemployment is low and interest rates are not expected to increase sharply in the near term. So at a high level, things look favourable.

However, there are clearly some aspects of the business environment that we are watching closely. In the banking sector, leading indicators suggest further slowing in the home lending market, which may provoke increased competition for diminishing volumes. In general insurance, we are monitoring the market carefully for signs of irrational pricing activity. And in wealth management, we are already seeing some price reductions in funds management fees. But these threats are not new. Competition is a constant and healthy feature of the market.

We have confidence in Suncorp's Diversified Financial Services model and in the strength of its resources. The management team has delivered a strong performance in 2004, and we look forward to further healthy improvement in underlying profit in the current year.

Corporate Governance

The level of performance by boards, and corporate governance generally, continue to be of concern to the investing community within Australia. In an address given on 12 May 2004, the chairman of APRA, Dr John Laker, identified the important attributes of a board, beyond a strong sense of accountability, as being:

- independence;
- expertise;
- diligence;
- prudence, and;
- transparency.

It goes without saying that integrity underlies each of those attributes. We would endorse that analysis.

I would add that it is also essential that, in performing its functions, a board provides clear and effective direction and leadership to management. In order to do so, it must operate on a united and collegiate basis, but in such a manner that the independent views and opinions of the individual directors are respected and accommodated.

During the course of the year we, as a board, reviewed our performance with the assistance of external facilitation. I believe that, in the context of the above criteria, we are meeting the required standards. We cannot, however, become complacent, and we will continue to be vigilant in our examination of the ways in which we can improve on what we do in representing your interests.

At the half year, I advised that, following a review of our Board committee structures, we were to create a new risk committee focused exclusively on that subject. The committee structures constitute a vital cog in the system of checks and balances of our system of corporate governance. Before moving to a new structure, it is essential that we have in place the organisational infrastructure to support that new system. We have delayed the change until we are satisfied that the appropriate infrastructure is in place. It is anticipated that this will be finalised in the next few weeks. Whilst we are satisfied as to the effectiveness of our existing arrangements, which already incorporate a major focus on risk management, we are confident that the operations of the new risk committee will provide an even more rigorous level of internal scrutiny on this important matter.

The importance of the culture which prevails within an organisation with respect to its standards of corporate governance is now well recognised. It is essential that this culture be fair, open and accountable. This is a basis upon which the Suncorp Board itself operates, both internally and in its dealings with management, and it is a culture which John Mulcahy is passionately driving throughout the organisation.

That leads me to the theme of this year's annual report, which is the importance we place on our people, and the way the Company and its employees are engaged in the broader community.

We have roughly 8,000 staff, and our performance is absolutely dependent on the quality and commitment of our people. Throughout this report you will see numerous references to the importance of our staff, and the efforts that are being made to develop and foster talent and leadership within the organisation. On behalf of the Board, I want to thank the staff for their excellent efforts during 2004.

I also would like to thank my fellow directors, and you, the shareholders, for your ongoing support.

John Story Chairman

Wallabies sponsorship: Suncorp Stadium came alive when supporters hit the field with the Wallabies for a free and action-packed Suncorp Fan Day. Kids by the thousands enjoyed on-field coaching clinics and autograph signing with the Wallabies as well as tours of the stadium and other activities.

MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

'2004 has been a year of transition. We have reaped the full benefits of the GIO acquisition, set ourselves a clear strategic path, lifted the performance of our banking business and driven new disciplines throughout the group.'

JOHN MULCAHY, MANAGING DIRECTOR

Dear Shareholder,

Suncorp's vision is to be the most desirable financial services company in Australia:

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

It is an ambitious vision, but I am happy to report that in the year to June 2004, we made good progress towards achieving that goal.

For each of those stakeholder groups, we made extensive improvements and changes in the way we do business to deliver better outcomes. While we still have more work to do, we are seeing tangible results.

I am pleased to say we have achieved this in a disciplined and deliberate way, through the implementation of our Diversified Financial Services strategy and by a very focused approach, working as a team and engaging with the community.

As John Story stated in his letter, 2004 has been a year of transition for Suncorp. We have consolidated following the major structural changes implemented in 2003; we have successfully confronted the challenges that we faced in areas such as home lending; and we are building growth momentum in each of our business lines: Banking, General Insurance and Wealth Management.

In this letter, I will outline some of the initiatives we have implemented during the year, and our plans and expectations for the future.

Profit Overview

For shareholders, it has been a rewarding 12 months. Our financial performance exceeded our initial expectations, with profit after tax increasing by 61 percent to $618 million.

That performance was driven by many operational improvements across the organisation, underpinned by a solid recovery in investment markets and favourable economic conditions.

Banking

The Banking profit of $371 million, before tax, was up 16.7 percent on the prior year. The second half result was $194 million, which was up 9.6 percent on the first half. So on both comparisons, the result is good, and above the market's expectations for the banking sector as a whole.

	Half Year ended				June 04 vs 03
	Jun-04 $m	Dec-03 $m	Jun-03 $m	Dec-02 $m	Change %
Financial Performance					
Banking	194	177	168	150	15
General Insurance	250	215	161	72	55
Wealth Management*	30	36	24	17	25
Other	37	6	5	4	640
Profit before tax and goodwill	**511**	**434**	**358**	**243**	**43**
Goodwill amortisation	(30)	(30)	(32)	(30)	(6)
Income Tax	(144)	(123)	(97)	(58)	(48)
Net profit	**337**	**281**	**229**	**155**	**47**

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

	Year ended 2004 $m	2003 $m	Change %
Banking Profit			
Net interest income	656	592	11
Other operating income	177	155	14
Operating expenses	(414)	(380)	9
Bad and doubtful debts expense	(48)	(49)	(2)
Pre-tax profit	**371**	**318**	**17**

There were a number of important highlights in the Banking performance:

- Lending was strong. Total receivables, including securitised assets, increased by 20.2 percent for the year, compared with 15.5 percent growth for the banking industry, meaning we are lifting our market share.
- Home lending, which had been underperforming for some time, recovered lost ground. In the year to June 2004, the book grew by 18.5 percent, which was almost double the 9.4 percent growth recorded for the previous year and only slightly below industry growth of 20.5 percent. On a monthly basis, home lending has exceeded industry growth rates consistently since February.

  That is a significant turnaround, achieved through a host of initiatives:

  – Improved broker distribution. Previously the Company had been reluctant to use brokers, particularly in the Queensland market, preferring to rely on our branches and call centres. That meant we missed out on good business. Instead, we have now adopted brokers as an important distribution avenue, forming strong relationships with the leading networks which are now selling significant new business for us.

  – Improved retention. We have reviewed our products and services, and the way we treat our customers, to improve the overall customer experience and make it easier for them to do business with us. For example, we used to make it unnecessarily hard for people to top up their loans, so instead, customers simply went elsewhere. Those processes have been fixed.

  – Introduction of regional teams of dedicated home lending specialists with the skills and training required to identify and meet customer needs quickly and effectively.
- Business lending continued to grow at a faster rate than the market, increasing 23.5 percent to $12.2 billion, led by property development and lending to small business.
- Retail deposits grew well in advance of the market, up 15.0 percent while total sector retail deposits rose 8.3 percent.
- Net interest margins held up well over the year, and increased 6 basis points to 2.3 percent in the second half. This was due to good growth in higher margin business such as property development, the restoration of deposit margins through increases in official interest rates, and by competing on service rather than price.
- Credit quality remains excellent, with impaired assets falling to all time lows and provisioning cover improving to more than 2.6 times gross impaired loans.
- Operating expenses were kept under tight control, with the cost to income ratio falling to 48.8 percent in the second half, which puts us on par with much bigger competitors and reflects the benefits of our Diversified Financial Services model.

So all in all, I am satisfied that our banking business is now back on track and poised to kick more goals in the current year.

General Insurance

General Insurance was a real engine room for profit growth in 2004, producing a 100 percent increase in pre-tax profit to a record $465 million for the full year.

Conditions in the general insurance industry have improved dramatically in the past few years as the industry has restructured and rationalised, and as the major players have adopted a more disciplined approach to pricing, focused on delivering appropriate returns for shareholders.

Changes to the laws surrounding negligence and personal injury, which have helped to restore some balance to damages awards, have also put the industry on a much more stable footing, at the same time ensuring that consumers have access to insurance at reasonable prices.

It's therefore been an opportune period to be in the insurance business, and that perhaps demonstrates conclusively the portfolio benefits of our Diversified Financial Services strategy. In contrast to some of our competitors, who are somewhat hostage to a single profit stream, we have the benefit of exposure to three complementary cashflow streams.

Through the acquisition of GIO, Suncorp was established as a major player in general insurance across the country, with sufficient scale to be a serious competitor. Having completed the integration of GIO over the previous couple of years, 2004 was a year when we regrouped and started the drive for organic growth. Our results confirm the strong financial foundation we can use as a growth platform for the future.

The core insurance profit, excluding non-underwritten business and investment income on shareholder's funds (which fluctuates with the share market), increased by 50.7 percent to a record $315 million for the full year. This is equal to 14.4 percent of premium revenue, which is the strongest full year margin reported by the Company since 1997. The Insurance Trading Result (ITR) for the June half was $170 million, equal to a margin of 15.3 percent of net earned premium.

The strength of the profit performance can be attributed to a few factors:

- Claims experience has improved significantly in areas such as compulsory third party insurance, workers' compensation and commercial liability, due to the legislative changes I referred to earlier. However, it is still early days. It typically takes several years to know for certain the impact of such changes. While early indications are clearly favourable – favourable enough to make some conservative reductions to our expected claims costs – we have adopted a conservative approach and put away additional funds in reserve to ensure we have sufficient money to pay claims when they fall due.
- In home and motor insurance, claims experience during the year was affected by the incidence of a number of fairly serious storms up and down the east coast, which caused a lot of damage. Certainly, storm related claims costs were much higher in 2004 than they were in 2003.
- Gross premium revenue grew by 7.4 percent, or $168 million, mainly because of increases in sums insured, inflation and some price adjustments. In some classes, prices have been reduced during the year as the benefits of legislative changes have been shared with consumers. For example, in Queensland CTP, prices were reduced by approximately 6 percent, or $21 per ordinary policy, over the year.
- Investment returns on the funds we keep aside to pay claims increased from $176 million to $231 million during the year (adjusted for capital movements which do not affect the bottom line insurance trading result).
- The results also benefited from continued improvement in investment earnings on shareholder funds, which rose to $130 million, from $11 million the prior year. The strong improvement was mainly due to the strength of the domestic equities markets. The S&P/ASX 200 Accumulation Index rose by 21.6 percent during the financial year.

	Year ended		
	2004 $m	2003 $m	Change %
General Insurance Profit			
Net premium revenue	2,184	2,012	9
Net incurred claims	(1,537)	(1,651)	(7)
Operating expenses	(480)	(433)	11
Investment income, tech provisions	148	281	(47)
Insurance Trading Result	**315**	**209**	**51**
Other income	39	32	22
Investment income, shareholder funds	130	11	1,082
GIO acquisition funding costs	(19)	(19)	-
Pre-tax profit	**465**	**233**	**100**

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

Wallabies sponsorship: A devoted Wallaby supporter, eight-year-old Toby Rheinberger from Perth, who has survived three open-heart operations, was given a once in a lifetime opportunity to be a ball boy at the Australia v South Africa Test Match at Subiaco Oval in July. An armchair sports fanatic because of his medical condition, Toby was selected as part of the GIO Field of Dreams program, an initiative to bring the Wallabies close to the community as part of our Wallabies sponsorship. Toby was a little overwhelmed at meeting his idols Adam Freier, Matt Bourke and Dan Vickerman but excited to be attending a rugby test match for the first time.

So those are the main factors affecting the results for the period. Operationally, there were also a large number of initiatives. A few examples are:

- In September, the Company announced the acquisition of the insurance business operated by the Royal Automobile Club of Tasmania (RACTI). RACTI currently sells personal lines insurance (motor, home and boat products). The acquisition was settled in March. With the purchase of RACTI, the group's annual premium in Tasmania is now approximately $40 million.
- Another important operational improvement was the successful marketing effort to build the Suncorp and GIO brands. This was achieved through carefully targeted advertising campaigns and also through the sponsorship of the Rugby World Cup and the Australian Rugby Union team.
- The strengthened marketing was supported by the implementation of new and improved techniques to accurately assess risks involved in the insurance business, so we can ensure that our pricing properly reflects those risks, and we are targeting the right business. These tools are being rolled out across the general insurance portfolio.

So in summary, the General Insurance business has had a good year. Our challenge is to grow the business off that strong platform, which is our focus for the current year.

Wealth Management

Profit before tax for the Wealth Management division increased 61 percent to $66 million for the year. Investment returns increased significantly, and we also were able to improve the value of new sales by focusing on sales of higher margin products. Funds under management also increased 11 percent to $11 billion during the year.

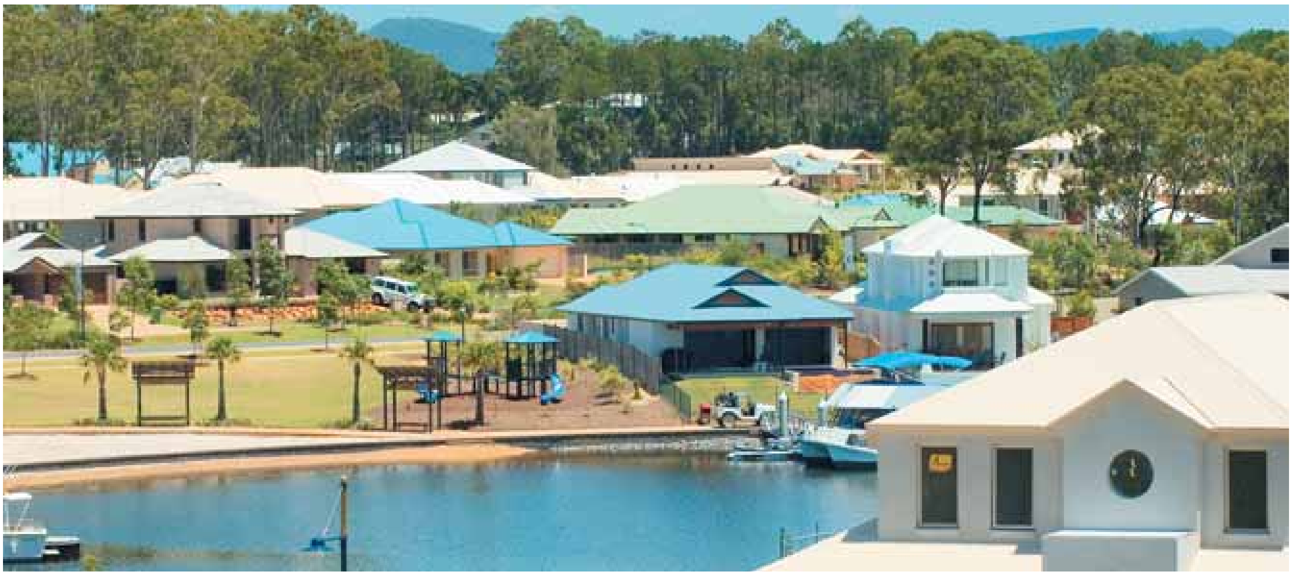
At an operational level, a number of initiatives and alliances were completed during the year, which have significantly improved the range and flexibility of product offerings, and strengthened service and distribution capabilities.

- A highlight was the introduction of Easy Invest, a new 'wrap' platform service for investment customers which features access to over 40 wholesale investments, and single account reporting. Enhancements were also made to the existing Easy Super product, and a new risk protection package was developed for personal loan customers.
- Our investment management team also received accolades from two independent research agencies for the performance of our flagship Australian equities fund. ASSIRT awarded a '4-star rating' and Van Eyk awarded an 'A' rating.
- Investment returns exceeded industry benchmarks in all major investment classes for the year, with funds benefiting from the global strength of equity markets.

	Year ended		
	2004 $m	2003 $m	Change %
Wealth Management Profit			
Life company	57	32	78
Funds management	9	9	-
Pre-tax profit	**66**	**41**	**61**

Excludes Life and Super policy owners' interests, and tax

Coomera Waters – Queensland: Suncorp's environmental award winning housing development.



While Wealth Management is only a relatively small part of our business, it is very important to us in terms of being able to offer a comprehensive suite of products to our customers. We remain very committed to the Wealth Management and Funds Management businesses, and look forward to growing more strongly in the current year, as investor confidence increases.

An important aspect of that will be the introduction of investor choice to the superannuation landscape, and we are already well placed, with a wide offering of funds management products, including core Suncorp products.

Strategy Progress

That summarises the profit performance at a divisional level. From a group perspective, it is clear we are making headway in terms of our Diversified Financial Services strategy that we outlined in June last year.

The core of that strategy is that we will operate our three business lines independently as part of an integrated financial services group. With that structure, we can drive important synergies that include significant cost savings and higher revenues by selling a wider range of products to our existing customers. This will enable us to deliver results that are better than our monoline competitors. The value of the group will then be higher than the value of the component parts, creating wealth for shareholders.

The starting point for that strategy, of course, was to ensure that our individual business lines are performing well and are individually efficient. This result, and the half year results before it, show that we have fixed the problems that were hindering our performance, and our businesses are now operating well.

We also have made excellent progress in developing systems and processes to ensure that we maximise the benefits of our business model, extracting all of the cost savings and additional revenues available.

Clearly, our results show that we are a very cost efficient organisation, with a low cost to income ratio in the bank, and a low expense ratio in the general insurance company. That reflects the benefits of our structure, which allows us to make better use of our shared infrastructure and overheads across the Company.

On the revenue side, we continue to have the highest cross-sell rates in Australia, in terms of the number of products we sell per customer. We also have established a central team of people with a focus on ensuring that opportunities are being captured across the group, and progress is being measured effectively.

Cross-sell targets and staff incentives have been set in each of the business lines. Employees have been equipped with better sales skills, and we are already seeing encouraging results.

For example, in Business Banking, the number of Commercial customers with home loans has grown by 80 percent.

In Retail Banking, our sales per sales session has grown by 30 percent, including substantial general insurance business.

These, and other improvements, mean that we are developing a better understanding of our customers' needs, leading to deeper business relationships with our customers, and, in turn higher returns per customer.

So, good progress is being achieved.

The next step in our strategic journey is to focus on further growth. We have identified six major strategic levers as being critical:

- To be customer focused, with a relentless desire to meet our customers' needs and desires.
- To have a distribution network including branches, intermediaries, call centres and internet facilities that gives customers what they want in a cost efficient way.

- To maintain our track record for getting the job done, implementing change on time and on target.
- To grow our market shares profitably, with attention to both revenue growth and cost containment.
- To take advantage of all of the cross-sale opportunities and potential cost savings available from our Diversified Financial Services model.
- To attract, retain and develop the best team of people in the industry.

All of these strategic levers are important to the success of the group, but I would like to focus briefly on the last one, which is the theme of this report.

High Performing Team

The success of any business depends on the quality and commitment of its people, and that is particularly the case in financial services, where the interaction between customers and our people is so important.

So we pride ourselves on ensuring that we have people who are properly skilled at their jobs; who care for the customers, and are pleasant and friendly to deal with.

There is a host of things that go into delivering that outcome and during the past year, we have worked hard at creating the environment that attracts, develops and retains good people.

Late in 2003 we restructured the Company along business lines to make it less complicated, and so our people knew how they fitted into the organisation, and had clear lines of responsibility and accountability. We then looked at all the jobs in the Company and made sure we had the right people in the right jobs, with the appropriate job targets and proper financial incentives in place. We called that process the leadership framework, and it has had a marked effect in lifting morale and improving performance.

With that in place, we have undertaken extensive learning and development exercises throughout the organisation.

For example, more than 260 of our senior managers have completed or are undertaking a leadership training course called 'Flare' which equips them with comprehensive skills in motivating people and assisting them to perform well. The program is having significant impacts and developing consistent application of management techniques across the group. Another 1,200 team leaders are scheduled to complete the training over the next two years.

Another example is our 'inFOCUS' program to improve sales, service and leadership skills in our banking operations. More than 1,800 of our front-line people have now completed the course, and it has been established as an ongoing training program.

In addition to providing our people with job skills, we are working to instil a culture within the Company which reflects the sorts of values that the community respects and demands.

We have defined a set of values that we expect all our people to live by.

They are honesty, trust, fairness, respect, caring and courage and I'm pleased to say that they are already well entrenched in the organisation. By identifying them explicitly, it helps to show people the sort of organisation we are, and aim to stay.

In addition to these, we have developed a Code of Conduct for all our people, which sets out the standards of behaviour we require within the Company. These initiatives ensure we are developing a strong, ethical and rewarding culture, essential for building our relationships and reputation with each other, our customers, our shareholders and the community.

We are demonstrating that through initiatives such as our Volunteer Day, which gives each employee one day's paid leave per year to devote to our community.

Volunteer Day is just one practical way we can demonstrate that we are an organisation that takes our community responsibilities seriously, and is genuine in its desire to make a contribution to the broader society. This is, of course, in addition to the many other community programs and sponsorships we have in place, which are outlined on page 24 of this report.

The interaction between customers and our people is so important. Katie Flaton, located at Victoria Point branch, is one of our friendly sales and service consultants.

Outlook

I will now turn to the outlook for the current year.

At a high level, the business environment looks conducive to growth. At the moment, the economy is forecast to expand by a healthy 3.5 percent per year for the next four years, with inflation, unemployment and interest rates all expected to remain relatively low and stable. So, while things look favourable, we are keeping a wary eye on the global economic outlook for signs of weakness and ensuring we are well positioned to withstand any unexpected deterioration.

In **Banking**, while there has clearly been a slowdown in housing lending, which is also reflected in property development lending, overall credit growth continues to be quite resilient. We would therefore expect to see total lending grow by around 10 percent in the current year.

Increased competition in banking may lead to some deterioration in margins in the industry in the current year, however, we will be focused on profitable growth.

So in this environment, we expect to deliver a percentage growth in profit before tax greater than single digits.

In **General Insurance**, premiums have increased significantly across the industry over the last couple of years as insurers have moved to charge prices which properly reflect the underlying risks of the business. However, that stepped adjustment in pricing, which has restored appropriate levels of profitability to the industry, has largely run its course. Further price rises are expected to be kept more in line with claims inflation, therefore the recent increases in profitability the industry has experienced are likely to moderate in the future. In some classes, we expect to reduce prices in line with improvements in claims experience.

We do not see any signs of irrational price competition re-emerging in the classes of insurance in which we operate, and we remain confident that the improvements we are making to our business will enable us to win market share from our competitors, increase efficiency and lift profitability.

We also remain cautiously confident that the improvement in claims experience will be sustained. While this will lead to benefits for consumers in the form of reduced prices in some classes, it also will lead to greater stability and improved profitability for insurers.

Therefore, we would expect that the profitability evident in the 2004 results will be largely sustainable in the future. While we previously had a stated insurance trading margin range of 10–13 percent, with this result we are increasing the expected margin to 11–14 percent. As always, this assumes no unusual events or wild swings in investment markets.

In **Wealth Management**, the recovery in equity markets has led to a significant improvement in profitability. Assuming this equity market performance is sustained, we should see some recovery in sales in the current year. We therefore expect to see a double-digit improvement in Wealth Management profit before tax and investment income on capital and retained earnings in the statutory funds.

At a group level, this should translate to further good improvements in underlying profits in the current year.

Conclusion

Finally then, I would like to take this opportunity to thank the Suncorp team for their hard work and support over the past 12 months. Together, we have made great improvements, and the current year should present many exciting opportunities for us. Thanks also to my fellow directors for their help and guidance, and of course to the shareholders for their ongoing support.

John Mulcahy Managing Director and CEO

GROUP EXECUTIVE

From left to right: Diana Eilert, John Mulcahy and Chris Skilton.

From left to right: Bernadette Fifield, Ray Reimer, Carmel Gray, Peter Johnstone, Mark Blucher.

Mark Blucher AAIBF
Group Executive Retail Banking Customers

Mark Blucher's key function is retail banking customer management, with responsibility for the profit and loss outcome, product management, distribution and processing. He previously held the position of Group Executive Retail Distribution and Human Resources. Mark joined Suncorp as General Manager Human Resources in September 1997 after having spent 19 years in a number of senior positions with the ANZ Bank's operation in New Zealand.

Diana Eilert MComm (Mktg & Finance), BSc (Pure Maths)
Group Executive General Insurance

Diana Eilert is responsible for Suncorp's insurance business,which includes GIO, RACTI and our joint ventures with RACQ and RAA. She joined Suncorp in 2003 from IBM's Business Consulting Services, where she was a Partner. Diana's consulting career spanned five years in banking and insurance, with an emphasis on customer strategy and growth initiatives. Prior to consulting, Diana had 16 years' experience in line roles in insurance and banking, including heading up Zurich's personal general insurance business and Zurich Direct, senior executive roles in marketing, sales, credit and operations in Citibank, leading AAMI's sales and marketing efforts in NSW and various roles in NRMA Insurance, including head of the insurance call centre.

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

Bernadette Fifield joined Suncorp in 2003 to take up a Group Executive role. She is responsible for the Wealth Management business as well as the design of the group's strategy and the management of the marketing function across Suncorp. Before joining Suncorp, Bernadette held a number of executive roles across financial services including a number of senior roles at the Commonwealth Bank.

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

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

Peter Johnstone LLB
Group Executive Human Resources, Projects and Central Services

Peter Johnstone joined the group in 1997 after playing a key role in the original merger in 1996. He was responsible for the initial integration process, and more recently, the GIO integration transformation project. During his time with Suncorp, Peter has also been responsible for the back office function of Banking and Insurance as well as Information Technology.

Before joining Suncorp he lead the business team which corporatised the former State Bank of South Australia and subsequently became General Manager Operational Support and General Counsel of the Bank of South Australia.

Peter was appointed to his current role in 2003. He has over 30 years' experience in finance, business and law.

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

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

Ray Reimer
Group Executive Business Banking Customers

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

Chris Skilton BSc (Econ), ACA
Chief Financial Officer

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

RETAIL BANKING ‘We have made excellent progress in further improving customer experience and building our sales and service culture with our people. Overall, a satisfying 12 months but there are still opportunities for improvement.’

MARK BLUCHER, GROUP EXECUTIVE
RETAIL BANKING CUSTOMERS

Retail Banking Profile

Retail Banking provides home and personal loans, transaction, savings and investment accounts, credit cards and foreign currency services for 785,000 customers nationally through an extensive branch network, the phone, call centres and on-line facilities.

Retail Banking has:

- Total assets of $18 billion;
- Total deposits of $13.4 billion;
- 173 branches and agencies, predominantly in Queensland;
- 2,700 staff;
- 12.7 percent market share of lending in Queensland, 3.1 percent nationally; and
- a profit before tax of $371 million for the year (includes Retail and Business Banking).

Operating Environment

Operating conditions in the retail banking sector were favourable during 2004, with the economy continuing to grow steadily, inflation in check, interest rates and unemployment relatively low. Consumer confidence was therefore healthy, reflected in the continued growth in borrowing, particularly for residential property.

Towards the end of the year, there were clear signs that the housing sector was slowing, following increases in official interest rates. This is expected to lead to increased competition for business in the current year.

Overall credit conditions remain excellent, with few bad debts emerging. So in summary, it is a good scenario for customers, and a sound competitive environment for the Retail Banking division.

Operating Highlights

During the year we maintained our focus firmly on understanding our customers needs so that we could continue to offer appropriate financial and service solutions.

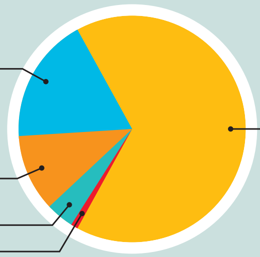
We refined our customer segmentation, with every customer being grouped according to life stage, product holdings and value. This helps us to determine better product offers and the level of service required to meet individual needs.

We targeted special term deposit offers to niche groups such as shareholders and insurance customers and launched a unique transaction and savings account which has proved to be a winner for customers and a market leader for Retail Banking. Called the

Margaret O’Hearn, a Suncorp Premier Client since 1997, is a hard working sales consultant. She is looking forward to retiring and easing her workload to enjoy the company of her grandchildren. Branch Manager Adam Parry caught up with her at the recently opened North Lakes branch in Brisbane.

Ron Booth from Wandoan, is a valued Suncorp (Dalby branch) customer. He likes the way we do business. 'It's nice not to be treated as a number. When I ring up the sales consultants, they recognise my voice and when I ask for something to be done, it happens. That's what I call good service.' Ron is pictured with his daughter Alison.

Retail Banking assets by state – $17.78b as at 30 June 2004



$17.8b
as at 30 June 2004

Retail Banking's portfolio is dominated by low risk housing, predominantly in the Queensland market, but with a growing presence in other states.

Everyday Options Account, its success to date has exceeded all expectations, with 47,000 new accounts and over $500 million in funds raised. At the Personal Investor Magazine Awards for Excellence in Financial Services our savings and transaction accounts won three gold medals between them.

Improved service levels have made it easier for new and existing home loan customers to do business with us. We have shortened home loan application processes. It takes less than two days for loan documentation to be prepared once a new loan has been approved, a substantial reduction on previous times. A new on-line facility has also made it easier for customers to substitute securities, split loans, switch products and access cashback.

We have redesigned our distribution networks to make them more effective. By recognising brokers as an important distribution channel in Queensland for the first time, we have seen our share of the mortgage broker market business increase from 9 percent to over 14.5 percent during the year. This year sales through brokers throughout Australia were up 42 percent on the previous year to over $5.7 billion, a performance driven by faster approval turnaround times, concentrated business development efforts and a greater promotion of Suncorp within the mortgage broking industry. To enhance our distribution through this channel, we have developed much stronger relationships with those brokers who we have identified as our preferred partners.

We continually review customer demands and feedback to ensure we have the right services in the right places such as in areas where population and household incomes are rising. During the year we reorganised our branch network in response to customer demand and opened new branches in Perth and Adelaide, as well as in regional centres such as Longreach in Queensland.

People

Our culture is about providing an environment for our people to do their best and achieve their career goals. Succession planning, learning and development programs, and rewards for outstanding performance are just some of the initiatives introduced. The commitment and motivation of our people will help us achieve our goal which is to be Australia's most desirable retail bank.

A sales and service training program was launched during the year to provide our people with the tools and processes to achieve our vision. Called inFOCUS, it integrates the critical elements of the Retail Banking business – sales, service learning, leadership, measuring results, reward and recognition. The program teaches proven process-driven skills and techniques that will increase revenues and customer satisfaction and provide a powerful and positive impact on the way staff do business.

Our people are the key to our success and will differentiate us from our competitors. Continuing to build a culture that supports individuals will ensure that the Retail Banking division continues to deliver further improvements in the future.

BUSINESS BANKING 'Business Banking has enjoyed high levels of financial performance for the last three years and I attribute this success to the quality of our people, excellent customer service and focusing on what we do best.'

RAY REIMER, GROUP EXECUTIVE
BUSINESS BANKING CUSTOMERS

Business Banking Profile

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

- Commercial – provides working capital and term finance for customers with turnovers of $500,000 to $10 million.
- Corporate – provides project and structured finance for customers with turnovers of $10 million to $100 million.
- Agribusiness – provides financial services for rural producers and associated businesses.
- Property Finance (includes Development Finance and Property Investment) – provides finance mainly for residential developments, shopping centres and warehouses.
- Equipment finance – provides a suite of leasing products, mainly for financing vehicles and equipment.

Business Banking has:

- $12 billion in assets;
- more than 77,000 customers nationally;
- 555 staff including a network of 144 Business Customer Relationship Managers;
- 150 specialist agribusiness staff including relationship managers in 39 locations throughout Queensland, NSW and Victoria;
- 57 outlets; and
- a before tax profit for the year of $371 million (includes Business and Retail Banking).

Operating Environment

The operating environment for Business Banking was favourable during 2004, featuring strong economic growth, low inflation, relatively low interest rates and solid employment conditions. Activity in the property segment was particularly strong, although increases in interest rates in November and December have acted to slow the market. Commercial lending activity is expected to remain strong in the current year. Overall credit quality remains excellent, with no signs of increases in loan delinquency rates.

Drought conditions continue to affect the rural industry but the prospects are favourable for the beef cattle industry over the next two years and there is an improved outlook for the sugar industry.

Operational Highlights

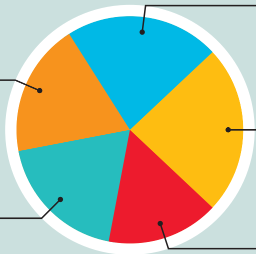
2004 was a great year for the Business Banking division. We recorded good rates of growth across all of our portfolios, and we continue to grow more strongly than the overall business lending market through the disciplined implementation of our strategies.

Business Banking is very much about relationship management. Recognising that service is the differentiator between us and our competitors, we launched a major project in March based on world best practice in business banking relationship management. The project has enabled us to identify the full value of our customers and align appropriate service delivery, including products and pricing, across the group. Our ongoing

Norship Marine in Cairns, are new Suncorp customers who provide ship maintenance and storage for the local marine and boating community. Pictured during a welcome visit are from left: Ray Reimer, Ray Fry, Director of Norship Marine, John Havill, Business Banking Manager Cairns and Chris Bath, Regional Manager, Business Customers – Northern Queensland.

Stuart Armitage (Darling Downs Cotton Grower of the Year 2002), examines the winter wheat crop with Suncorp's Greg Leahy. A valued customer since 1985, he is a successful, efficient dryland/irrigated cotton and grain farmer who farms 1,000ha using half the water to grow similar or higher yielding crops than the Darling Downs' average.

Business Banking portfolio – $12.24b as at 30 June 2004



$12.2b

as at 30 June 2004

Strong lending across eastern seaboard, led by property development and lending to small business.

Business Banking assets by state – $12.24b as at 30 June 2004	%
Queensland	55
New South Wales (incl. Australian Capital Territory)	26
Victoria	16
Western Australia	2
South Australia	1

objectives are to attract, grow and retain our most valuable customers through having a better understanding of their financial needs, delivering customised service and non-financial value in the form of customer recognition and reward programs.

Intermediaries are a major distribution channel for our business. This year Business Banking made a strategic decision to treat brokers as a distinct customer segment in themselves, rather than simply a distribution network. This required a revamp of our distribution, with graded remuneration structures and new incentives for brokers, aimed at aligning their interests with those of Suncorp. Results to date have exceeded expectations, with broker introduced business contributing strongly to the 33 percent increase in commercial banking receivables for the year.

We have seen good growth in the property division during the year and were well placed to take advantage of the strong market. In August we finalised the acquisition of AMP's $234 million construction and property investment loan book. The deal has given Suncorp greater diversity in the New South Wales market where about 85 percent of those loans are located.

Our property finance division is now prepared for more moderate growth rates and is adjusting its focus from unit, apartment and high-rise developments to home and land sub-division projects for the longer term.

Our People

During the year we strengthened our people strategy with a number of initiatives aimed at helping staff achieve their personal and career goals, improve work/life balance, and expand their skills and leadership capabilities. We introduced a wellbeing, health and fitness program which was completed by over 70 percent of Business Banking staff. Intensive relationship management training has also improved skills so that staff can become financial partners with their clients and help them reach their goals.

Suncorp's sponsorship of the Rugby World Cup last year proved a real winner for the agribusiness division. We took the sponsorship into key rural towns such as Dalby, Emerald and Goondiwindi, hiring large screens and setting them up in suitable locations where customers could enjoy the games. The development of closer relationships with customers in these regions helped us to understand our customers better and generated significant business for the group.

The Year Ahead

Business Banking has enjoyed high levels of financial performance over the last three years across its target customer segments, being small and medium sized commercial banking, agribusiness and property. We aim to continue to look for growth opportunities within those markets, capitalising on the skills of our staff and our prudent lending practices.

In 2005 the impetus will be on our people and their development. The ongoing training and development of our relationship managers will ensure we continue to provide consistent and high quality service, and high customer satisfaction.

GENERAL INSURANCE 'At an operational level, 2004 was a period of consolidation and reorientation. Consolidation following the integration of the GIO business, which was completed in 2003, and reorientation, as our focus moved firmly onto growth.'

DIANA EILERT, GROUP EXECUTIVE
GENERAL INSURANCE

Business Profile

Suncorp is Australia's third largest general insurance group, with net premium income of $2.2 billion for the year to June 2004.

The insurance group has a broadly diversified portfolio, comprised of personal lines insurance (home, motor, Compulsory Third Party) and commercial insurance focused on small to medium sized enterprises.

More than half (55 percent) our premium income is sourced outside of Queensland. Approximately 30 percent is generated in NSW, 10 percent in Victoria and 7 percent in Western Australia.

The group also owns half shares in insurance joint ventures operated with motoring clubs in Queensland and South Australia.

The Suncorp/GIO insurance business has approximately 3.3 million customers nationally, and we provide cover for some 1.5 million motor cars, 1.2 million homes and 276,000 businesses across the country.

In the year to June, we paid out a total of $1.6 billion in claims to more than 400,000 customers who called on us for support after they were struck by disaster during the year.

Operating Environment

The operating environment for the general insurance industry has improved significantly over recent years, following an extended period of low profitability. Following the high profile failure of HIH, in 2001, the insurance industry has been consolidated and a strengthened prudential regime has been imposed, leading to more disciplined business practices and improved operating efficiency.

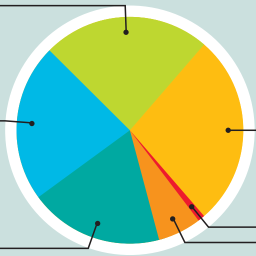
Consumers can now feel secure that their insurance company is financially strong and able to pay legitimate claims.

Reforms to the laws surrounding negligence and awards of personal injury damages have also helped to restore balance to the claims environment, making it worthwhile for insurers to offer their products, and ensuring that people have access to insurance protection.

Pricing has risen across the industry, so that insurers are now receiving appropriate returns for the risks they accept. This structural adjustment in pricing, which has taken place over the past two years has now largely run its course, and price increases in the year to June were more moderate than has been the case in prior years.

Toowoomba insurance call centre consultants Joanne Graham and Rich Debham are two of 267 consultants employed at the centre to deal with sales and teleclaims. The call centre, which opened in 2002, answers on average 106,000 calls and handles 15,000 claims per month.

General Insurance portfolio – Gross written premium $2.4b as at 30 June 2004

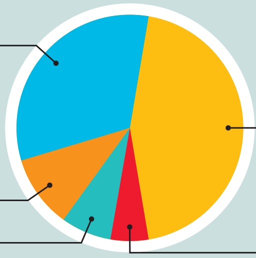


$2.4b

as at 30 June 2004

Up 7.4 %, primarily due to increases in sums insured and general pricing adjustments.

Gross written premium by state – $2.4b as at 30 June 2004



$2.4b

as at 30 June 2004

An established major player in general insurance across the country, with sufficient scale to be a serious competitor.

So while the operating environment for the industry has improved, and there are no signs of irrational price discounting emerging, competition between insurers continues to be fierce, ensuring that consumers are receiving value for money.

Results Overview

The improvement in operating conditions was reflected in the general insurance results for the year. The division was able to report a 100 percent increase in profit before tax for the 12 months, to $465 million.

This is clearly an excellent performance, driven primarily by improved premium revenues, favourable claims outcomes and increased investment income. The strongest contributions were recorded in long-tail insurance classes such as compulsory third party insurance, workers' compensation and liability, where legislative changes have restored some balance to the operating environment, particularly with respect to claims costs.

Operating Highlights

At an operational level, 2004 was a period of consolidation and reorientation. Consolidation following the integration of the GIO business, which was completed in 2003, and reorientation, as our focus moved firmly onto growth.

We aim to deliver growth by focusing on two key aspects of our business – our customers, and our trading margins.

Firstly, at the customer level, we are aiming to deliver the highest value-for-money products to our customers. We are doing that by implementing a few key initiatives. For example:

- when customers call our call centres, their questions are answered and problems resolved on that same phone call 95 percent of the time; and
- if a customer has a car which is deemed to be a total loss, we undertake to make the payment to the customer within 24 hours of agreeing a settlement value.

We've gone further too, by embodying our service commitments in a customer charter for each of our lines of insurance.

Each charter sets out standards of service that we aim to deliver. For example, in motor insurance we give customers a lifetime guarantee for materials and workmanship on the car repairs we authorise. A full copy of the Charter is published on page 21.

Secondly, we are aiming to grow our customer base through improving our overall marketing and sales effectiveness, and reinvigorating our GIO and Suncorp brands. The revitalised GIO brand is being launched in August, and that will be followed by a Suncorp brand relaunch.

That increased branding effort follows our very successful sponsorship of the 2003 Rugby World Cup, and our four year deal to sponsor the Australian Rugby Union team, which have helped to lift recognition of the GIO and Suncorp brands nationally.

Thirdly, we aim to deliver growth by improving our trading margins, or our profitability. One key aspect of that is the introduction of a sophisticated new computer-based program which assesses the likelihood and cost of a claim on any insurance policy. Armed with that information, we can then refine our pricing to ensure that we are optimising our portfolio. We are progressively introducing the tool through our personal lines insurance products, and already it is having a significant impact. Another plank of our plan to improve profitability is our focus on increasing our efficiency and reducing costs, so we can deliver more and more competitive products for our customers. For example we are actively working with our repairers and motor dealers to achieve better costs in our prices for motor parts.

Our People

I would like to finish by referring to what I see as one of our core strengths – our people. We have 3,131 staff in General Insurance, and we rely heavily on their commitment, hard work and strong service ethic to help us achieve our goals.

During 2004 we built on our strong base by bringing in new talent to the division – an infusion of new people to bring fresh enthusiasm and experience to the team.

We also have participated in leadership training which has been adopted across the entire Company, as well as more specific training and skilling schemes for individual parts of the division.

Altogether, I am confident that these programs, together with the corporate values of honesty, trust, fairness, respect, caring and courage, will help to instil a great culture within the division which will ensure that we are in great shape for the future. We aim to 'set the benchmark'.

Monday 10.30am: Dana Tingey drives her damaged car into the Moorooka Motor Vehicle Assessment Centre. **10.40am:** Initial paperwork completed, Dana and assessor Brad Rushan examine the vehicle and Brad advises her about the repair process. Dana admits to being embarrassed to drive the damaged vehicle, and her first claim in 34 years. **10.50am:** With a complimentary cab voucher in hand, Dana waits for the taxi to take her to her destination. Her car is towed away shortly afterwards and within 24 hours the car repairer advises her when the repaired vehicle will be ready. **Thursday am:** Dana receives a call from the car repairers – her car is ready. However it is more convenient for her to pick the vehicle up on the Friday morning. No problems. **Friday12pm:** A delighted Dana picks up her car, no telltale signs of an accident remain and she can't believe how hassle-free the process has been! 'My friends never have it this easy,' she said.*

*Customer Service Initiative

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

The offer applies to cars, 4WD's, utilities, and vans up to two tonne carrying capacity, which were manufactured less that 31 years ago, which are comprehensively insured with Suncorp or GIO. The car must be driven to a Suncorp or GIO Motor Vehicle Assessment Centre for repairs following an approved claim. The offer excludes cars towed to a Suncorp or GIO Motor Vehicle Assessment Centre. Repairs to cars are to be carried out as directed by Suncorp. The offer excludes cars damaged as a result of hail or flood, or cars to which additional private work is to be carried out. The seven day offer is available for repairs for one claim only. Repairs to be made at the same time for additional claims will increase term of offer by seven days for each claim (eg two claims, 14 days). The courtesy car provided will be a 'small category' vehicle. Under this benefit we will pay for the daily hiring cost of the courtesy car. A car hire bond may apply and if it does you will have to pay this bond to the hiring company. You will be advised of any such bond at the time you pick up the car.

SUNCORP CUSTOMER SERVICE CHARTER 2004

It's our way of helping you make the most of your insurance.

So you know what you can expect from us, we've put our service commitment to you in writing.

We're here when you need us

1 Our customer call centre has consultants available to take your calls 24 hours a day, 7 days a week, 365 days a year. You can also contact us anytime online at suncorp.com.au

2 If you prefer to deal with us in person, Suncorp has a branch network to handle your insurance enquiries.

3 Your time is important, so we're doing our best to reduce the time you spend waiting to speak to us. It's our aim that in 9 out of 10 times, you'll wait less than a minute to speak to one of our staff when you phone our call centre.

4 It's important that you understand your insurance policy, so we write all our documentation in plain, easy to understand language. If there is anything you don't understand in our policy documents please contact us on 13 11 55 and we will talk you through it.

Your claims

5 We will provide new for old replacement for any of your contents damaged beyond repair or stolen, regardless of their age. Limits apply on certain items.

6 If we need to visit your home to assess your claim, we will appoint a Home Assessor to personally look after your claim. Your Home Assessor will call you within 24 hours of lodging your claim to arrange a suitable time to visit you.

7 If you have to rebuild all or part of your home due to damage caused by an insured event, we will pay up to 10 percent of the Home sum insured for the reasonable and necessary costs to cover removal of debris and Architect and Surveyor fees. This sum includes fees for any extra building needed to make your home comply with Local Council, State or Federal Government regulations.

8 If you live in a location serviced by one of our Motor Vehicle Assessing Centres in Queensland, Sydney or Melbourne you can use one of our centres for your motor insurance claim. When you use this service we will:

- pay for a taxi to take you home or to your workplace after you drop your car off
- make the repair arrangements for you with one of our recommended repairers (or you may choose your own repairer)
- keep you updated on the progress of the repairs to your car

9 If you live in a location not serviced by one of our Motor Vehicle Assessment Centres, you can nominate a local repairer or we will arrange repairs on your behalf with a recommended repairer in your area.

10 If your car, 4WD, utility or van up to 2 tonnes carrying capacity is written off within the first 2 years of registration, and you are the first registered owner, we will replace your car with a new car of the same make and model. We will also pay your registration and on road costs.

Quality of your motor insurance repairs

11 We give you a lifetime guarantee for materials and workmanship on repairs we authorise for your car.

Your premiums and rewards

12 We reward our customers who have good driving records with a No Claim Discount/Rating that increases over time to a maximum No Claim Discount/Rating 1.

13 You will be rewarded with a Rating 1 For Life if you have held your comprehensive car insurance with a maximum No Claim Discount / Rating with the same insurer for the past 2 years and haven't had an at fault claim during this time. This feature is available on most vehicles.

14 For added peace of mind all our insurance policies come with a 21 day cooling-off period. This means if you change your mind about your insurance and you haven't made a claim, you can cancel your policy and we will refund your premium in full.

Your privacy

15 Your privacy is important to us. Our Privacy Policy sets out the procedures and safeguards we have in place to protect the personal information you give us.

16 We do not disclose your personal information to any outside third party organisation, unless it is contracted to provide administrative services or activities on our behalf.

17 You can request access to any of the personal information we hold about you.

18 You can view our Privacy Policy online at suncorp.com.au, call us on 13 11 55 for a copy or pick one up from your nearest branch.

We're accountable to you

19 An internal audit group will review our Customer Service Charter annually to ensure it continues to meet our customers' needs.

20 If you are not satisfied with our service for any reason, you can use our Complaint and Dispute Resolution Service by calling 1800 689 762.

COMMITMENT TO YOU SUNCORP 2004

Diana Eilert, Group Executive General Insurance

Home and Contents and Motor Vehicle Insurance are issued by Suncorp Metway Insurance Ltd ABN 83 075 695 966.
Please read the relevant Product Disclosure Statement before you make any decision regarding these products.

WEALTH MANAGEMENT '2004 has been a very successful year for Wealth Management, with significant enhancements made to our products and distribution capabilities, and our investment team being awarded for its strong track record.'

BERNADETTE FIFIELD, GROUP EXECUTIVE
WEALTH MANAGEMENT, GROUP STRATEGY,
CORPORATE RELATIONS AND MARKETING

Business Profile

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

Within the Life Company, we provide a comprehensive range of products and services to over 144,000 individual and small business customers, through an extensive distribution network of over 100 financial advisors.

- Products include superannuation (personal, allocated pension and employer sponsored), managed investments (unit trusts, 'wrap' service), life insurance (term life, trauma and disability insurance), and financial planning and advice.
- Over 35 investment options are offered within **Easy Super** Personal Superannuation and Easy Super Allocated Pension to meet different investment needs with the flexibility to invest in one portfolio or in any combination of portfolios.
- Retail unit trust investors have easy access to nine fund options ranging from secure cash to property and shares, providing attractive short, medium and long term investment.
- Suncorp **Easy Invest** 'wrap' platform service offers access to 44 wholesale investments, while featuring single account reporting.

In Funds Management, we manage in excess of $11 billion, including $3.9 billion in life insurance and managed investments for customers, $1.9 billion in wholesale funds, and $5.5 billion from reserves of our general insurance business.

Operating Environment

Following two years of poor investment returns, equity markets rewarded investors with the Australian S&P/ASX 200 Accumulation Index returning 21.6 percent. However, the managed funds industry (which includes superannuation, retirement income and managed investments) saw little growth of net inflows as investors remained supportive of the residential property sector and non-traditional investment opportunities.

An increasing percentage of retail investments flowed into master trust or 'wrap' platforms, in recognition of the diversification and consolidated reporting benefits. This has also enabled the emergence of 'boutique' fund managers, consisting of small, specialist teams of funds management professionals.

Consumers also showed an increased interest in protecting their families and lifestyle through personal risk protection policies, such as life, income protection and trauma insurance.

2004 was also a year of significant change for the industry with the full implementation of the Financial Services Reform Act, and the pending changes to the superannuation and retirement income systems.

Results Overview

The Wealth Management division contributed profit before tax of $66 million for the year to June 2004, up 61 percent from $41 million for June 2003. The increase was driven mainly by a sharp improvement in investment earnings as equity markets regained positive momentum.

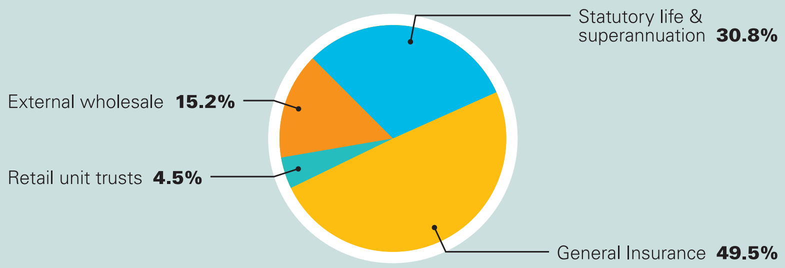
Funds under management increased to over $11 billion, benefiting from a net inflow in funds of $205 million and strong investment income earnings.

	Benchmark %	Suncorp results %
Investment Performance		
12 months to 30 June 2004		
Australian Cash	5.30	5.59
Australian Fixed Interest	2.33	2.71
World Fixed Interest	3.51	3.99
Australian Equities	21.61	21.78
World Equities	19.39	19.76
Listed Property Trusts	17.24	17.41

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

Recent retiree Elaine Fitton is excited about her future and with good reason – her Suncorp financial planner John Postlethwaite helped her restructure her finances to ensure her retirement years are in good shape. Elaine thinks John is tops and stopped by to get some last minute advice before heading for her first trip to Europe.

Funds under management – $11.0b as at 30 June 2004



$11.0b

Funds Under Management

Our current size is a competitive advantage enabling us to deliver superior investment performance.

Operating Highlights

In 2004 we introduced a number of new customer focused solutions, including Suncorp **Easy Invest** – a 'wrap' platform in alliance with one of Australia's leading fund managers, Macquarie Investment Management. The service gives our investment customers access to a significantly wider choice of fund managers, and features single account reporting.

Significant enhancements were also made within our Suncorp **Easy Super** platform, providing a greater range of fund managers and functionality. Our superannuation customers are ensured all the choice and flexibility to assist in meeting their retirement financial objectives.

And, for our personal loan customers, we developed a simple yet affordable risk protection package.

Another operational highlight was the introduction of a powerful new financial planning tool for our Suncorp financial advisors, which will better enable them to develop appropriate financial solutions and plans for our customers. The software includes access to market leading, Van Eyk Research and enhanced customer management functionality.

We have also developed a uniquely tailored training program, called 'Training Matrix' to support the development of our Wealth Management staff. By first outlining the specific skills, knowledge and level of competency that each team member requires to meet established customer service standards, individual training courses can then be identified and allocated to our staff for completion. The Training Matrix provides our people with the skills necessary to further develop their careers within Wealth Management, and Suncorp.

Together, the initiatives and alliances of 2004 will better enable our Suncorp Wealth Management team to provide comprehensive investment and risk protection solutions, coupled with the highest level of service to our customers.

We are confident that our range of investment, superannuation and risk protection products, and our proven investment capability will enable us to service existing Banking and General Insurance customers, as well as enabling the extension of our customer base through new distribution channels.

Investment Performance

Suncorp's investment management products can be recommended by advisors as some of the best in the market, following major accolades received from two independent research agencies during 2004. ASSIRT granted a 4-star rating to our flagship Australian equities funds, rating our investment management teams' capability in Australian shares, international shares and Australian fixed interest as 'Strong'. Van Eyk also awarded an 'A' rating for Australian equities.

The ratings are underpinned by consistently superior investment performance. We outperformed industry benchmarks in all major investment classes during 2004, with funds benefiting from the strength of equity markets. Our domestic equities, cash, balanced and capital stable funds rank in the industry's top quartile, based on three and five year returns.

OUR PEOPLE AND THE COMMUNITY

Financial services is essentially a people business, and therefore our success is dependent on the quality and skills of our staff.

We take pride in our people. Suncorp has a long tradition of being a friendly company, with employees who care about their customers and are helpful and eager to please. It's a culture we work hard to foster in not only being customer focused but supporting our people in their jobs and careers.

Over the last 12 months we have fundamentally changed the structure of our business to streamline the organisation and encourage our people to perform well and reach their full potential. Our managers now have clear lines of authority and responsibility to help them deliver better service to customers.

During the past six months, senior managers have participated in a world-class leadership program called 'Flare', which is all about creating and developing exceptional leaders and giving people the skills and behaviours that make them successful in dealing with management issues. Over 260 managers have already been through or are completing the program and it is now being extended across the organisation.

Business lines have also developed specially targeted training programs to improve the skills of their staff. For example, Retail Banking's inFOCUS sales and service training program provides staff with the tools and processes that are in keeping with a customer focused attitude. And Business Banking has introduced a number of initiatives to not only improve their people's work/life balance but to increase their relationship management skills in an environment which has a strong business to business focus.

The way we conduct ourselves at Suncorp, through the relationships we build with customers and with each other is underpinned by shared values. These help build a culture where we work together as a team, where there is genuine caring for the people who are part of that team, and where we look out for each other, and help each other to succeed. All of this goes into making our life at Suncorp a more satisfying experience.

As a demonstration that we are serious about our values, we recently introduced Volunteer Day to help show the community that we care by giving something back, not just money but time and expertise. Every Suncorp employee is entitled to one day of paid leave to volunteer within the community. This builds on the great work that many of our people already do to help charities such as the Youth Enterprise Trust, the Hear and Say Centre, the Queensland Cancer Fund and the Leukemia Foundation.

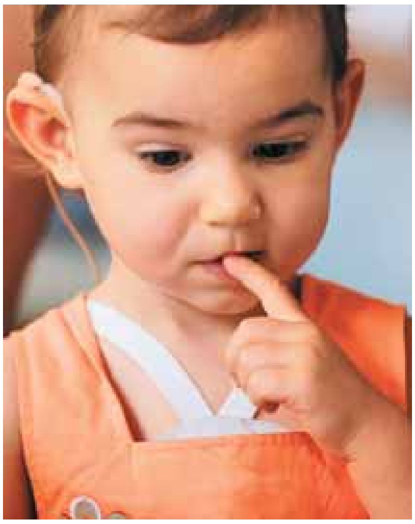
Our sponsorships and staff charity activities have raised thousands of dollars over the years. The Leukemia Foundation's Shave-for-a-Cure challenge raised over $68,000 this year to assist those affected by leukemia and the Sunday Mail Suncorp Bridge to Brisbane Fun Run has raised over $1 million for Queensland charities in the eight years Suncorp has been involved in the sponsorship. The 2004 Sunday Mail Suncorp Bridge to Brisbane attracted a record number of participants with over 19,000 runners including more than 2,000 staff and their families. The proceeds for the 2004 event went to Guide Dogs Queensland, enabling the charity to train six new guide dogs at a cost of $25,000 each.

Suncorp's support has helped grow the youth intake for the Youth Enterprise Trust (YET) wilderness-based program and expanded the program throughout regional Queensland. The program helps young Australians from different walks of life and backgrounds discover a sense of their self worth and drive to pursue their personal goals and ambitions. Staff volunteer as mentors for graduates of the program, attend working bees, and actively fundraise through a variety of their own initiatives.

Over $45,000 has also been raised for YET this year through a marketing campaign in which we donated $10 for each new CTP insurance policy that has been switched to Suncorp.

Since 1992 Suncorp has proudly supported the Queensland Cancer Fund and the Fund's main

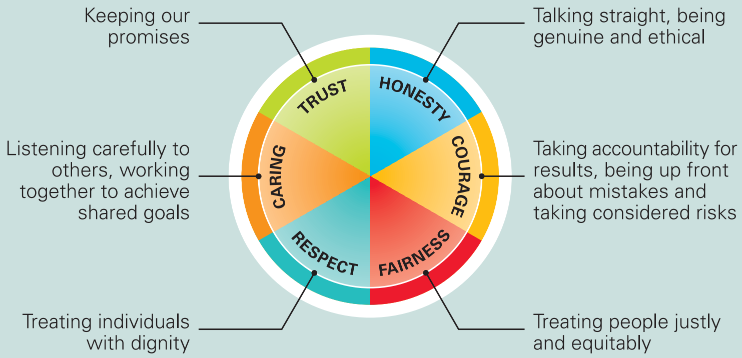
Suncorp has been a long time supporter of the Queensland Cancer Fund and of the Fund's main fundraising event, Daffodil Day. Cancer sufferer, Daniel Alexander, aged 10, met his footy idol, Wallaby Elton Flatley to hand out daffodils and balloons. (Photographer – Suzanna Clarke courtesy: The Courier-Mail)



Top left: Bridge to Brisbane Fun Run – A record 19,000 runners participated in the 2004 Bridge to Brisbane Fun Run, which raises money for charities, this year Guide Dogs Queensland.

Top: Hear and Say Centre – Delightful Claudia Rose Worland's life will be enriched through having a cochlear implant to enable her to hear. Each year, predominantly through Butterfly Week, the Hear and Say Centre raises funds and awareness for deaf and hearing impaired children.

Suncorp values



Living the values is about ensuring your team and the organisation are in great shape for the future

fundraising event Daffodil Day. This year we set a company-wide target of $90,000 with staff using their Volunteer Day to sell merchandise and daffodils and members of the executive demonstrating their culinary skills at a fundraising barbecue.

Other Sponsorships

Suncorp also undertakes a number of other major sponsorship activities in Queensland. Each year we sponsor Queensland's highest citizenship honours. This year's Suncorp Queenslander of the Year was Chris Sarra, Principal of the Cherbourg State School, who was recognised for his contribution to education and who is also a Queensland indigenous leader. Suncorp Young Queenslander of the Year was Leisl Packer, of the Queensland Institute of Medical Research, who was recognised for her commitment to research which aims to understand the genetic pathways leading to melanoma development.

Sporting sponsorships include the 2004 Suncorp North Queensland Games, which were held in Cairns and recognised as the largest regional games in Australia, attracting thousands of athletes competing in over 50 sports, both individual and team. And we have enjoyed a winning partnership with Queensland Cricket over the last 13 years. As a major sponsor, we have been particularly involved with the development of cricket across regional Queensland, including coaching clinics and school visits.

The Wallabies

Our most significant, single sponsorship is with the Australian Rugby Union.

Following the success of the 2003 Rugby World Cup, Suncorp has signed a four year sponsorship agreement with the Australian Rugby Union as the sole official financial services and insurance sponsor. This represents a major step in Suncorp's bid to develop a national sponsorship program that will help make the Suncorp and GIO brands icons in the financial services sector. The Wallabies test games during the term of our sponsorship from June 2004 through to 2007 will be seen by millions of people and will give us maximum exposure through television, radio and press coverage, signage, advertisements and promotions. Wallabies'coach Eddie Jones has signed up as our rugby union ambassador.

To publicly launch our sponsorship, a Suncorp Fan Day was held for the public and employees at the Suncorp Stadium, Brisbane, an outstanding sporting venue for which we have secured the naming rights until 2009. More than 4,000 fans enjoyed the entertainment including autograph signing with the Wallabies, interactive skill sessions, coaching clinics and behind-the-scene tours of the stadium.

BOARD OF DIRECTORS

From left to right: John Story, Bill Bartlett, Cherrell Hirst.

From left to right: Chris Skilton, Rod Cormie, Martin Kriewaldt, Jim Kennedy, Ian Blackburne, John Mulcahy.

William J Bartlett FCA, CPA, FCMA, CA (SA)
Non-executive Director Age 55

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

Ian D Blackburne MBA, PhD, BSc (First Class Hons)
Non-executive Director Age 58

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

Rodney F Cormie BCom, AAUQ, ASA, FSIA, FAICD
Non-executive Director Age 71

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

Cherrell Hirst AO MBBS, BEdSt, DUniv(Hon), FAICD
Non-executive Director Age 59

Director since February 2002. Cherrell Hirst is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. She is Chairman of Peplin Biotech Limited and Hutchison's Child Care Services Limited, a director of Australasian Medical Insurance Limited and was a director of Metway Bank from July 1995 to December 1996. Dr Hirst has been Chancellor of Queensland University of Technology since 1994. She is also Chair of the Board of Trustees, Brisbane Girls Grammar School and is an honorary member of the Board of Opera Queensland Limited.

James J Kennedy AO CBE D Univ (QUT) FCA
Non-executive Director Age 70

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

Martin D E Kriewaldt BA, LLB (Hons), FAICD
Non-executive Director Age 54

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

John F Mulcahy PhD (Civil Engineering), BE (First Class Hons)
Executive Director Chief Executive Officer Age 54

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

Chris Skilton BSc (Econ), ACA
Executive Director Chief Financial Officer Age 50

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

John D Story BA, LLB, FAICD
Chairman Age 58

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

CORPORATE GOVERNANCE

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

Principles of Good Corporate Governance and Best Practice Recommendations

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

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

The corporate governance practices that are in place across the Suncorp Group have been developed and implemented by the Board and management over many years and are consistent with the principles and best practice recommendations published by the Council. During the 2003/2004 financial year there were no departures from the recommendations which should be disclosed to shareholders.

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

Board of Directors

Role of the Board

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

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

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

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

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

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

Composition of the Board

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

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

The Company's Constitution provides that at every Annual General Meeting, one third of the directors, excluding the Managing Director, shall retire from office but may stand for re-election. The Board confirm to shareholders whether they support the election of each retiring director in a statement that accompanies the Notice of Meeting.

Board composition is also reviewed periodically by the Nomination and Remuneration Committee, either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board and the ongoing need to align those skills with the strategic demands of the group. A Board review is conducted annually, as explained elsewhere in this Statement, which includes an assessment of future requirements in relation to Board composition based on the above criteria and overall Board performance. Once it has been agreed that a new director is to be appointed, a search is undertaken, usually using the services of external consultants. Nominations are subsequently received and reviewed by the Board.

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

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

Director independence and conflicts of interest

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

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

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

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

Director	**Term in Office** (at the date of this Statement)
John Story (Chairman)	9 years 7 months
Bill Bartlett	1 year 2 months
Ian Blackburne	4 years 1 month
Rod Cormie	7 years 9 months
Cherrell Hirst	2 years 7 months
Jim Kennedy	7 years 1 month
Martin Kriewaldt	7 years 9 months

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

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

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

a) Director associations with a professional advisor or consultant:

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

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

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

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

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

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

Mr Kennedy acted as a member of an Advisory Board to Blake Dawson Waldron (BDW) Lawyers, during the period 1 July 2003 to 2 October 2003. BDW may have provided legal services to the Suncorp Group over that period.

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

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

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

b) Tenure in Office

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

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

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

Board appraisal

During the year, an independent consultant was engaged by the Chairman to conduct interviews with each director and senior executive and then report to the Board on how both the overall effectiveness of the Board and particular Board functions, as summarised below, could be improved:

- The effectiveness of the Board and each Committee;
- The effectiveness of the Chairman in leading the Board;
- The quality of debate and discussion at Board meetings;
- The appropriate level of focus on strategy, performance, risk and governance and the balance of time on each;
- The quality of the relationship between non-executive directors and management;
- The quality and timeliness of Board papers and support services; and
- The suitability of the blend of skills, experience, qualifications and personal characteristics represented on the Board and identification of any current or potential future gaps.

A summary of the views expressed during the interviews in relation to each of the above matters or any other matters that directors believed were relevant, was provided to directors in a written report. That report included recommendations that were considered by the Board and appropriate responses determined. Progress against each of those recommendations is to be tested in subsequent Board reviews.

Also, an assessment was made, based on interview responses, of the contribution of each director and that information was provided to the Chairman who then reviewed the assessments with each director.

Director remuneration

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

The total remuneration pool available for distribution to directors is determined by shareholders at the Annual General Meeting and was last considered by shareholders in March 1997.

Also, shareholders have approved a directors' retirement plan (Plan) which entitles directors to be paid a retirement benefit based on the highest total emoluments paid to a director during any consecutive three year period. The movement in the retirement benefits provision for each director during the year and the amount of retirement benefits paid to retiring directors during the year under the terms of the Plan, are provided in the 'Directors Remuneration' note in the 2004 Annual Report and Concise Report.

As reported in the Company's 2003 Corporate Governance Statement and at the Company's 2003 Annual General Meeting, the Board have resolved to phase out the retirement benefit arrangements in the following manner:

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

  Directors will remain entitled to receive the greater of:

  1. The amortised balance of their retirement benefit at the date they retire from office; or
  2. An amount equal to 25 percent of the total emoluments they received as a director over the period from the date of their appointment as a director to 30 June 2004.

- In recognition of the phasing out of the retirement benefits, directors' fees have been increased by 25 percent. For directors with accrued benefits, this increase applied from 1 July 2004, being the date of commencement for the amortisation of their retirement benefits. For directors with no accrued benefit, the increase applied from their date of appointment.

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

  Full details of directors' benefits and interests are set out in the Directors' Report and the Director Remuneration section of the notes to the 2004 Annual Report and Concise Report.

Director and senior management dealings in Company securities

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

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

Directors (including the Managing Director) must advise the Chairman of the Board before buying or selling securities in the Company. The Chairman must advise the Chairman of the Audit Business Risk and Compliance Committee before buying or selling securities in the Company. The granting of approval to deal in the Company's securities is co-ordinated by the Company Secretary who is also responsible for reporting all transactions by directors and senior managers to the Board.

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

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

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

Independent professional advice

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

Director education

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

Board Committees

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

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

Audit, Business Risk and Compliance Committee

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

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

- Evaluation of the adequacy and effectiveness of the controls in place to manage the Suncorp Group's business risks, including operational risks and other specific risk exposures;
- Evaluation of the Suncorp Group's Reinsurance Program;
- Evaluation of the Suncorp Group's compliance and risk management structure and procedures, including changes required as result of the introduction of the Financial Services Reform Legislation;
- Business Continuity Planning;
- Reviewing reports and correspondence from the Group's primary regulators, including APRA and the Australian Securities and Investments Commission (ASIC);
- Audit Planning;
- Reviewing internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Reviewing, in conjunction with an independent consultant, the effectiveness of the internal audit function and approving and overseeing recommended changes; and
- Reviewing half-year and annual financial statements and reports prior to consideration by the Board.

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

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

Membership: I D Blackburne (Chairman), M D E Kriewaldt, J J Kennedy and W J Bartlett (appointed a member of the Committee effective 30 July 2003).

At the date of this Statement, the qualifications of the members of the Committee satisfy the requirements of the best practice guidelines.

Board Credit Committee

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

Membership: R F Cormie (Chairman), J J Kennedy, C Skilton, C Hirst and W J Bartlett (appointed a member of the Committee effective 30 July 2003).

Investment Committee

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

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

Mr Story, as Chairman of the Board, attends meetings of all the above committees on an ex-officio basis. Mr Mulcahy, as Chief Executive Officer and Managing Director, also attends meetings of the Board Credit Committee and the Investment Committee on an ex-officio basis. Also, directors can request to receive copies of any papers distributed to the above committees and may attend any committee meetings even though they may not be a member of that committee.

Nomination and Remuneration Committee

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

- Appointment and removal of directors;
- Board performance;
- The remuneration of directors and the remuneration and performance targets of the Managing Director;
- Remuneration and performance targets of direct reports to the Managing Director;
- Appointments to and terminations of Senior Executive positions reporting to the Managing Director;
- Remuneration and human resource policy matters. An explanation of the Company's remuneration policies is set out in the Directors' Report in the 2004 Annual Report and Concise Report; and
- Review Board and management succession planning.

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

Mr Mulcahy also attends all meetings of this Committee but is not present when matters concerning his own performance or remuneration are discussed.

Risk Management and Internal Controls

The Company is required to manage a diverse and complex range of significant risks. Details of those risks and the type of controls and structures that are in place to ensure they are effectively managed, are set out in the Risk Management section of the notes to the 2004 Annual Report.

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

- **Financial reporting** – The Board receives reports monthly from management on the financial performance of each business unit within the Suncorp Group. The reports include details of all key financial and business results reported against budget, with regular updates on yearly forecasts. The Managing Director and Chief Financial Officer attest to the integrity of the financial reports provided to the Board each month and provide a written statement to the Board, in relation to the Suncorp Group's half-year and full year statutory accounts, that meets the requirements of best practice recommendations 4.1, 7.2.1 and 7.2.2.
- **Continuous disclosure** - The Company has in place policies and procedures to ensure all shareholders and investors have equal access to the Company's information and that all price sensitive information in relation to the Company's listed securities is disclosed to the ASX, in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules.

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

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

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

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

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

Code of Conduct

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

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

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

CONSOLIDATED FINANCIAL REPORT
30 June 2004

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DIRECTORS' REPORT
for the year ended 30 June 2004

Your directors present their report on the consolidated entity ('Suncorp') consisting of Suncorp-Metway Ltd ('the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

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

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

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

Principal activities

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

On 31 March 2004 the consolidated entity acquired RACT Insurance Pty Ltd which is based in Tasmania and sells and distributes personal lines insurance (motor, home, and boat products). The acquisition expands Suncorp's general insurance interests in Tasmania.

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

Review of operations

Consolidated profit from ordinary activities before amortisation of goodwill and related income tax expense for the year ended 30 June 2004 was $1,031 million (2003: $612 million). Consolidated net profit attributable to members of the parent entity was $618 million (2003: $384 million).

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

Dividends

A fully franked 2004 interim ordinary dividend of $160 million (30 cents per share) was paid on 2 April 2004. A fully franked 2004 final dividend of $215 million (40 cents per share) is recommended by directors.

Further details of dividends provided for or paid are set out in note 26 on page 75 of the consolidated financial report.

Significant changes in the state of affairs

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

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

Month	Amount	Rate/maturity
July 2003	AUD 140 million	Floating Rate 3.3 years
October 2003	EUR 500 million	Floating Rate 5 years
March 2004	AUD 300 million	Fixed Rate 3.6 years
	AUD 200 million	Floating Rate 3 years

The Australian Dollar domestic deal undertaken in July 2003 represented a top up of a March 2003 benchmark transaction. The Euro transaction in October 2003 was preceded by an extensive senior management roadshow through Asia and Europe and constituted the largest and longest term public offering of this type, thus far, completed by the Company. In March 2004 the Company came to the public market, for the first time since its ratings upgrade from Standard & Poor's in December 2003, with a two tranche fixed and floating rate transaction.

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

Month	Amount	Titled
September 2003	AUD 600 million	APOLLO Series 2003-2
March 2004	EUR 375 million	APOLLO Series 2004-1E
	USD 325 million	
	AUD 53 million	

These transactions represented the fifth and sixth trusts that Suncorp has established and further demonstrated our ongoing ability to tap diverse investor markets. APOLLO Series 2004-1E was our first EUR denominated transaction and attracted 50 investors from nine countries following a roadshow encapsulating the UK and Europe.

At the time of issuance, APOLLO 2004-1E represented the tightest pricing of any Australian residential mortgage backed securities issuer into the European market.

The Company achieved a credit rating upgrade from Standard & Poor's during the financial year, in recognition of the strengthened financial position of the Company, and now holds a long term rating of A. The increased credit rating will contribute to a reduction in the cost of funds and will enable access to a greater pool of potential debt investors in global capital markets.

Effective 1 September 2003 the consolidated entity completed the necessary Financial Services Reform Act specifications and obtained its required Australian Financial Services Licences.

Matters after the end of financial year

In July 2004 the Company appointed Investa Property Group to manage Suncorp's national corporate property portfolio. The five year contract includes the management of 179 Suncorp and GIO retail outlets, five call centres, and 21 corporate office sites across the country.

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

Environmental regulation

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

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

Likely developments

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

Implementation of the Suncorp Basel II program plan commenced in May 2004. The Suncorp program is structured to deliver compliance to the Standardised approach for establishing minimum capital requirements by January 2007 with continuing development to Foundation status. The implementation of the Accord is not expected to lead to significant relief in the required level of regulatory capital either in the overall banking system or at the institution level, particularly in the early years following implementation.

The consolidated entity will be required to comply with Australian Accounting Standards equivalent to International Financial Reporting Standards (IFRS) and their related pronouncements for the financial year ending 30 June 2006. Further details concerning IFRS can be found at note 2 of the consolidated financial report.

The Board has approved the raising of $200 million of APRA qualifying Lower Tier 2 capital by Suncorp Metway Insurance Limited which is likely to take place before the end of September 2004. The $200 million is planned to be a domestic 20 year (non-call for 10 years) subordinated debt issue offered to Australian institutions and with funds repatriated to the Company by a special dividend. The transaction should lead to an increase in the bank's Adjusted Common Equity ratio to approximately 5.5 percent.

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

Insurance of officers

During the financial year ended 30 June 2004 the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company and its controlled entities. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Indemnification of officers

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

Directors' and executives' remuneration

A key component of the Suncorp corporate strategy is to have a high performing, customer solutions focussed team culture and our remuneration strategy, as outlined below, is designed to support those broader strategic objectives. The ability to retain and attract high quality executives is recognised as being crucial to the sustained performance of Suncorp.

Strategy and culture

The Suncorp remuneration strategy is to place emphasis on performance-based pay while appropriately managing the fixed cost of labour. This strategy is implemented through our remuneration system, which is one of a number of people systems that will together drive behaviors which support a high performing team culture.

Governance

The Nomination and Remuneration Committee ('the Committee') is responsible for making recommendations to the Board on remuneration policies and packages applicable to the directors and senior executives of Suncorp.

Directors' and executives' remuneration (continued)

Fixed pay

For executives and executive directors, Suncorp targets to set fixed pay at levels which are market competitive having taken into account the comparative size and complexity of the organisation. All roles are individually assessed and expert advice regarding market relativities is one consideration taken into account.

Short term incentives

Entitlement to short term performance-based pay in the form of a bonus is assessed annually and is directly linked to the Suncorp Group's financial performance, of which underlying profit before tax is a key measure. However, the determination of the amount of performance pay to be allocated in any one year is at the discretion of the Board on the recommendation of the Committee. In determining its recommendation the Committee considers the financial performance of the group taking into account all relevant quantitative and qualitative factors being the profit result, the overall quality of that result, market influences and the prevailing economic environment. Performance-based pay is paid as a bonus (which may, at the election of the employee, be directed to shares in Suncorp or superannuation).

The basis for allocating the performance-based pay pool to individuals is the achievement of specific objectives set at the beginning of the previous year. For executives to General Manager level objectives are contained in balanced scorecard measures relating to shareholders, employees, customers and the community, to ensure alignment with Suncorp's strategy and the sustainable performance of the group. At other levels performance is measured against objectives more specific to employees' areas of responsibility.

The bonuses paid to executives, including executive directors, for the year ended 30 June 2004 included bonuses relating to the GIO integration undertaken in 2001/02. Those integration bonuses totaled $1,021,000 and the allocation to executives was based on the achievement of demanding financial goals relating to the realisation of cost and revenue synergies.

Long term incentives

Whilst short term incentives reward past performance it is essential that executives and senior management, being the group which has responsibility for achievement of sustained performance and strategy, have reward incentives linked to longer term Company performance. Suncorp achieves this through annual offers of performance shares. The value of shares offered to individual employees as the long term incentive component of their remuneration package each year, while subject to Committee and Board approval, will generally be determined as a percentage of the employee's fixed pay, based on competitive market remuneration practices.

The offered shares are acquired on market by the trustee of the Executive Performance Share Plan (EPSP) at the time an offer is accepted by an employee.

The acquired shares are held in trust and the employee will only receive unconditional ownership of the shares (allocation) when the associated performance targets have been achieved. The performance target used by Suncorp for all offers is the Total Shareholder Return (TSR) achieved by Suncorp over a performance period compared to the TSR achieved by a comparator group comprising the top 50 ASX listed companies in the S&P/ASX 100 (excluding listed property trusts). TSR measures the return to shareholders provided by growth in the share price plus reinvested dividends, expressed as a percentage of the investment.

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

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

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

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

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

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

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

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

Directors' and executives' remuneration (continued)

Shares or dividends not allocated at the end of year five will revert to the Trustee and may be held for allocation under subsequent offers or in the case of unallocated dividends, can be used to acquire further shares.

The above terms have been or are being applied to all offers made under the EPSP.

When the EPSP was established, offers were made on the basis of a single performance period of three years commencing on the date of offer and only a single performance measurement point, that is the end of year three.

However the Board subsequently determined that those arrangements may have been too rigid and did not provide a sufficient opportunity to recognise improvements in long term shareholder value. Therefore the current terms for the EPSP, as outlined above, were adopted.

Non-executive directors

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders which is currently $1,500,000 per annum. Some non-executive directors are also entitled to retirement benefits in accordance with a shareholder-approved scheme, however as advised to shareholders last year, the retirement benefit arrangements are being phased out in the manner explained in the Corporate Governance Statement.

Non-executive directors do not receive any performance-related remuneration.

Service agreements

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

In practice, the termination of an executive, other than for serious misconduct, would include a severance payment of an amount determined and agreed by the Board of Directors with reference to prevailing good practice. In the case of the retrenchment of an executive resulting from that executive's role ceasing to exist a redundancy payment appropriate for that executive's term of employment and seniority would be paid. This payment would also be agreed by the Board of Directors.

Remuneration of an executive (as for all salaried employees) is established on appointment having regard to market rates of remuneration and where appropriate independent remuneration or recruitment advice. Thereafter any review of salary, the payment of a performance bonus or the grant of long term incentives in the form of deferred shares is entirely at the discretion of the Board of Directors.

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

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

If termination occurs prior to 6 January 2005, being the second anniversary of his date of appointment, the payments would include:

(a) a lump sum payment of $2.5 million; and
(b) 100,000 shares being the first tranche of his long term reward shares, without any regard to performance criteria.

The amounts payable to Mr Mulcahy on termination reduce on a graduated basis over the term of the agreement, so that if termination of employment occurs in the final year of the five-year term, he would receive:

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

The above entitlements are prescribed in Mr Mulcahy's service agreement, however the Nomination and Remuneration Committee review the Chief Executive Officer's remuneration each year and make recommendations regarding his future entitlements to the Board, based on his performance and market relativities. Therefore, over the term of Mr Mulcahy's service agreement the Board may grant further benefits to him, such as further offers to participate in the Executive Performance Share Plan (EPSP). On his appointment as Chief Executive Officer in January 2003, Mr Mulcahy received an offer to participate in the EPSP and under that offer he may receive a maximum allocation of 300,000 Suncorp shares, subject to the achievement of the EPSP TSR performance criteria or as prescribed in the termination arrangements under his service agreement as referred to earlier in this report.

Directors' and executives' remuneration (continued)

As at 30 June 2004, no further EPSP offer had been made to Mr Mulcahy, however the Board has subsequently decided that as part of the 2004 annual long term incentive grant to other senior executives, Mr Mulcahy will receive an offer in October 2004 to participate in the EPSP on the following basis:

Number of shares – 100,000

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

Note 40 to the financial statements details the nature and amount of each major element of remuneration for each director and for each of the Group Executives of the consolidated entity.

Options

The Company no longer grants options over unissued ordinary shares to employees as part of their remuneration.
Ordinary shares in the Company were issued during the year ended 30 June 2004 on the exercise of options granted in previous financial years under the executive option plan. These are set out in note 45 on page 129 of the consolidated financial statements. Remuneration of directors and executives set out in note 40 on page 117 of the consolidated financial statements includes a portion of the fair value of options granted which is allocated to this financial year.

Directors' interests

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

	FULLY PAID ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
J D Story	72,067	-
J F Mulcahy	500,000	-
W J Bartlett	4,307	-
I D Blackburne	17,000	-
R F Cormie	15,735	-
C Hirst	3,383	-
J J Kennedy	31,735	-
M D E Kriewaldt	48,320	-
C Skilton	162,124	350,000

DIRECTORS' REPORT
for the year ended 30 June 2004

Directors' meetings

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

	BOARD OF DIRECTORS		AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE		INVESTMENT COMMITTEE		CREDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
J D Story	11	11	7	7[1]	4	4[1]	7	7[1]	3	3
J F Mulcahy	11	11	-	-[2]	4	4[1]	7	6[1]	-	-
W J Bartlett	11	11	7	7	-	-	7	7	-	-
I D Blackburne	11	11	7	7	-	-	-	-	3	3
R F Cormie	11	11	-	-	4	4	7	6	-	-
C Hirst	11	11	-	-	4	4	7	7	3	3
J J Kennedy	11	11	7	7	-	-	7	7	-	-
M D E Kriewaldt	11	11	7	7	4	4	-	-	-	-
C Skilton	11	11	-	-[2]	4	4	7	7	-	-

(1) Mr Story and Mr Mulcahy attended committee meetings in an ex-officio capacity.
(2) Mr Mulcahy and Mr Skilton attend all Audit, Business Risk and Compliance Committee (ABRCC) meetings at the invitation of that committee. In accordance with accepted good governance practice there are no management representatives appointed as members of the ABRCC.

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

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

Rounding of amounts

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

Signed in accordance with a resolution of the directors.

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
27 August 2004

SUMMARY OF KEY FINANCIAL INFORMATION
for the year ended 30 June 2004

	2004	2003	2002[4]	2001	2000	1999	1998	1997[3]
Financial performance								
Net interest income – banking ($m)	656	592	550	514	475	470	472	355
Fees and commissions – banking ($m)	215	197	155	123	97	108	115	62
Premium revenue – general insurance ($m)	2,423	2,231	2,018	824	788	725	703	387
Premium revenue – life insurance ($m) [1][2]	104	86	76	610	543	572	399	220
Investment revenue – general insurance ($m)	276	292	173	243	244	197	212	300
Investment revenue – life insurance ($m) [1]	443	117	27	221	307	208	173	195
Claims expense – general insurance ($m)	1,751	1,937	1,697	810	684	655	674	407
Claims expense – life insurance ($m) [1][2]	71	60	58	396	486	597	465	247
Operating expenses ($m)	1,238	1,151	1,126	615	604	602	551	419
Bad and doubtful debts expense ($m)	49	49	39	37	28	20	61	22
Profit from ordinary activities before amortisation of goodwill and income tax ($m)	1,031	612	465	521	520	356	304	243
Net profit attributable to members of the parent entity ($m)	618	384	311	395	335	247	233	150
Contributions to profit before tax and goodwill								
Banking ($m)	371	318	293	284	229	157	157	117
General insurance ($m)	465	233	110	163	211	169	120	109
Wealth management ($m) [5]	151	52	54	69	76	25	24	16
– Wealth management policy owners' interests ($m)	41	11	(4)	12	45	N/A	N/A	N/A
Other ($m)	44	9	8	5	4	5	3	1
Financial position								
Investment securities – general insurance ($m)	5,118	4,755	4,375	3,091	2,828	2,390	2,183	3,618
Investment securities – life insurance ($m) [1]	3,840	3,133	3,161	3,000	2,732	2,488	2,401	2,490
Loans, advances and other receivables ($m)	28,907	24,459	22,955	20,146	18,067	16,769	15,812	14,644
Total assets ($m) [1]	43,278	38,434	35,435	29,717	26,219	21,484	21,424	19,908
Deposits and short term borrowings ($m)	24,287	21,579	18,176	16,908	14,509	11,671	11,846	11,734
Outstanding claims and unearned premiums provisions ($m)	5,193	5,052	4,591	2,343	2,128	2,097	2,038	1,902
Life insurance gross policy liabilities ($m) [1][2]	2,805	2,661	2,780	2,651	2,363	2,136	2,058	2,068
Total liabilities ($m) [1][2]	38,938	34,787	32,073	27,000	24,295	19,596	19,609	18,172
Total equity ($m)	4,340	3,647	3,362	2,717	1,924	1,888	1,815	1,736
Shareholder summary								
Dividends per ordinary share (cents)	70.0	56.0	54.0	52.0	46.0	44.0	44.0	40.0
Payout ratio (basic) (%)	63.3	81.3	96.6	58.0	60.9	67.2	65.2	66.4
Weighted average number of shares (basic) (million)	533.9	528.0	514.2	325.5	316.9	305.1	292.4	292.4
Net tangible asset backing per share (basic) ($)	5.15	4.44	3.83	5.41	3.72	3.26	2.93	2.62
Share price at end of period ($)	14.20	11.60	12.31	15.00	8.62	9.00	8.16	6.94
Performance ratios								
Earnings per share (basic) (cents)	112.77	69.82	58.00	106.61	88.58	60.92	56.66	47.07
Return on average shareholders' equity (basic) (%)	16.84	11.30	11.40	19.70	22.13	23.25	27.15	22.84
Return on average total assets (%)	1.65	1.13	1.06	1.58	1.40	1.16	1.13	0.92
Productivity								
Group efficiency ratio (%)	25.6	23.9	26.5	29.4	28.5	N/A	N/A	N/A

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

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

(3) The Suncorp/Metway/QIDC merger took place on 1 December 1996. Consequently, the figures do not reflect the full year's result of all entities.

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

(5) From 2004 wealth management includes the impact of consolidating managed investment schemes (impact $44 million). The net profit attributable to outside equity interests increased by the same amount, with no overall impact on the net profit attributable to members of the parent entity. Refer to note 30(a) to the consolidated financial statements.

Refer page 136 for ratio definitions.

STATEMENTS OF FINANCIAL PERFORMANCE
for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Income from ordinary activities					
Banking interest revenue	3	1,933	1,668	1,942	1,675
Banking interest expense	3	(1,277)	(1,076)	(1,294)	(1,092)
	28(a)	656	592	648	583
General insurance premium revenue	3, 29(a)	2,423	2,231	-	-
Life insurance premium revenue	3, 30(a)	104	86	-	-
Banking fee and commission revenue	3, 28(a)	215	197	215	195
Banking fee and commission expense	3, 28(a)	(61)	(58)	(61)	(58)
Reinsurance and other recoveries revenue	3	231	302	-	-
General insurance investment revenue					
insurance provisions	3	146	281	-	-
shareholder funds	3	130	11	-	-
Life insurance investment revenue	3, 30(a)	443	117	-	-
Other revenue	3	288	254	604	344
Share of net profits of associates accounted for using the equity method	39	19	9	-	-
Total income from ordinary activities	3	4,594	4,022	1,406	1,064
Expenses from ordinary activities					
Operating expenses from ordinary activities	4	(1,238)	(1,151)	(826)	(592)
General insurance claims expense	29(a)	(1,751)	(1,937)	-	-
Life insurance claims expense	30(a)	(71)	(60)	-	-
Outwards reinsurance premium expense	29(a), 30(a)	(184)	(161)	-	-
(Increase) decrease in net life insurance policy liabilities	30(a)	(222)	16	-	-
Increase in policy owner retained profits	30(a)	(29)	(49)	-	-
Non-banking interest expense	29(a)	(19)	(19)	(19)	(19)
Total expenses from ordinary activities		(3,514)	(3,361)	(845)	(611)
Profit from ordinary activities before bad and doubtful debts expense, amortisation of goodwill and related income tax expense		1,080	661	561	453
Bad and doubtful debts expense	5	(49)	(49)	(43)	(49)
Profit from ordinary activities before amortisation of goodwill and related income tax expense		1,031	612	518	404
Amortisation of goodwill		(60)	(62)	-	-
Profit from ordinary activities before related income tax expense		971	550	518	404
Income tax expense relating to ordinary activities	6	(308)	(166)	(113)	(86)
Net profit		663	384	405	318
Net profit attributable to outside equity interests		45	-	-	-
Net profit attributable to members of the parent entity		618	384	405	318
Decrease in retained profits on the initial adoption of revised AASB 1028 '*Employee Benefits*'		-	(1)	-	(1)
Total changes in equity other than those resulting from transactions with owners as owners		618	383	405	317
		Cents	**Cents**		
Basic earnings per share	7	112.77	69.82		
Diluted earnings per share	7	112.66	69.74		

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

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

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2004

	Note	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Assets					
Cash and liquid assets	8	709	846	323	448
Receivables due from other financial institutions		163	68	163	68
Trading securities	9	2,549	3,174	2,549	3,174
Investment securities	10	8,972	7,902	2,025	2,059
Investments in associates	39	100	83	-	-
Loans, advances and other receivables	11	28,907	24,459	26,812	23,034
Due from controlled entities	37	-	-	1,813	2,339
Property, plant and equipment	13	184	217	34	34
Deferred tax assets	6	149	158	148	56
Intangible assets	14	984	1,038	-	-
Excess of net market value of interests in life insurance controlled entities		15	12	-	-
Other assets	15	546	477	186	129
Total assets		43,278	38,434	34,053	31,341
Liabilities					
Deposits and short term borrowings	16	24,287	21,579	24,714	22,040
Payables due to other financial institutions		70	26	70	26
Payables and other liabilities	17	1,104	1,273	607	1,045
Current tax liabilities	6	104	130	104	62
Provisions	18	127	104	11	8
Due to controlled entities	37	-	-	348	1,433
Deferred tax liabilities	6	169	118	169	39
Outstanding claims and unearned premiums provisions	19	5,193	5,052	-	-
Life insurance gross policy liabilities	20	2,805	2,661	-	-
Policy owner retained profits		349	319	-	-
Bonds, notes and long term borrowings	21	3,925	2,710	3,925	2,710
Subordinated notes	22	805	815	805	815
Total liabilities		38,938	34,787	30,753	28,178
Net assets		4,340	3,647	3,300	3,163
Equity					
Contributed equity	23	2,898	2,831	2,898	2,831
Reserves	24	24	22	21	21
Retained profits		1,070	787	381	311
Total parent entity interest		3,992	3,640	3,300	3,163
Outside equity interests in controlled entities	25	348	7	-	-
Total equity		4,340	3,647	3,300	3,163

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

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Contributed equity					
Ordinary shares					
Balance at the beginning of the financial year		2,587	2,533	2,587	2,533
Shares issued under senior management option plan		9	6	9	6
Shares issued under dividend reinvestment plan		58	48	58	48
Balance at the end of the financial year	23	2,654	2,587	2,654	2,587
Preference shares					
Balance at the beginning of the financial year		244	244	244	244
Balance at the end of the financial year	23	244	244	244	244
Total contributed equity		2,898	2,831	2,898	2,831
Reserves					
Asset revaluation reserve					
Balance at the beginning of the financial year		9	9	8	8
Revaluation increment on investment in unlisted unit trust		2	-	-	-
Balance at the end of the financial year	24	11	9	8	8
Preconversion reserve					
Balance at the beginning of the financial year		13	13	13	13
Balance at the end of the financial year	24	13	13	13	13
Total reserves		24	22	21	21
Retained profits					
Balance at the beginning of the financial year		787	557	311	146
Net profit attributable to members of the parent entity		618	384	405	318
Total available for appropriation		1,405	941	716	464
Increase in retained profits on the initial adoption of AASB 1044 *'Provisions, Contingent Liabilities and Contingent Assets'*		-	152	-	152
Decrease in retained profits on the initial adoption of revised AASB 1028 *'Employee Benefits'*		-	(1)	-	-
Ordinary share dividends paid	26	(319)	(290)	(319)	(290)
Preference share dividends provided for	26	(16)	(15)	(16)	(15)
Retained profits at the end of the financial year		1,070	787	381	311
Total parent entity interest in equity		3,992	3,640	3,300	3,163

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

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Cash flows from operating activities					
Interest received		2,197	1,873	1,928	1,674
Dividends received		65	46	179	111
Premiums received		2,849	2,573	-	-
Reinsurance and other recoveries received		594	265	-	-
Other operating revenue received		629	701	688	507
Interest paid		(1,293)	(1,100)	(1,293)	(1,119)
Outwards reinsurance premiums paid		(200)	(175)	-	-
Claims paid		(1,953)	(1,768)	-	-
Operating expenses paid		(1,117)	(1,327)	(751)	(584)
Income taxes paid – operating activities		(219)	(126)	(149)	(96)
Net cash inflow from operating activities	41	1,552	962	602	493
Cash flows from investing activities					
Payments for purchase of controlled entities, net of cash acquired		(10)	-	-	-
Payments for purchase of investments in associates		(4)	-	-	-
Payments for plant and equipment		(61)	(125)	(1)	(1)
Proceeds from disposal of plant and equipment		3	2	-	-
Net (purchase) disposal of banking securities		650	(1,659)	635	(1,672)
Net increase in loans, advances and other receivables		(4,727)	(1,404)	(3,305)	(2,748)
Payments for investment securities		(20,170)	(21,832)	-	-
Proceeds from disposal of investment securities		19,278	21,157	3	-
Income taxes paid – investing activities		(52)	(31)	-	-
Net cash outflow from investing activities		(5,093)	(3,892)	(2,668)	(4,421)
Cash flows from financing activities					
Proceeds from issue of shares		9	6	9	6
Proceeds from issue (repayment) of subordinated notes		-	13	-	13
Proceeds from net increase in borrowings		3,720	2,875	2,260	3,972
Dividends paid		(277)	(257)	(277)	(257)
Net cash inflow from financing activities		3,452	2,637	1,992	3,734
Net increase (decrease) in cash and cash equivalents		(89)	(293)	(74)	(194)
Cash at the beginning of the financial year		888	1,181	490	684
Cash acquired on acquisition of controlled entities	36(a)	3	-	-	-
Cash at the end of the financial year	8	802	888	416	490

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

1. Summary of significant accounting policies

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

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

(a) Principles of consolidation

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

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

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

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

The consolidated entity consolidates all of the assets, liabilities, revenues and expenses of managed investment schemes where the consolidated entity's life insurance statutory funds have the capacity to control schemes in which they are the majority investor.

The consolidated entity did not consolidate controlled managed investment schemes in the prior year. The financial effect of consolidating registered schemes has been to: increase investment securities by $493 million; decrease receivables by $29 million; increase other assets by $9 million; increase payables and other liabilities by $131 million; with a corresponding increase in outside equity interest by $342 million in the statement of financial position. In the statement of financial performance, the current year impact is to increase life insurance investment revenue by $47 million; increase other income by $7 million; increase operating expenses by $10 million and increase net profit attributable to outside equity interest by $44 million. This change has no impact on net profit attributable to members of the Company.

If the consolidated entity had consolidated controlled managed investment schemes at 30 June 2003, the financial effect would have been to: increase investment securities by $367 million; decrease other receivables by $14 million; increase other assets by $10 million; increase payables and other liabilities by $19 million; with a corresponding increase in outside equity interest by $344 million in the statement of financial position. In the statement of financial performance, the financial effect would have been to: increase life insurance investment revenue by $7 million; increase other income by $22 million; increase operating expenses by $9 million and net profit attributable to outside equity interest would have increased by $20 million. This change has no impact on net profit attributable to members of the Company.

b) Acquisitions of assets

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

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

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

c) Revenue

Banking activities

Interest income

Interest income is recognised as it accrues.

Non-interest income

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

1. Summary of significant accounting policies (continued)

c) Revenue (continued)

Banking activities (continued)

Non-interest income (continued)

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

Insurance activities

General insurance premium revenue

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

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

Life insurance premium revenue

The consolidated entity adopts AASB 1038 'Life Insurance Business' which requires components of premiums that are not revenues (ie amounts akin to deposits and which qualify for recognition as liabilities) and components of claims (ie amounts akin to withdrawals from deposit and which qualify for recognition as reductions in liabilities) that are not expenses are removed from reported changes in policy liabilities. Application of this accounting policy has no impact on the financial results.

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

Reinsurance and other recoveries receivable – general insurance activities

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

Investment revenue

Investment revenue is brought to account on an accruals basis.

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

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

Insurance managed schemes income

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

Other revenue

Other items of revenue are recognised as they accrue.

d) Interest expense

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

e) Claims

General insurance activities

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

1. Summary of significant accounting policies (continued)

e) Claims (continued)

General insurance activities (continued)

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

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

Life insurance activities

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

f) Outwards reinsurance – insurance activities

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

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

g) Acquisition costs

Banking activities

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

General insurance activities

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

Wealth management activities

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

Policy acquisition costs

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

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

Other acquisition costs

Where acquisition costs are recouped through on-going management fees charged to the investors on products that are recorded in the shareholder fund, they are deferred and recognised in the statement of financial position.

The deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the expected life of the policy. The amortisation is recognised in the statement of financial performance within 'operating expenses'.

1. Summary of significant accounting policies (continued)

h) Basis of expense apportionment – life insurance activities

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

All expenses, excluding investment management fees which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses. Expenses which are directly attributable to an individual policy or product are allocated directly to the statutory fund within which the class of business to which that policy or product belongs. All indirect expenses charged to the statement of financial performance are equitably apportioned to each class of business. The expense apportionment basis is in line with the principles set out in the Life Insurance Actuarial Standards Board Valuation Standard (Actuarial Standard AS 1.03: Valuation Standard).

i) Foreign currency

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

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

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

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

j) Income tax

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

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

Tax consolidations

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

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

The tax-consolidated group has entered into a tax sharing agreement that requires wholly-owned controlled entities to make contributions to the head entity for tax liabilities arising from external transactions occurring after the implementation of tax consolidation. The contributions are calculated as a percentage of the consolidated entity’s current tax liability and are payable quarterly.

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

k) Goods and services tax

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

1. Summary of significant accounting policies (continued)

k) Goods and services tax (continued)

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

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

l) Cash and liquid assets

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

m) Receivables due from other financial institutions

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

n) Trading securities

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

o) Investment securities

Banking activities

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

Insurance activities

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

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

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

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

Funds management activities

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

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

p) Investments in associates

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

q) Loans and other non-lease receivables

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

1. Summary of significant accounting policies (continued)

r) Lease receivables

Finance leases

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

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

Leveraged leases

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

Operating leases

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

s) Impaired assets – banking activities

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

Non-accrual loans

Loans are classified as non-accrual where:

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

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

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

Past due loans

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

Restructured loans

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

Bad and doubtful debts

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

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

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

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

1. Summary of significant accounting policies (continued)

t) Securitisation

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

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

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

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

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

u) Property, plant and equipment

Acquisition

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

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

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

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

Subsequent additional costs

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

Sale of property, plant and equipment

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

Depreciation and amortisation

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

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

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

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

1. Summary of significant accounting policies (continued)

u) Property, plant and equipment (continued)

Leased non-current assets

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

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

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

Surplus leased premises

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

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

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

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

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

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

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

w) Goodwill

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

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

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

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

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

y) Other financial assets

Deferred expenditure

In addition to acquisition costs (refer note 1(g)) and software costs (note 1(u)), items of expenditure are deferred to the extent that the benefits are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account and will contribute to the future earning capacity of the consolidated entity. They are amortised over the period in which the benefits are received. Up-front costs relating to the establishment of securitisation trusts are deferred and amortised over the weighted average life of the securitised loans.

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

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

Franchise systems

Franchise systems are brought to account at cost.

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

1. Summary of significant accounting policies (continued)

z) Deposits and borrowings

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

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

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

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

aa) Payables

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

ab) Provisions

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

ac) Employee entitlements

Wages, salaries and annual leave

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

Long service leave

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

Superannuation

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

Sick leave

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

Employee share and option plans

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

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

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

Administrative costs associated with issuing shares and options are expensed.

Bonus plans

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

1. Summary of significant accounting policies (continued)

ad) Policy liabilities – life insurance activities

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

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

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

ae) Policy owner retained profits

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

af) Dividends

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

ag) Derivative financial instruments

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

Banking activities

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

Investing and financing instruments

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

Hedge transactions

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

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

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

Trading transactions

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

Speculative trading of derivative financial instruments is managed within the Value-at-Risk and other measures of discretionary market risk as detailed in note 32. Speculative transactions outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account immediately in the statement of financial performance on a mark to market basis.

Insurance activities

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

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

ah) Contingent liabilities and contingent assets

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

1. Summary of significant accounting policies (continued)

ah) Contingent liabilities and contingent assets (continued)

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

ai) Commitments

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

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

aj) Revisions of accounting estimates

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

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

ak) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

Australian reporting entities will be required to comply with Australian Accounting Standards equivalent to International Financial Reporting Standards and their related pronouncements ('IFRS') for reporting periods beginning on or after 1 January 2005.

The consolidated entity will report for the first time in accordance with Australian equivalents to IFRS when the results and interim financial report for the half-year ending 31 December 2005 are released. Entities complying with IFRS for the first time must restate their comparative financial information using all IFRS except AASB 132 '*Financial Instruments: Disclosure and Presentation*', AASB 139 '*Financial Instruments: Recognition and Measurement*' and AASB 4 '*Insurance Contracts*'. This means that the consolidated entity's opening IFRS statement of financial position will be restated at 1 July 2004, with most IFRS transition adjustments made against opening retained earnings on 1 July 2004. However, IFRS transition adjustments relating to those standards where comparative financial information is not required will only be made on 1 July 2005. Comparatives restated in accordance with IFRS will not be disclosed in the financial report until the half-year ending 31 December 2005.

The consolidated entity has established a formal project, monitored by a Steering Committee chaired by the Chief Financial Officer, to monitor and plan for the transition to IFRS reporting beginning with the half-year ending 31 December 2005. The IFRS project resources consist of teams that are responsible for investigating the impact on specific accounting policies or business processes, and comprises three phases of work as described below:

- Technical investigation – this phase identified the impacts of implementing IFRS on our products, customers, business processes and financial reporting policies and procedures;
- Detailed planning and design – this phase will formulate the changes required to existing business and financial reporting policies and procedures, including changes to financial reporting and business source systems; and
- Implementation – this phase will implement the identified changes to business and financial reporting processes and conduct training for staff.

The consolidated entity has substantially completed the technical investigation phase and commenced the detailed planning and implementation phases for significant areas.

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

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial position and performance are summarised below. This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Business combinations

The consolidated entity has the option of retrospectively applying the IFRS requirements to business combinations that occurred prior to 1 July 2004. If the consolidated entity retrospectively applies these requirements, it is likely that different assets and liabilities would be recognised at the date of acquisition, which may impact the amount recognised as goodwill.

Debt/equity classification

The consolidated entity's preference shares, which are currently classified as equity, are likely to be reclassified as debt and dividends paid on these preference shares will be treated as interest expense rather than as dividends.

Excess of net market value of interests in controlled entities over their recognised net amounts

Under Australian GAAP, AASB 1038 '*Life Insurance Business*' allows a Life Insurer to recognise the excess of net market value of an interest in a subsidiary over the net assets of the subsidiary in its consolidated financial report. Under IFRS, revised AASB 1038 in conjunction with AASB 3 '*Business Combinations*' and AASB 138 '*Intangible Assets*', does not allow this asset to be recognised.

General insurance business

Under Australian GAAP, AASB 1023 '*Financial Reporting of General Insurance Activities*' deals with the accounting for all aspects of a general insurance business. Under IFRS, revised AASB 1023 only contains the accounting treatment for general insurance contracts and assets backing general insurance liabilities. Other assets and non-insurance liabilities will be covered by other IFRS, including AASB 139.

Under Phase I of this standard (Phase II is not due before 2007), the liability adequacy test for unearned premium liability is required to be performed at the reporting entity level by class of business, determined using APRA's Prescribed Classes of Business. Under Australian GAAP, this liability adequacy test is currently only performed at the reporting entity level. Depending on the outcome of the test at each reporting date, deferred acquisition costs may be written down and additional liabilities may be recognised as an unexpired risk liability.

Goodwill

Goodwill acquired on business combinations will not require an amortisation charge, but will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the statement of financial performance.

Hedge accounting

All derivative contracts, whether used as hedging instruments or otherwise, will be recorded at fair value on the consolidated entity's statement of financial position, with a corresponding entry to the statement of financial performance or an equity reserve.

IFRS specifies three types of hedge accounting methodologies – cash flow hedging, fair value hedging and hedges of investments in foreign operations. The consolidated entity anticipates that it will predominantly use cash flow hedging and fair value hedging in respect of its hedging activities.

IFRS introduces more stringent rules in relation to hedge accounting. To the extent that the cash flow hedges are effective in managing the underlying risk, the movements in fair value of the derivatives will be recorded in an equity reserve. To the extent that the cash flow hedges are ineffective in managing the underlying risk, the movements in fair value of the derivatives will be recorded in the statement of financial performance.

Where fair value hedges are used, the movements in fair value of the derivatives will be recorded in the statement of financial performance. To the extent the fair value hedges are effective in managing the underlying risk, the movements in fair value of the underlying hedged item will be recorded in the statement of financial performance. Where the fair value hedges are ineffective in managing the underlying risk, the underlying hedged item will continue to be accounted for on an accruals basis.

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

Income tax

A 'balance sheet' method of calculating income tax balances will be used rather than the current 'statement of financial performance' method. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. This change in method may require the consolidated entity to carry higher levels of deferred tax assets and liabilities.

Life insurance business

Under Australian GAAP, AASB 1038 '*Life Insurance Business*' deals with the accounting for all aspects of a life insurance business. Under IFRS, revised AASB 1038 designates products into either Contracts of Life Insurance or Life Investment Contracts. Under Phase I of this standard (Phase II is not due before 2007), Life Insurance contracts will continue to use the Margin on Services valuation for policy liabilities. Life Investment contracts liabilities will be treated as financial instruments and measured at fair value under AASB 139. Revised AASB 1038 requires that all assets of the Life Company which support these contracts will be measured at fair value through the statement of financial performance in accordance with AASB 139.

Loan fee income

IFRS introduces more stringent rules in relation to accounting for loan fee income, which will result in more fee income being deferred upon receipt, recognised as an adjustment to the yield on the loan and disclosed as interest income.

On initial transition to IFRS, certain loan fees that have previously been recognised in the statement of financial performance will be recognised in the statement of financial position, with a corresponding adjustment to retained earnings. It is not anticipated that the annual impact of this change on net profit will be material.

Loan impairment provisions

IFRS requirements only allow loan impairment provisions to be raised for incurred losses. It does not allow general provisions to be raised for possible or anticipated losses.

Provisions will be raised for individual loans that are impaired, calculated as the difference between the carrying amount of the loan and the estimated future cash flows discounted to their present value. As this discount unwinds, interest income will be recognised in the statement of financial performance between the recognition of the impairment loss and the recovery of the loan.

Loans that are not individually impaired will be grouped into portfolios of loans with similar credit risk characteristics and collectively assessed for impairment. The resulting provision will be estimated on the basis of historical loss experience, adjusted based on current observable data.

These changes may result in a reduction in the level of provisioning that the consolidated entity holds against its credit exposures.

Securitisation

IFRS introduces different requirements for the recognition and derecognition of securitised assets, including those assets transferred to a special purpose vehicle. In addition, IFRS applies a different interpretation of the consolidation rules applicable to special purpose vehicles.

Under Australian GAAP, securitised assets are not recognised in the statement of financial position, and the special purpose vehicles are not consolidated. The transition to IFRS may result in the consolidated entity recognising securitised assets in the statement of financial position.

Many of the above changes will impact on the consolidated entity's assets and equity, which are central to the capital adequacy requirements set by prudential regulators. The consolidated entity anticipates that APRA will revise the measurement rules in its prudential standards in response to these changes. However, it is not clear at present whether regulatory capital measurement will be fully immunised from the IFRS changes.

The consolidated entity has not reliably quantified the effects of these significant differences. Accordingly, the consolidated financial position and performance as disclosed in this financial report may be significantly different if determined in accordance with IFRS.

The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between the finalisation of the IFRS and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

3. Revenue from ordinary activities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Revenue from ordinary activities				
Interest received or due and receivable:				
controlled entities	-	-	46	35
other persons	2,226	1,882	1,896	1,640
Dividends received or due and receivable:				
controlled entities	-	-	179	111
other persons	65	46	-	-
Property income received or due and receivable	24	25	-	-
General insurance premium revenue:				
direct	2,423	2,231	-	-
reinsurance and other recoveries revenue	214	286	-	-
reinsurance commission income	7	16	-	-
Life insurance premium revenue:				
direct	104	86	-	-
reinsurance recoveries revenue	17	16	-	-
Changes in net market value of investments integral to general insurance activities:				
realised	(55)	10	-	-
unrealised	58	51	-	-
Changes in net market value of investments integral to life insurance activities:				
realised	44	(63)	-	-
unrealised	228	(13)	-	-
Trust distributions received or due and receivable	91	184	-	-
Net profits on derivative and other financial instruments:				
realised	7	5	8	7
unrealised	2	(4)	2	(4)
Fees and commissions received or due and receivable:				
controlled entities	-	-	378	218
other persons	268	254	210	199
Share of net profits of associates accounted for using the equity method	19	9	-	-
Managed funds revenue	125	106	-	-
Proceeds on disposal of investments	42	-	34	-
Other revenue	23	29	8	8
Total revenue from ordinary activities	5,932	5,156	2,761	2,214
Disclosed in the statements of financial performance as:				
Banking interest revenue	1,933	1,668	1,942	1,675
General insurance premium revenue	2,423	2,231	-	-
Life insurance premium revenue	104	86	-	-
Reinsurance and other recoveries revenue	231	302	-	-
General insurance investment income	276	292	-	-
Life insurance investment income	443	117	-	-
Share of net profits of associates accounted for using the equity method	19	9	-	-
Banking fee and commission revenue	215	197	215	195
Other revenue	288	254	604	344
Total revenue from ordinary activities	5,932	5,156	2,761	2,214
Banking interest expense	(1,277)	(1,076)	(1,294)	(1,092)
Banking fee and commission expense	(61)	(58)	(61)	(58)
Total income from ordinary activities	4,594	4,022	1,406	1,064

There was no revenue from non-operating activities.

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
3. Revenue from ordinary activities (continued)				
Net gains on disposal of assets				
Net gains on disposal of investments	38	-	31	-
Significant item:				
The gain on disposal of investments includes the following revenue and expense on sale of shares in Cashcard Australia Limited:				
Revenue	34	-	34	-
Carrying amount of shares sold	(3)	-	(3)	-
Gain on sale	31	-	31	-
4. Expenses from ordinary activities				
Interest expense				
Controlled entities	-	-	20	22
Other persons	1,277	1,095	1,293	1,089
Total interest expense	1,277	1,095	1,313	1,111
Operating expenses from ordinary activities				
Staff expenses	614	580	22	32
Equipment and occupancy expenses				
Depreciation:				
buildings	1	2	1	1
plant and equipment	76	66	-	-
leasehold improvements	12	12	-	-
Total depreciation	89	80	1	1
Loss on disposal of property, plant and equipment	1	6	-	-
Operating lease rentals	46	45	20	27
Other	14	15	9	12
Total equipment and occupancy expenses	150	146	30	40
Other expenses				
Hardware, software and data line expenses	43	48	25	43
Advertising and promotion expenses	65	54	28	33
Office supplies, postage and printing	70	65	32	41
Amortisation of franchise systems	1	1	-	-
Acquisition costs – insurance activities	137	132	-	-
Intra-group expenses	-	-	603	341
Financial expenses	84	74	38	49
Other insurance underwriting expenses	-	32	-	-
Other	74	61	48	13
Total other expenses	474	467	774	520
Expenses allocated as follows:				
Claims handling expenses allocated to claims expense	-	(42)	-	-
Total operating expenses from ordinary activities	1,238	1,151	826	592

Claims handling expenses are now deducted from the specific categories of expenses to which they relate.

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
5. Bad and doubtful debts expense				
Banking activities				
Charge for bad and doubtful debts:				
general provision for impairment (note 12)	19	7	16	7
specific provision for impairment (note 12)	22	23	22	23
bad debts written off	10	25	8	25
bad debts recovered	(3)	(6)	(3)	(6)
	48	49	43	49
General insurance activities				
Charge for bad and doubtful debts:				
general provision for impairment (note 12)	5	3	-	-
specific provision for impairment (note 12)	(4)	(1)	-	-
bad debts recovered	-	(3)	-	-
	1	(1)	-	-
Other activities				
Bad debts written off	-	1	-	-
	-	1	-	-
Total bad and doubtful debts expense	49	49	43	49
6. Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	971	550	518	404
Prima facie income tax expense calculated at 30% (2003: 30%) on profit from ordinary activities before income tax	291	165	155	121
Tax effect of permanent differences:				
Non-deductible expenditure	7	5	5	3
Non-deductible write-downs	5	-	9	-
Amortisation of goodwill	19	19	-	-
Imputation gross up on dividends received	5	5	-	6
Life insurance company Statutory Funds adjustment	-	(2)	-	-
Non-assessable income	(1)	(1)	-	(1)
Dividend rebates	-	-	(54)	(17)
Income tax credits	(16)	(16)	-	(22)
Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax-consolidated group	-	-	185	-
Recovery of income tax expense under a tax sharing agreement	-	-	(191)	-
Other	(4)	(3)	1	-
Income tax adjusted for permanent differences	306	172	110	90
Over provision in prior year	2	(6)	3	(4)
Income tax expense	308	166	113	86
Income tax expense by business unit				
Banking	128	93	113	86
General insurance	129	55	-	-
Wealth management	47	14	-	-
Other	4	4	-	-
	308	166	113	86

6. Income tax expense (continued)

Prima facie income tax expense includes an amount of $42 million (2003: $11 million) attributable to the life insurance company statutory funds. The income tax expense is partly determined on a product basis and partly determined on a profit basis.
The income tax expense has been determined after aggregating various classes of business, each with different tax rates.
The statutory rates of taxation applicable to the taxable income of significant classes of business are as follows:

	2004 %	2003 %
Class of business		
Ordinary life insurance business	30	30
Complying superannuation	15	15
Controlled companies	30	30
Current pension business	Exempt	Exempt
Non-complying superannuation	47	47
Immediate annuity business	Exempt	Exempt
Retirement Savings Account business	15	15
Other business (including accident and disability)	30	30
Shareholder funds	30	30

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
Income tax expense is made up of:				
Current income tax provision	246	218	116	92
Deferred income tax provision	50	(81)	(5)	(13)
Future income tax benefit	12	29	8	3
Intercompany/interfund balances	-	-	(6)	4
	308	166	113	86
Provision for current income tax				
Movements during the year were as follows:				
Balance at the beginning of the financial year	130	72	62	66
Income tax paid	(271)	(157)	(149)	(96)
Current year's income tax expense on profit from ordinary activities	246	218	116	92
Over provision in prior year	(1)	(3)	-	-
Income tax expense related to wholly-owned subsidiary transactions in a tax-consolidated group	-	-	75	-
	104	130	104	62
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable tax rate of 30% (2003: 30%) on the following items:				
Difference in depreciation for accounting and income tax purposes	3	2	3	-
Leveraged leases	6	15	6	10
Lease finance	9	15	9	4
Expenditure currently deductible but deferred and amortised for accounting purposes	45	17	45	17
Income not currently assessable for tax purposes	106	69	106	8
	169	118	169	39

6. Income tax expense (continued)

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable tax rate of 30% (2003: 30%) on the following items:				
Income currently assessable but deferred for accounting purposes	9	28	9	5
Difference in depreciation for accounting and income tax purposes	11	33	11	21
Provision for impairment	32	24	32	19
Other provisions and accrued expenses	95	67	94	11
Lease finance	2	5	2	-
Tax losses	-	1	-	-
	149	158	148	56

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

(i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
(ii) The losses are transferred to an eligible entity in the consolidated entity; and
(iii) The consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
(iv) No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Revision of accounting estimates

Tax balances

As a consequence of the enactment of the Tax Consolidation legislation and the tax-consolidated group implementing tax consolidations from 1 July 2002, the Company has applied UIG 52: Income Tax Accounting under the Tax Consolidation System for the 2004 year. However, as at 30 June 2003, no decision had been made to tax-consolidate and UIG 39: Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances was applied. Accordingly, comparative tax balances for the year ended 30 June 2003 are included in the statement of financial position and this note that are not comparable to those for the year ended 30 June 2004. This is by virtue of Suncorp-Metway Ltd having elected to tax-consolidate effective from 1 July 2002 and due to the effect and operation of the tax sharing agreement entered into by the Company with its subsidiaries.

For the year ended 30 June 2004, the group has not recognised any benefit from the entry into tax consolidation. A tax benefit may be booked in future years, pending finalising discussions with the Australian Taxation Office. For tax assets and liabilities, the subsidiary-related deferred tax balances recognised in the Company and consolidated entity have been determined based on the previous timing differences at the level of the tax-consolidated group. The consolidated entity has reflected all adjustments in income tax expense as it has elected not to open past acquisition accounting. Future acquisition accounting will take deferred tax balances into account.

In the Company, the effect of implementing tax consolidation and of applying UIG 52 at 1 July 2003 was:

- an increase in deferred tax assets transferred from wholly owned subsidiaries in the tax-consolidated group of $102 million;
- an increase in current tax liabilities transferred from wholly owned subsidiaries in the tax-consolidated group of $68 million;
- an increase in deferred tax liabilities transferred from wholly owned subsidiaries in the tax-consolidated group of $79 million;
- a corresponding increase in intercompany receivables of $45 million.

In the Company, the effect for the year ended 30 June 2004 has been a net decrease in tax expense of $191 million and a corresponding increase in intercompany receivables of $191 million being the tax recharge under the tax sharing agreement.

7. Earnings per share

	CONSOLIDATED 2004 cents	CONSOLIDATED 2003 cents
Basic earnings per share	112.77	69.82
Diluted earnings per share	112.66	69.74

	Number of shares 2004	Number of shares 2003
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	533,924,887	527,965,709
Weighted average number of potential ordinary shares relating to:		
options on ordinary shares	496,290	548,471
partly paid ordinary shares	15,253	21,588
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	534,436,430	528,535,768

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

- Options outstanding on ordinary shares; and
- Partly paid ordinary shares.

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

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit attributable to members of the parent entity	618	384
Preference share dividends	(16)	(15)
Earnings used in calculating basic earnings per share	602	369
Diluted earnings per share		
Net profit attributable to members of the parent entity	618	384
Preference share dividends	(16)	(15)
Earnings used in calculating diluted earnings per share	602	369

8. Cash and liquid assets

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Cash at bank and on hand	215	247	138	108
Deposits at call	494	599	185	340
	709	846	323	448
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	709	846	323	448
Add: Receivables due from other financial institutions	163	68	163	68
Less: Payables due to other financial institutions	(70)	(26)	(70)	(26)
	802	888	416	490

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
9. Trading securities				
Banking activities				
Interest bearing securities at net market value				
Bank bills, certificates of deposits and other short term negotiable securities	2,549	3,174	2,549	3,174
Total trading securities	2,549	3,174	2,549	3,174
10. Investment securities				
Banking activities				
Investments at cost				
Shares in controlled entities (note 35)	-	-	2,025	2,056
Shares in other companies	-	3	-	3
	-	3	2,025	2,059
General insurance activities				
Quoted investments at net market value				
Debentures	1,960	800	-	-
Government and semi-government securities	889	1,808	-	-
Shares in other companies	709	683	-	-
	3,558	3,291	-	-
Unquoted investments at net market value				
Freehold land and buildings	92	74	-	-
Property trusts	5	5	-	-
Short term negotiable securities	653	525	-	-
Other interest bearing securities	810	860	-	-
	1,560	1,464	-	-
	5,118	4,755	-	-
Wealth management activities				
Life insurance activities				
Equity securities	1,791	1,201	-	-
Debt securities	1,513	1,410	-	-
Property	537	523	-	-
Other	(1)	(1)	-	-
	3,840	3,133	-	-
Funds management activities				
Unlisted unit trusts and unlisted managed investment schemes at fair value	14	11	-	-
	3,854	3,144	-	-
Total investment securities	8,972	7,902	2,025	2,059

11. Loans, advances and other receivables

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Banking activities				
Overdrafts	349	326	349	326
Credit card outstandings	108	74	108	74
Housing loans [(1)]	14,924	12,897	14,924	12,897
Term loans	10,321	8,178	10,303	8,152
Lease finance	1,918	1,774	1,085	1,546
Structured finance	8	18	8	14
Other lending	168	138	172	143
	27,796	23,405	26,949	23,152
Provision for impairment (note 12)	(142)	(121)	(137)	(118)
	27,654	23,284	26,812	23,034
General insurance activities				
Premiums outstanding	550	528	-	-
Provision for lapses	-	(2)	-	-
Provision for impairment (note 12)	(12)	(7)	-	-
	538	519	-	-
Investment revenue receivable	11	10	-	-
Outstanding investment settlement receivable	113	-	-	-
Insurance managed funds receivable	48	21	-	-
Insurance recoveries and other receivables	498	569	-	-
Provision for impairment (note 12)	(8)	(12)	-	-
	1,200	1,107	-	-
Life insurance activities				
Premiums outstanding	5	3	-	-
Investment revenue receivable	27	44	-	-
Reinsurance recoveries receivable	7	6	-	-
Other	14	15	-	-
	53	68	-	-
Total loans, advances and other receivables	28,907	24,459	26,812	23,034

(1) Excludes securitised residential mortgage loans of $2,453 million (2003: $1,650 million). In September 2003 the Company completed a $600 million loan mortgage securitisation (Apollo Series 2003-2). The securities were sold in the domestic market. A further loan mortgage securitisation of $1.1 billion was completed in September 2003 (Apollo Series 2004-1E). The securities were sold in both domestic and offshore markets.

12. Provision for impairment

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Banking activities				
General provision				
Balance at the beginning of the financial year	104	97	102	95
Charge against the statement of financial performance (note 5)	19	7	16	7
Balance at the end of the financial year	123	104	118	102
Specific provision				
Balance at the beginning of the financial year	17	27	16	25
Charge against the statement of financial performance (note 5)				
new and increased provisions	29	25	29	25
write-back of provisions no longer required	(7)	(2)	(7)	(2)
Bad debts written-off	(20)	(33)	(19)	(32)
Balance at the end of the financial year	19	17	19	16
Total provision for impairment – banking activities	142	121	137	118

	%	%	%	%
The provision for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
specific provision	35.19	16.50	36.54	15.84
total provision	262.96	117.48	263.46	116.83
General provision as a percentage of risk weighted assets	0.58	0.58	0.55	0.57
Specific provision as a percentage of gross loans, advances and other receivables	0.07	0.07	0.07	0.07

	$m	$m	$m	$m
Insurance activities				
General provision				
Balance at the beginning of the financial year	7	4	-	-
Charge against the statement of financial performance (note 5)	5	3	-	-
Balance at the end of the financial year	12	7	-	-
Specific provision				
Balance at the beginning of the financial year	12	13	-	-
Write-back of provisions no longer required (note 5)	(4)	(1)	-	-
Balance at the end of the financial year	8	12	-	-
Total provision for impairment – insurance activities	20	19	-	-

13. Property, plant and equipment

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Property				
Freehold land at cost	4	4	4	4
Buildings at cost	42	42	42	42
Accumulated depreciation	(13)	(13)	(13)	(13)
	29	29	29	29
Leasehold improvements at cost	82	84	7	8
Accumulated amortisation	(71)	(63)	(7)	(8)
	11	21	-	-
Total property	44	54	33	33
Plant and equipment				
Computer and office equipment, furniture and fittings, computer software and motor vehicles at cost	361	301	32	32
Accumulated depreciation	(250)	(182)	(31)	(31)
	111	119	1	1
Capital works in progress				
Computer software	29	44	-	-
Total plant and equipment	140	163	1	1
Total property, plant and equipment	184	217	34	34

An independent valuation of the consolidated entity's land and buildings was carried out as at 31 December 2003 on the basis of open market values for existing use and provided a valuation of $50 million (Company: $50 million). As land and buildings are recorded at cost, the valuation has not been brought to account.

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

	Land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m	Capital works in progress $m	Total $m
Consolidated						
Carrying amount at the beginning of the financial year	4	29	21	119	44	217
Additions	-	1	2	29	29	61
Disposals	-	-	(1)	(3)	-	(4)
Transfers (to) from plant and equipment	-	-	1	42	(43)	-
Written-off to expense	-	-	-	-	(1)	(1)
Depreciation expense (note 4)	-	(1)	(12)	(76)	-	(89)
Carrying amount at the end of the financial year	4	29	11	111	29	184
Company						
Carrying amount at the beginning of the financial year	4	29	-	1	-	34
Additions	-	1	-	-	-	1
Disposals	-	-	-	-	-	-
Depreciation expense (note 4)	-	(1)	-	-	-	(1)
Carrying amount at the end of the financial year	4	29	-	1	-	34

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
14. Intangible assets				
Goodwill	1,211	1,206	-	-
Accumulated amortisation	(227)	(168)	-	-
Total intangible assets	984	1,038	-	-
15. Other assets				
Franchise systems	15	16	-	-
Provision for amortisation	(4)	(3)	-	-
	11	13	-	-
Deferred expenditure:				
lease brokerage	20	16	9	16
mortgage loan brokerage	26	15	26	15
establishment costs on securitisation	7	9	7	9
deferred share plan	7	5	7	5
other	4	4	4	4
Total deferred expenditure	64	49	53	49
Deferred acquisition costs on general insurance policies	190	171	-	-
Accrued interest receivable	120	91	64	50
Prepayments	18	29	14	24
Sundry assets	143	124	55	6
	535	464	186	129
Total other assets	546	477	186	129

An independent valuation of the franchise systems was carried out at 30 June 2004 on the basis of current fair market value and provided a valuation range of $34 million to $39 million. As franchise systems are recorded at cost, the valuation has not been brought to account (refer note 1(y)).

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
16. Deposits and short term borrowings				
Secured				
Long term securities issued matured and unclaimed	1	1	-	-
Unsecured				
Call deposits	7,301	6,530	7,729	6,992
Term deposits	5,969	5,332	5,969	5,332
Short term securities issued	6,197	4,517	6,197	4,517
Offshore borrowings	2,749	2,832	2,749	2,832
Long term securities issued maturing within 12 months	2,070	2,367	2,070	2,367
	24,286	21,578	24,714	22,040
Total deposits and short term borrowings	24,287	21,579	24,714	22,040

The secured borrowings are secured by charges over various assets of certain controlled entities amounting to $9 million (2003: $8 million).

17. Payables and other liabilities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Unpresented bank cheques	69	72	69	72
Accrued interest payable	184	155	190	155
Security deposit for repurchase agreement	31	2	-	-
Sundry creditors and accrued expenses	647	410	175	184
Unrealised losses on derivative hedging positions	173	634	173	634
Total payables and other liabilities	1,104	1,273	607	1,045

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

18. Provisions

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Employee benefits (note 45)	106	90	3	2
Directors' retirement benefits	2	1	2	1
Dividends and distributions (note 26)	5	5	5	5
Other	14	8	1	-
Total provisions	127	104	11	8

Directors' retirement benefits

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

Other provisions

Other provisions include provisions for surplus lease space, provisions for the costs of meeting obligations under contracts entered into during the financial year and provisions for distributions payable by controlled managed schemes.

Movements in provisions

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

	Directors' retirement benefits $m	Dividends and distributions $m	Other $m	Total $m
Consolidated – 2004				
Balance at the beginning of the financial year	1	5	8	14
Additional provisions recognised	1	334	71	406
Payments/other sacrifices of economic benefits	-	(334)	(65)	(399)
Balance at the end of the financial year	2	5	14	21
Company – 2004				
Balance at the beginning of the financial year	1	5	-	6
Additional provisions recognised	1	334	1	336
Payments/other sacrifices of economic benefits	-	(334)	-	(334)
Balance at the end of the financial year	2	5	1	8

19. Outstanding claims and unearned premiums provisions

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Outstanding claims – life insurance	17	12	-	-
Outstanding claims – general insurance	3,854	3,816	-	-
Unearned premiums – general insurance	1,322	1,224	-	-
Total outstanding claims and unearned premiums provisions	5,193	5,052	-	-
Outstanding claims provision – general insurance				
Expected future claims (undiscounted)	4,613	4,481	-	-
Discount to present value	(759)	(665)	-	-
Outstanding claims provision	3,854	3,816	-	-
Current	1,186	1,112	-	-
Non-current	2,668	2,704	-	-
	3,854	3,816	-	-

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

	2004 %	2003 %
Not later than one year:		
Inflation rate		
normal	0.0 – 4.0	0.0 – 4.0
superimposed	0.0 – 9.0	0.0 – 9.0
Discount rate	5.4 – 6.2	4.4 – 5.2
For subsequent years:		
Inflation rate		
normal	0.0 – 4.0	0.0 – 4.0
superimposed	0.0 – 9.0	0.0 – 9.0
Discount rate	5.4	4.4 – 5.5

The general insurance portfolio is weighted towards long-tail business whereby claims are expected to be settled progressively over approximately 40 years. The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 2.9 years (2003: 3.1 years).

20. Life insurance gross policy liabilities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Non-investment linked business	1,804	1,836	-	-
Investment linked business	1,001	825	-	-
Total life insurance gross policy liabilities	2,805	2,661	-	-

20. Life insurance gross policy liabilities (continued)

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

The effective date of the actuarial report on policy liabilities and solvency reserves is 30 June 2004. The actuarial report was prepared by Mr Rowan Ward, Appointed Actuary B Sc. FIAA, and indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

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

Policy liabilities have been calculated using the Margin on Services ('MoS') method in accordance with Actuarial Standard 1.03 'Valuation Standard' issued by the LIASB under Section 114 of the Life Act. The Actuarial Standard requires the policy liabilities to be calculated in a way that allows for the systematic release of planned margins as services are provided to policy owners and premiums are received.

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

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

The following table sets out key assumptions used in the calculation of policy liabilities and any significant changes from the prior financial year:

Assumption	**Basis of assumption**	**Significant changes**
Investment earnings	Assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the product, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. Pre-tax rates varied from 4.95% (2003: 4%) for the cash sub-funds to 8.5% (2003: 8.25%) for the balanced sub-funds and 9.95% (2003: 9%) for the equity sub-funds.	No changes in approach.
Maintenance expenses	Per policy expense rates are based upon expected maintenance expenses in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for at rates appropriate to the taxation basis of the business.	None.
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 2.5% (2003: 2%) per annum was assumed.	None.

20. Life insurance gross policy liabilities (continued)

Assumption	Basis of assumption	Significant changes
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates vary by product, class of business, policy value and duration in force. Allowance is also made for cash withdrawals. Future long term rates of discontinuance assumed vary between 3 percent and 30 percent (2003: between 5 percent and 25 percent).	Assumed long term discontinuance rates for ordinary Whole of Life, Endowment and older investment account policies reduced to reflect improvements in experience.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None.
Rates of taxation	The rates of taxation assumed are based on those applicable to the type of product.	None.
Mortality – risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments to allow for Suncorp Life & Superannuation Limited experience. Adjustments range from 76 percent (2003: 75 percent) to 160 percent (2003: 155 percent). Table IA95-97 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997.	None.
Mortality – annuitants	Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for expected mortality improvement. Tables IM/IF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.	None.
Disability – lump sum	Disability rates on lump sum policies have been based on industry experience with adjustments to reflect Suncorp Life & Superannuation Limited's experience.	Adjustments updated to reflect recent experience with no overall change in assumed disability incidence.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect Suncorp Life & Superannuation Limited's experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	Adjustments updated to reflect recent experience, with a decrease in assumed incidence rates.
Future supportable bonuses and interest credits to participating policies	Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cash flows equals the value of assets supporting the business. For traditional policies supportable bonus rates are set as a proportion of the latest declared rates –86 percent (2003: 60 percent) for ordinary policies and 89 percent (2003: 49 percent) for superannuation policies. For investment account policies supportable rates vary between 3.8 percent (2003: 3.0 percent) and 9.9 percent (2003: 8.4 percent) after tax and fees. For participating whole of life and endowment business, the Company's policy is to set bonus rates such that, over long periods, the returns to policy owners are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholder with the valuation allowing for the shareholder to share in distributions at the maximum allowable rate of 20 percent. In determining policy owner distributions consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.	No changes in approach.
Unit price growth	Unit prices are assumed to grow at a rate consistent with assumed investment earnings, tax rates and policy fees.	None.

20. Life insurance gross policy liabilities (continued)

Other requirements

The Life Act requires companies to meet prudential standards of solvency and capital adequacy. The solvency requirements are determined in accordance with the Actuarial Standard 2.03 '*Solvency Standard*' issued by the Life Insurance Actuarial Standards Board under the Life Act. For the purposes of note 30(f), minimum termination values have been determined in accordance with Actuarial Standard 4.02 '*Minimum Surrender Value and Paid-Up Values*'. Capital adequacy is determined in accordance with Actuarial Standard 3.03 '*Capital Adequacy Standard*'.

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
21. Bonds, notes and long term borrowings				
Unsecured				
Long term securities issued	1,257	1,042	1,257	1,042
Offshore borrowings	2,668	1,668	2,668	1,668
Total bonds, notes and long term borrowings	3,925	2,710	3,925	2,710
22. Subordinated notes				
Fixed rate notes due September 2011	199	199	199	199
Floating rate notes due September 2011	75	75	75	75
Fixed rate notes due June 2013 (USD)	361	371	361	371
Perpetual floating rate notes	170	170	170	170
Total subordinated notes	805	815	805	815

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

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

23. Contributed equity

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Share capital				
536,619,211 ordinary shares each fully paid (2003: 530,752,100 each fully paid)	2,654	2,587	2,654	2,587
2,500,000 preference shares each fully paid (2003: 2,500,000 each fully paid)	244	244	244	244
17,650 ordinary shares each 5 cents partly paid (2003: 27,550 ordinary shares each 5 cents partly paid)	-	-	-	-
2,000 non-participating shares fully paid (2003: 2,000 each fully paid)	-	-	-	-
Balance at the end of the financial year	2,898	2,831	2,898	2,831
Movements in ordinary shares during the financial year				
Balance at the beginning of the financial year	2,587	2,533	2,587	2,533
1,139,866 ordinary shares issued due to the exercise of options under the Executive Option Plan (2003: 759,000)	9	6	9	6
4,717,345 ordinary shares issued under the Dividend Reinvestment Plan (2003: 4,666,051)	58	48	58	48
Balance at the end of the financial year	2,654	2,587	2,654	2,587

On 3 October 2003, 2,552,450 ordinary shares were issued at $11.54 under the Dividend Reinvestment Plan in respect of the final dividend paid on 3 October 2003.

On 2 April 2004, 2,164,895 ordinary shares were issued at $13.69 under the Dividend Reinvestment Plan in respect of the interim dividend paid on 2 April 2004.

During the year, 9,900 partly paid shares were converted to fully paid shares at an average price of $0.98. The calls on, and conversion of, partly paid shares were in accordance with the employee share acquisition scheme under which they were issued.

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

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

Ordinary shares

During the year, 1,139,866 options were exercised as part of the executive and senior management option plan as follows:

Month of exercise	Number of ordinary shares	Issue price
July 2003	13,200	$8.50
July 2003	23,200	$8.33
July 2003	3,300	$8.89
July 2003	3,300	$8.11
August 2003	19,800	$8.37
August 2003	39,800	$8.24
August 2003	1,600	$8.89
September 2003	121,000	$8.20
September 2003	255,000	$8.02
September 2003	23,200	$8.33
September 2003	29,700	$8.37
September 2003	9,000	$8.32
September 2003	65,000	$7.96
October 2003	9,900	$8.37

Month of exercise	Number of ordinary shares	Issue price
November 2003	55,000	$7.96
November 2003	129,999	$8.81
January 2004	3,300	$8.11
March 2004	23,200	$8.33
March 2004	16,600	$8.11
March 2004	9,900	$8.37
March 2004	41,000	$8.89
April 2004	18,200	$8.89
April 2004	66,667	$9.57
April 2004	80,200	$8.11
April 2004	30,200	$8.46
April 2004	26,800	$8.49
April 2004	11,700	$8.33
May 2004	10,100	$8.63
	1,139,866	

24. Reserves

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Asset revaluation reserve	11	9	8	8
Pre-conversion reserve	13	13	13	13
	24	22	21	21
Movements during the financial year – asset revaluation reserve				
Balance at the beginning of the financial year	9	9	8	8
Revaluation increment: investment in unlisted unit trust	2	-	-	-
Balance at the end of the financial year	11	9	8	8

Nature and purpose of reserves

(i) Pre-conversion reserve

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

(ii) Asset revaluation reserve

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

25. Outside equity interests in controlled entities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the year after adjusting for outside equity interests in entities acquired and disposed during the year	350	6
Interest in profit from ordinary activities after income tax	44	1
Interest in dividends	(46)	-
Total outside equity interests	348	7

26. Dividends

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Ordinary shares				
Final dividend for the year ended 30 June 2003 of 30 cents (2003: 29 cents) per fully paid share paid 3 October 2003 (2003: 1 October 2002)				
Franked @ 30%	159	153	159	153
Interim dividend for the year ended 30 June 2004 of 30 cents (2003: 26 cents) per fully paid share paid 2 April 2004 (2003: 31 March 2003)				
Franked @ 30%	160	137	160	137
Preference shares				
Final dividend of $3.15 (2003: $3.15) per share				
Franked @ 30%	8	8	8	8
Interim dividend of $3.12 (2003: $3.10) per share				
Franked @ 30%	8	7	8	7
	335	305	335	305

26. Dividends (continued)

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Dividends not recognised at year end				
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 40 cents (2003: 30 cents) per fully paid ordinary share, fully franked based on tax paid at 30 percent. The aggregate amount of the proposed dividend expected to be paid on 1 October 2004 out of retained profits at 30 June 2004, but not recognised as a liability at year end, is	215	159	215	159
Franked dividends				
The franked portions of the final dividend recommended after 30 June 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the financial year ending 30 June 2005.				
Franking credits available for subsequent financial years based on a tax rate of 30 percent (2003: 30 percent)	264	169	264	(14)

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

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

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends.

Tax Consolidation legislation

Effective 1 July 2002, Suncorp-Metway Ltd and its wholly-owned subsidiaries adopted the Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax-consolidated group) disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax-consolidated group.

The comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the ‘franking credits available’ balance as at 30 June 2003 would have been $169 million for the Company.

27. Segment information

Business segments

The consolidated entity comprises the following business segments:

Segment	**Activities**
Business Banking	Commercial banking, agribusiness, property and equipment finance
Retail Banking	Home, personal and small business loans, savings and transaction accounts
General Insurance	Home and motor insurance, personal effects cover, commercial insurance, Compulsory Third Party (CTP) insurance and workers' compensation services
Wealth Management	Life insurance and superannuation administration services, funds management, financial planning, and funds administration
Other	Treasury and property management services

On 31 March 2003, the consolidated entity announced an organisational restructure along four business lines: Retail Banking; Business Banking; General Insurance; and Wealth Management. The consequential management restructuring and changes to internal reporting systems to the Managing Director and Board were implemented for the 2004 financial year. Comparative segment information has been restated to reflect the new structure.

	Business Banking $m	Retail Banking $m	General Insurance $m	Wealth Management $m	Other $m	Eliminations/ unallocated $m	Consolidated $m
2004							
Revenue outside the consolidated entity	896	1,105	3,056	605	251	-	5,913
Inter-segment revenue	9	736	-	-	737	(1,482)	-
Shares of net profits of associates	-	-	19	-	-	-	19
Total segment revenue	905	1,841	3,075	605	988	(1,482)	5,932
Segment result	189	186	465	151	40	(60)	971
Unallocated revenue less unallocated expenses							-
Profit from ordinary activities before income tax expense							971
Income tax expense							(308)
Net profit							663
Segment assets	12,578	16,091	7,770	3,942	3,137	(240)	43,278
Unallocated assets							-
Total assets							43,278
Segment liabilities	11,717	15,509	5,530	3,324	3,050	(192)	38,938
Unallocated liabilities							-
Total liabilities							38,938
Investments in associates	-	-	100	-	-	-	100
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4	15	37	4	1	-	61
Depreciation and amortisation expense	6	22	54	6	2	60	150
Other non-cash expenses	36	12	1	-	-	-	49

27. Segment information (continued)

Business segments (continued)

	Business Banking $m	Retail Banking $m	General Insurance $m	Wealth Management $m	Other $m	Eliminations/ unallocated $m	Consolidated $m
2003							
Revenue outside the consolidated entity	709	1,039	2,968	255	176	-	5,147
Inter-segment revenue	7	653	-	-	569	(1,229)	-
Shares of net profits of associates and joint venture partnership	-	-	9	-	-	-	9
Total segment revenue	716	1,692	2,977	255	745	(1,229)	5,156
Segment result	146	173	233	52	8	(62)	550
Unallocated revenue less unallocated expenses							-
Profit from ordinary activities before income tax expense							550
Income tax expense							(166)
Net profit							384
Segment assets	10,089	13,917	7,477	3,250	4,000	(299)	38,434
Unallocated assets							-
Total assets							38,434
Segment liabilities	9,450	13,450	5,353	3,030	3,719	(215)	34,787
Unallocated liabilities							-
Total liabilities							34,787
Investments in associates	-	-	83	-	-	-	83
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	9	35	72	6	3	-	125
Depreciation and amortisation expense	6	23	46	4	2	62	143
Other non-cash expenses	28	24	(1)	-	1	(3)	49

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

Geographical segments

The consolidated entity operates in one geographical area being Australia.

Accounting policies in relation to segment reporting

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

27. Segment information (continued)

Business segments (continued)

Inter-segment transfers

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

28. Specific disclosures – banking

28(a) Contribution to profit from ordinary banking activities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Net interest income		
Interest revenue	1,950	1,684
Interest expense	(1,294)	(1,092)
	656	592
Net banking fee income		
Fee and commission revenue	215	197
Fee and commission expense	(61)	(58)
	154	139
Other operating revenue		
Net profits on trading and investment securities	-	-
Net profits on derivative and other financial instruments	10	8
Other income	13	8
	23	16
Total income from ordinary banking activities	833	747
Operating expenses		
Staff expenses	(240)	(217)
Occupancy expenses	(23)	(20)
Computer and depreciation expenses	(45)	(50)
Communication expenses	(33)	(32)
Advertising and promotion expenses	(24)	(19)
Other operating expenses	(49)	(42)
Total expenses of ordinary banking activities	(414)	(380)
Contribution to profit from ordinary banking activities before bad and doubtful debts, amortisation of goodwill and income tax	419	367
Bad and doubtful debts expense	(48)	(49)
Contribution to profit from ordinary banking activities before amortisation of goodwill and income tax	371	318

Whilst business banking and retail banking have been disclosed as separate reportable segments in note 27, the executive and Board also consider the total banking result as relevant to understanding the consolidated entity's performance. The above profit result consolidates business banking, retail banking and treasury (which is within the 'Other' segment). This also represents the results of the consolidated banking group which is regulated by APRA.

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

28. Specific disclosures – banking (continued)

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

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

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

	CONSOLIDATED					
	Average balance 2004 $m	Interest 2004 $m	Average rate 2004 %	Average balance 2003 $m	Interest 2003 $m	Average rate 2003 %
Assets						
Interest earning assets						
Trading securities	2,826	145	5.13	2,349	113	4.81
Gross loans, advances and other receivables	25,693	1,789	6.96	22,764	1,553	6.82
Other interest earning financial assets	368	16	4.35	399	18	4.51
Total interest earning assets	28,887	1,950	6.75	25,512	1,684	6.60
Non-interest earning assets						
Provision for impairment	(131)			(122)		
Property, plant and equipment	200			210		
Other financial assets	2,331			2,292		
Total non-interest earning assets	2,400			2,380		
Total assets	31,287			27,892		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	22,634	1,020	4.51	20,785	905	4.35
Bonds, notes and long term borrowings	4,283	239	5.58	3,024	156	5.16
Subordinated notes [1]	546	35	6.41	490	31	6.33
Total interest bearing liabilities	27,463	1,294	4.71	24,299	1,092	4.49
Non-interest bearing liabilities						
Other financial liabilities	566			504		
Total non-interest bearing liabilities	566			504		
Total liabilities	28,029			24,803		
Net assets	3,258			3,089		
Analysis of interest margin and spread						
Interest earning assets	28,887	1,950	6.75	25,512	1,684	6.60
Interest bearing liabilities	27,463	1,294	4.71	24,299	1,092	4.49
Net interest spread			2.04			2.11
Net interest margin	28,887	656	2.27	25,512	592	2.32

[1] Excludes a portion of the subordinated debt which was raised as funding for the GIO acquisition. A management fee is charged to general insurance for the interest cost of this debt.

28. Specific disclosures – banking (continued)

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

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

	CONSOLIDATED 2004 %	CONSOLIDATED 2003 %
Gross interest spread	2.05	2.14
Interest foregone on impaired assets	(0.01)	(0.03)
Net interest spread	2.04	2.11
Interest attributable to net non-interest bearing assets	0.23	0.21
Net interest margin	2.27	2.32

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

	CONSOLIDATED 2004 v 2003 Changes due to:			CONSOLIDATED 2003 v 2002 Changes due to:		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Trading securities	24	8	32	31	5	36
Gross loans, advances and other receivables	202	34	236	106	15	121
Other interest earning financial assets	(1)	(1)	(2)	(3)	(1)	(4)
Change in interest income	225	41	266	134	19	153
Interest bearing liabilities						
Deposits and short term borrowings	82	33	115	106	16	122
Bonds, notes and long term borrowings	68	15	83	(11)	8	(3)
Subordinated notes	4	-	4	(3)	(5)	(8)
Change in interest expense	154	48	202	92	19	111
Change in net interest income	71	(7)	64	42	-	42

28. Specific disclosures – banking (continued)

28(c) Banking capital adequacy

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

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

The measurement of risk weighted assets is based on:

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

Consolidated banking capital adequacy position is set out below:

	CONSOLIDATED	
	2004 $m	2003 $m
Tier 1		
Ordinary share capital	2,654	2,587
Preference shares	244	244
Pre conversion reserve	13	13
Retained profits	445	278
Less: Goodwill	(1,230)	(1,228)
Less: Net future income tax benefit	(1)	(29)
Total Tier 1 capital	2,125	1,865
Tier 2		
Asset revaluation reserve	8	8
General provision for impairment, net of related future income tax benefit	104	87
Perpetual subordinated notes	170	170
Subordinated notes	635	645
Total Tier 2 capital	917	910
Deductions from capital		
Less: Investments in non-consolidated subsidiaries	(853)	(857)
Less: Guarantees and facilities to non-banking controlled entities	(5)	(5)
Total deductions	(858)	(862)
Total capital base	2,184	1,913

28. Specific disclosures – banking (continued)

28(c) Banking capital adequacy (continued)

	CONSOLIDATED				
	Carrying value		Risk weights	Risk weighted balance	
	2004 $m	2003 $m	%	2004 $m	2003 $m
Assets					
Cash, claims on Reserve Bank of Australia, shorter term claims on Australian Commonwealth Government and other liquid assets	1,044	513	0	-	-
Claims on banks and local governments	159	102	20	32	20
Loans secured against residential housing	15,058	13,008	50	7,529	6,504
Other assets	12,565	10,305	100	12,565	10,305
Items subject to excess risk weighting	13	-	200	26	-
Total banking assets	28,839	23,928		20,152	16,829

	CONSOLIDATED				
	Face value	Credit equivalent	Risk weights	Risk weighted balance	
	2004 $m	2004 $m	%	2004 $m	2003 $m
Unrecognised positions					
Guarantees entered into in the normal course of business	140	76	20-100	74	65
Commitments to provide loans and advances	5,181	1,160	0-100	751	704
Capital commitments	1	1	100	1	3
Foreign exchange contracts	12,184	431	20-50	87	60
Interest rate contracts	18,186	148	20-50	43	44
Total unrecognised positions	35,692	1,816		956	876
Assessed risk					
Total risk weighted assets				20,152	16,829
Total unrecognised positions				956	876
Market risk capital charge				189	244
Total assessed risk				21,297	17,949
Risk weighted capital ratios				%	%
Tier 1				9.98	10.39
Tier 2				4.31	5.07
Deductions				(4.03)	(4.80)
				10.26	10.66

28. Specific disclosures – banking (continued)

28(d) Credit risk concentrations

Industry exposures associated with each asset class are detailed with respect to the banking assets of the consolidated entity excluding investments in controlled entities and inter-group funding of $354 million (2003: $397 million). Details of credit risk amounts for credit commitments are set out in note 44 and for derivative financial instruments in note 33. Risk concentrations by asset class are as follows:

	CONSOLIDATED					
	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments $m	Derivative instruments $m	Total risk $m
2004						
Agribusiness	-	-	2,055	48	-	2,103
Construction and development	-	-	2,706	183	-	2,889
Financial services	2,488	3	356	-	579	3,426
Hospitality	-	-	702	-	-	702
Manufacturing	-	-	402	-	-	402
Professional services	-	-	578	-	-	578
Property investment	-	-	3,368	-	-	3,368
Real estate – Mortgage	-	-	15,528	841	-	16,369
Personal	-	-	543	-	-	543
Government and public authorities	61	-	2	-	-	63
Other commercial and industrial	-	-	1,556	164	-	1,720
	2,549	3	27,796	1,236	579	32,163
Receivables due from other financial institutions						163
Total gross credit risk						32,326

	CONSOLIDATED					
	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments $m	Derivative instruments $m	Total risk $m
2003						
Agribusiness	-	-	1,921	20	-	1,941
Construction and development	-	-	1,947	236	-	2,183
Financial services	3,174	3	156	-	425	3,758
Hospitality	-	-	643	-	-	643
Manufacturing	-	-	379	-	-	379
Professional services	-	-	543	-	-	543
Property investment	-	-	2,677	-	-	2,677
Real estate – Mortgage	-	-	13,378	680	-	14,058
Personal	-	-	477	-	-	477
Government and public authorities	-	-	2	-	-	2
Other commercial and industrial	-	-	1,282	159	20	1,461
	3,174	3	23,405	1,095	445	28,122
Receivables due from other financial institutions						68
Total gross credit risk						28,190

28. Specific disclosures – banking (continued)

28(e) Credit risk concentrations – impaired assets

	CONSOLIDATED Total risk $m	Impaired assets $m	Specific provision $m	Write-offs $m
2004				
Agribusiness	2,103	46	16	8
Construction and development	2,889	2	-	-
Financial services	3,426	-	-	-
Hospitality	702	1	1	2
Manufacturing	402	2	-	2
Professional services	578	1	-	1
Property investment	3,368	1	1	2
Real estate – Mortgage	16,369	1	-	1
Personal	543	-	-	-
Government and public authorities	63	-	-	-
Other commercial and industrial	1,720	8	1	4
	32,163	62	19	20
Receivables due from other financial institutions	163			
Total gross credit risk	32,326			

	CONSOLIDATED Total risk $m	Impaired assets $m	Specific provision $m	Write-offs $m
2003				
Agribusiness	1,941	62	7	2
Construction and development	2,183	7	1	-
Financial services	3,758	-	-	-
Hospitality	643	14	1	1
Manufacturing	379	3	2	25
Professional services	543	2	1	2
Property investment	2,677	11	3	2
Real estate – Mortgage	14,058	1	1	-
Personal	477	-	-	-
Government and public authorities	2	-	-	-
Other commercial and industrial	1,461	16	1	2
	28,122	116	17	34
Receivables due from other financial institutions	68			
Total gross credit risk	28,190			

28. Specific disclosures – banking (continued)

28(f) Impaired assets

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Non-accrual loans				
Gross balances:				
with specific provisions set aside	32	51	32	50
without specific provisions set aside	30	65	28	63
Gross impaired assets	62	116	60	113
Interest reserved	(8)	(13)	(8)	(13)
Net balances	54	103	52	100
Specific provision for impairment (note 12)	(19)	(17)	(19)	(16)
Net non-accrual loans	35	86	33	84
Net impaired assets	35	86	33	84
Details of size of gross impaired assets				
Less than one million	25	38	23	35
Greater than one million but less than ten million	27	78	27	78
Greater than ten million	10	-	10	-
	62	116	60	113
Past due loans not shown as impaired assets	67	71	65	69
Interest revenue forgone on impaired assets				
Net interest charged but not recognised as revenue in the statement of financial performance during the financial year	8	12	8	12
Interest revenue on impaired assets recognised in the statement of financial performance				
Net interest charged and recognised as revenue in the statement of financial performance during the financial year	7	7	6	7
Analysis of movements in impaired assets				
Balance at the beginning of the financial year	116	126	113	122
Recognition of new impaired assets and increases in previously recognised impaired assets	48	91	46	86
Impaired assets written off during the financial year	(20)	(34)	(19)	(32)
Impaired assets which have been restated as performing assets	(82)	(67)	(80)	(63)
Balance at the end of the financial year	62	116	60	113

28(g) Large exposures

Details of the aggregate number of the consolidated banking entity's corporate exposures (including direct and contingent exposures) which individually were greater than 5 percent of the consolidated entity's banking capital resources (Tier 1 and Tier 2 capital) are as follows:

	CONSOLIDATED 2004 Number	CONSOLIDATED 2003 Number
25% and greater	1	4
20% to less than 25%	1	-
15% to less than 20%	-	3
10% to less than 15%	-	3
5% to less than 10%	5	3

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

28. Specific disclosures – banking (continued)

28(h) Interest rate risk

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

It should be noted that the banking entity uses this contractual repricing information as one of the tools to manage interest rate risk. Interest rate risk is primarily managed from a net interest income and market value perspective in the manner outlined in note 32(d).

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

	CONSOLIDATED							
	Total $m	0 to 1 months $m	1 to 6 months $m	7 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted average rate %
2004								
Financial assets								
Cash and liquid assets	324	242	-	-	-	-	82	4.00
Receivables due from other financial institutions	163	-	-	-	-	-	163	0.00
Trading securities	2,549	-	2,549	-	-	-	-	5.81
Investment securities	3	-	-	-	-	-	3	0.00
Loans, advances and other receivables	28,008	13,048	10,353	961	3,626	20	-	7.26
Other financial assets	388	-	-	-	-	-	388	0.00
Total financial assets	31,435	13,290	12,902	961	3,626	20	636	
Weighted average rate %		6.90	7.30	7.29	7.23	8.01	0.00	6.55
Financial liabilities								
Deposits and short term borrowings	24,684	7,751	15,917	824	192	-	-	4.94
Payables due to other financial institutions	70	-	-	-	-	-	70	0.00
Payables	612	-	-	-	-	-	612	0.00
Bonds, notes and long term borrowings	3,925	-	2,577	-	1,335	13	-	5.71
Subordinated notes	805	249	556	-	-	-	-	6.73
Total financial liabilities	30,096	8,000	19,050	824	1,527	13	682	
Weighted average rate %		3.84	5.57	5.57	5.47	5.45	0.00	4.98
Net assets	1,339	5,290	(6,148)	137	2,099	7	(46)	
Weighted average rate %		5.75	6.27	6.50	6.71	6.99	0.00	
Unrecognised financial instruments (1)		1,999	(2,253)	(752)	1,003	3	-	
Weighted average rate %		6.93	5.46	5.52	5.51	5.40	0.00	
Net mismatch		7,289	(8,401)	(615)	3,102	10	(46)	
Cumulative mismatch		7,289	(1,112)	(1,727)	1,375	1,385	1,339	

(1) Notional principal amounts.

28. Specific disclosures – banking (continued)

28(h) Interest rate risk (continued)

	CONSOLIDATED							
	Total $m	0 to 1 months $m	1 to 6 months $m	7 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted average rate %
2003								
Financial assets								
Cash and liquid assets	448	356	-	-	-	-	92	3.75
Receivables due from other financial institutions	68	-	-	-	-	-	68	0.00
Trading securities	3,174	-	3,174	-	-	-	-	4.77
Investment securities	3	-	-	-	-	-	3	0.00
Loans, advances and other receivables	23,681	11,196	8,380	1,160	2,934	11	-	6.83
Other financial assets	50	-	-	-	-	-	50	0.00
Total financial assets	27,424	11,552	11,554	1,160	2,934	11	213	
Weighted average rate %		6.43	6.47	6.98	7.28	8.16	0.00	6.54
Financial liabilities								
Deposits and short term borrowings	22,016	7,116	13,200	1,471	215	14	-	4.37
Payables due to other financial institutions	26	-	-	-	-	-	26	0.00
Payables	1,055	-	-	-	-	-	1,055	0.00
Bonds, notes and long term borrowings	2,710	-	1,660	55	995	-	-	5.25
Subordinated notes	815	272	543	-	-	-	-	5.55
Total financial liabilities	26,622	7,388	15,403	1,526	1,210	14	1,081	
Weighted average rate %		3.48	4.88	4.84	5.44	5.45	0.00	4.50
Net assets	802	4,164	(3,849)	(366)	1,724	(3)	(868)	
Weighted average rate %		5.28	5.56	5.77	6.74	6.62	0.00	
Unrecognised financial instruments (1)		701	(740)	610	(585)	14	-	
Weighted average rate %		6.52	5.24	4.86	5.19	5.19	-	
Net mismatch		4,865	(4,589)	244	1,139	11	(868)	
Cumulative mismatch		4,865	276	520	1,659	1,670	802	

(1) Notional principal amounts.

28. Specific disclosures – banking (continued)

28(i) Maturity analysis of financial assets and liabilities

The following maturity distribution of financial assets and liabilities relating to banking activities of the consolidated entity is based on contractual terms. It excludes intercompany funding of $354 million (2003: $397 million). It should be noted that the banking entity does not use this contractual maturity information as presented in the management of the statement of financial position. Additional factors are considered when managing the maturity profiles of the business.

	CONSOLIDATED							
	At call $m	Overdraft $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Unspecified $m	Total $
2004								
Financial assets								
Receivables due from other financial institutions	163	-	-	-	-	-	-	163
Loans, advances and other receivables	526	3,698	905	2,434	6,210	13,881	-	27,654
	689	3,698	905	2,434	6,210	13,881	-	27,817
Financial liabilities								
Deposits and short term borrowings	7,910	-	12,992	3,600	182	-	-	24,684
Payables due to other financial institutions	70	-	-	-	-	-	-	70
Bonds, notes and long term borrowings	-	-		-	3,910	15	-	3,925
Subordinated notes	-	-	-	-	-	635	170	805
	7,980	-	12,992	3,600	4,092	650	170	29,484
2003								
Financial assets								
Receivables due from other financial institutions	68	-	-	-	-	-	-	68
Loans, advances and other receivables	538	2,861	770	1,959	5,026	12,130	-	23,284
	606	2,861	770	1,959	5,026	12,130	-	23,352
Financial liabilities								
Deposits and short term borrowings	7,215	-	9,868	4,775	158	-	-	22,016
Payables due to other financial institutions	26	-	-	-	-	-	-	26
Bonds, notes and long term borrowings	-	-		-	2,692	18	-	2,710
Subordinated notes	-	-	-	-	-	645	170	815
	7,241	-	9,868	4,775	2,850	663	170	25,567

28. Specific disclosures – banking (continued)

28(j) Concentrations of deposits and borrowings

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

	CONSOLIDATED	
	2004 $m	2003 $m
Australian funding sources		
Retail deposits [1]	13,422	13,022
Wholesale funding	8,969	5,524
	22,391	18,546
Overseas funding sources – wholesale		
Asian debt instrument program	-	132
European commercial paper and medium term note market	6,664	6,492
Subordinated debt program (USD)	360	371
	7,024	6,995
	29,415	25,541

[1] Retail treasury deposits were reclassified as wholesale during 2004.

29. Specific disclosures – general insurance

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

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Net earned premium		
Direct premium revenue	2,423	2,231
Outwards reinsurance premium expense	(157)	(144)
	2,266	2,087
Net incurred claims		
Direct claims expense	(1,751)	(1,937)
Reinsurance and other recoveries revenue	214	286
	(1,537)	(1,651)
Operating expenses		
Acquisition costs	(260)	(248)
Other underwriting expenses	(307)	(276)
	(567)	(524)
Reinsurance commission income	7	16
Underwriting result	169	(72)
Investment revenue – Insurance provisions		
Interest, dividends and rent	234	227
Realised gains (losses) on investments	(71)	30
Unrealised gains (losses) on investments	(17)	24
	146	281
Insurance trading result	315	209
Managed schemes income	126	106
Managed schemes expense	(106)	(99)
Share of net profits of associates accounted for using the equity method	19	9
Investment revenue – Shareholder funds		
Interest, dividends, rent, etc	54	52
Realised gains (losses) on investments	(1)	(40)
Unrealised gains (losses) on investments	75	12
Other revenue	13	2
Other expenses	(11)	(15)
	130	11
Net profit on sale of properties	-	16
Contribution to profit from ordinary general insurance activities before income tax, management fee and amortisation of goodwill	484	252
Management fee expense – GIO acquisition	(19)	(19)
Contribution to profit from ordinary general insurance activities before income tax and amortisation of goodwill	465	233

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

29. Specific disclosures – general insurance

29(b) Net incurred claims

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

	CONSOLIDATED					
	2004			2003		
	Current year $m	Prior year $m	Total $m	Current year $m	Prior year $m	Total $m
Direct Business						
Gross claims incurred and related expenses – undiscounted	2,191	(345)	1,846	2,090	(160)	1,930
Reinsurance and other recoveries – undiscounted	(303)	92	(211)	(281)	(3)	(284)
Net claims incurred – undiscounted	1,888	(253)	1,635	1,809	(163)	1,646
Discount and discount movement – gross claims incurred	(184)	98	(86)	(172)	184	12
Discount and discount movement – reinsurance and other recoveries	14	(18)	(4)	18	(20)	(2)
	1,718	(173)	1,545	1,655	1	1,656
Inwards reinsurance business						
Gross claims incurred and related expenses – undiscounted			(8)			(5)
Total net claims incurred			1,537			1,651

Explanation of material variances

The major components of the prior year movements are:

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

29. Specific disclosures – general insurance

29(c) Interest rate risk

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

	CONSOLIDATED							
			FIXED INTEREST MATURING IN:					
	Total $m	Floating interest rate $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Weighted average rate %
2004								
Financial assets								
Cash and liquid assets	47	19	-	-	-	-	28	2.00
Receivables	1,219	-	-	-	-	-	1,219	0.00
Investments	5,469	633	1,071	252	2,254	258	1,001	5.90
Other financial assets	51	-	-	-	-	-	51	0.00
	6,786	652	1,071	252	2,254	258	2,299	
Weighted average rate %		5.21	5.55	5.77	6.29	5.66	0.00	
Financial liabilities								
Payables and other liabilities	553		-	-	-	-	553	0.00
	553	-	-	-	-	-	553	
Weighted average rate %		0.00	0.00	0.00	0.00	0.00	0.00	
Net financial assets	6,233	652	1,071	252	2,254	258	1,746	
Weighted average rate %		5.21	5.55	5.77	6.29	5.66	0.00	
Interest rate futures	1,324	-	944	-	304	76	-	
2003								
Financial assets								
Cash	121	121	-	-	-	-	-	0.00
Receivables	1,159	-	-	-	-	-	1,159	0.00
Investments	5,048	616	1,272	111	1,862	353	834	5.60
Other financial assets	42	-	-	-	-	-	42	0.00
	6,370	737	1,272	111	1,862	353	2,035	
Weighted average rate %		4.61	4.94	5.90	6.57	5.84	0.00	
Financial liabilities								
Payables and other liabilities	332	21	-	-	-	-	311	0.00
	332	21	-	-	-	-	311	
Weighted average rate %		7.00	0.00	0.00	0.00	0.00	0.00	
Net financial assets	6,038	716	1,272	111	1,862	353	1,724	
Weighted average rate %		5.60	4.94	5.90	6.57	5.84	0.00	
Interest rate futures	766	-	583	-	166	17	-	

29. Specific disclosures – general insurance

29(d) Managed funds

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

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

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

The application of the statutory fund is restricted to the payment of claims, related expenses and other payments authorised under the Act. WorkCover New South Wales advises that the licensed insurers have no liability under the Act in the event of a deficiency in the statutory funds and the Australian Taxation Office confirmed the statutory fund are exempt from income tax as WorkCover New South Wales holds a vested interest in the income of the statutory fund. For the reasons above, the directors are of the opinion that the controlled entity does not have control nor have the capacity to control the statutory fund. Therefore in accordance with AASB1024 *'Consolidated Accounts'*, income, expenses, assets and liabilities of the statutory funds are not included in the consolidated statement of financial performance and statement of financial position.

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

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

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

29(e) Minimum capital requirement

A minimum capital requirement (MCR) is calculated by assessing the risks inherent in the business, which comprise:

- The risk that the provision for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium account is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of assets is diminished (investment risk); and
- The risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

These risks are quantified to determine the minimum capital required under the prudential standards. This requirement is compared with the capital held in the general insurance companies. Any provisions for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75 percent is classified as capital.

29. Specific disclosures – general insurance (continued)

29(e) Minimum capital requirement (continued)

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Tier 1		
Ordinary share capital	1,395	1,395
Retained profits	808	649
Technical provision in excess of liability valuation	389	267
Less: Tax effect of excess technical provisions	(117)	(80)
	2,475	2,231
Less: Goodwill	(859)	(904)
Less: Net future income tax benefit	-	(19)
Total deductions from Tier 1 capital	(859)	(923)
Total Tier 1 capital	1,616	1,308
Total capital base	1,616	1,308
Outstanding claims risk charge	448	448
Premium liabilities risk charge	183	184
Investment risk charge	246	210
Maximum event retention risk charge	51	50
Minimum capital requirement	928	892
Capital adequacy multiple	1.74	1.47

The June 2003 calculation has been restated here in accordance with further clarification from APRA as to the treatment of certain items in the consolidated General Insurance position.

30. Specific disclosures – wealth management

30(a) Contribution to profit from ordinary wealth management activities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Net life insurance premium revenue		
Premium revenue	104	86
Outwards reinsurance expense	(27)	(17)
	77	69
Life insurance investment revenue		
Equity securities	295	(35)
Debt securities	60	100
Property	96	60
Other	(8)	(8)
	443	117
Management fee revenue – funds management	22	22
Other revenue	31	23
Total revenue	573	231
Operating expenses		
Claims expense	(71)	(60)
Reinsurance recoveries	17	16
(Increase) decrease in net life insurance policy liabilities	(222)	16
Increase in policy owner retained profits	(29)	(49)
Other operating expenses	(117)	(102)
	(422)	(179)
Contribution to profit from ordinary wealth management activities before income tax	151	52

The above segment result includes profits relating to outside equity interests and policy owners' tax. The following reconciliation adjusts for these items:

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Contribution to profit from ordinary wealth management activities before income tax	151	52
Profit attributable to outside equity interests	(44)	-
Income tax attributable to policy owners	(41)	(11)
Contribution to profit from ordinary wealth management activities before tax excluding policy owners' interests	66	41

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

30. Specific disclosures – wealth management

30(b) Sources of life insurance operating profit

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Shareholder's operating profit in the statutory funds		
The shareholder's operating profit from ordinary activities after income tax in the statutory funds is represented by:		
Investment earnings on shareholder's retained profits and capital	18	5
Emergence of shareholder's planned profits	26	30
Experience profit (loss)	1	(2)
Reversal of capitalised loss	2	-
	47	33
Shareholder's operating profit in the shareholder's fund		
Revaluation of subsidiary	3	(3)
Other	4	2
	54	32
Life Insurance Act policy owners' operating profit in the statutory funds		
The Life Act policy owners' operating profit from ordinary activities after income tax in the statutory funds is represented by:		
Earnings of policy owner retained profits	30	11
Emergence of policy owner planned profits	75	99
Experience loss	-	(9)
	105	101

30. Specific disclosures – wealth management

30(c) Net policy liabilities

	CONSOLIDATED		
	Current basis [4]		Previous basis [5]
	2004 $m	2003 $m	2004 $m
Best estimate liability			
Non-investment linked business			
Value of future policy benefits [1]	1,695	1,803	1,692
Value of future expenses	170	179	165
Value of unrecouped acquisition expenses	(114)	(98)	(114)
Balance of future premiums	(930)	(866)	(899)
	821	1,018	844
Investment linked business			
Value of future policy benefits [1]	1,154	909	1,153
Value of future expenses	55	43	53
Value of unrecouped acquisition expenses	(19)	(17)	(19)
Balance of future premiums	(210)	(124)	(208)
	980	811	979
	1,801	1,829	1,823
Value of future profits			
Non-investment linked business			
Policy owner bonuses [2]	676	580	671
Shareholder profit margins	210	175	198
	886	755	869
Investment linked business			
Shareholder profit margins	21	14	22
	907	769	891
Total value of declared bonuses [3]	73	49	72
Total net policy liabilities	2,781	2,647	2,786

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

Restrictions on assets

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

30. Specific disclosures – wealth management (continued)

30(d) Trustee activities

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

30(e) Disaggregated information by fund

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

	Non-investment linked Statutory Fund No.1 $m	Investment linked Statutory Fund No.2 $m	Total Statutory Funds $m	Shareholder Fund $m
2004				
Investment assets	2,270	1,042	3,312	54
Policy liabilities ceded to reinsurers	24	-	24	-
Other assets	69	23	92	36
Total assets	2,363	1,065	3,428	90
Gross policy liabilities	1,804	1,001	2,805	-
Liabilities other than policy liabilities	88	2	90	24
Policy owner retained profits	349	-	349	-
Total liabilities	2,241	1,003	3,244	24
Net assets	122	62	184	66
Share capital	-	-	-	39
Retained profits	117	37	154	57
Capital transfers	5	25	30	(30)
Total equity	122	62	184	66
Premium revenue	103	1	104	-
Investment revenue	260	128	388	9
Claims expense	(71)	-	(71)	-
Net operating expenses	(222)	(111)	(333)	1
Profit from ordinary activities before tax	70	18	88	10
Profit from ordinary activities after tax	37	10	47	7
Transfer of profits	(19)	-	(19)	19

30. Specific disclosures – wealth management (continued)

30(e) Disaggregated information by fund (continued)

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

30. Specific disclosures – wealth management (continued)

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

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

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

	CONSOLIDATED					
	Statutory Fund No. 1		Statutory Fund No. 2		Total Statutory Funds	
	2004 $m	2003 $m	2004 $m	2003 $m	2004 $m	2003 $m
Solvency requirement						
Minimum termination value	1,575	1,671	1,018	839	2,593	2,510
Other liabilities	88	68	2	(4)	90	64
Solvency reserve	205	197	6	7	211	204
Solvency requirement	1,868	1,936	1,026	842	2,894	2,778
Assets available for solvency reserve						
Excess of net policy liabilities (includes policy owner bonuses) over minimum termination value	205	152	(17)	(15)	188	137
Net assets	122	105	62	52	184	157
Liability for policy owner retained profits at the end of financial year	349	319	-	-	349	319
	676	576	45	37	721	613
Solvency reserve (%)	12.3	11.3	0.6	0.8	7.9	7.9
Coverage of solvency reserve (times)	3.3	2.9	7.6	5.5	3.4	3.0

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

31. Financing arrangements

	CONSOLIDATED			
	Available 2004 $m	Unused 2004 $m	Available 2003 $m	Unused 2003 $m
Unrestricted access was available at balance date to the following:				
Group overdraft limit	25	23	27	27

32. Risk management

32(a) General risk management framework

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

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

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

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

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

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

The Boards of each of the general insurance entities have approved and issued a Risk Management Strategy that sets out the risk management framework for adoption within these entities. In addition the insurance entities have adopted a Risk Management Statement setting out specific guidelines for the investment of the entities' funds including the use of derivative financial instruments. More detailed discussion on this is contained in note 33.

32(b) Credit Risk

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

Banking activities

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

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

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

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

Details of credit risk concentrations by industry for each of the major asset types are set out in note 28(d).

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

Business loans

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

A structure of industry concentration limits has been developed. These are tactical limits upon which business planning and developmental activity is based but also act as guidelines for portfolio concentration purposes.

Each industry has been rated based on the economic and market outlook for the industry as well as the consolidated entity's actual exposure.

32. Risk management (continued)

32(b) Credit Risk (continued)

Banking activities (continued)

Business loans (continued)

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

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

Retail loans

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

General insurance activities

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

The consolidated entity enters into reinsurance arrangements to preserve capital and manage earnings volatility from large individual or catastrophic claims. The credit risk associated with these arrangements is monitored and managed internally and by specialised reinsurance brokers operating within the international reinsurance markets. Over-concentration of credit risk is avoided by placement of cover with a number of reinsurers as well as setting participation limits on the program. Over 80 percent of reinsurance is placed with companies with Standard and Poor's credit ratings of 'A' or better. The Board Credit Committee monitors the effectiveness of credit risk management in relation to general insurance activities, including the investments and insurance portfolios, and exposure to reinsurers.

Investments in financial instruments are held in accordance with the investment mandates and the operational guidelines on use of derivatives established in the Risk Management Statement. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. The credit risk of financial assets which have been recognised in the statements of financial position is the carrying amount.

Life insurance activities

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

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

32(c) Market risk

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

32(d) Interest rate risk

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

Banking activities

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

Non-traded interest rate risk (balance sheet risk)

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

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

32. Risk management (continued)

32(d) Interest rate risk (continued)

Banking activities (continued)

Non-traded interest rate risk (balance sheet risk) (continued)

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

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

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

	CONSOLIDATED	
	2004 %	2003 %
Average monthly exposure	0.26	2.21
High month exposure	2.15	3.20

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

	CONSOLIDATED	
	2004 $m	2003 $m
Average monthly exposure	47	20
High month exposure	64	30

Further details of non-traded interest rate risk in relation to banking activities are set out in note 28(h).

Traded interest rate risk

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

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

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

The VaR for the banking entity's interest rate trading portfolios for the year was as follows:

	CONSOLIDATED	
	2004 $m	2003 [1] $m
Average VaR	0.07	0.15
Maximum VaR	0.16	0.51

(1) In December 2002, the banking entity moved from using a historical simulation VaR methodology and parallel yield curve shift risk model to a VaR model based on a variance co-variance methodology.

General insurance activities

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

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

32. Risk management (continued)

32(d) Interest rate risk (continued)

General insurance activities (continued)

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

The discount rates being applied to future claims payments in determining the valuation of outstanding claims is disclosed in note 19. The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out in note 29(c).

Wealth management activities

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

32(e) Foreign exchange risk

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

Banking activities

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

Non-traded foreign exchange risk

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

Traded foreign exchange risk

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

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

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

The VaR for the banking entity's foreign exchange trading portfolios for the year was as follows:

	CONSOLIDATED	
	2004 $m	2003 [1] $m
Average VaR	0.13	0.09
Maximum VaR	0.37	0.32

(1) In December 2002, the banking entity moved from using a historical simulation VaR methodology and parallel yield curve shift risk model to a VaR model based on a variance- co-variance methodology.

General insurance activities

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

32. Risk management (continued)

32(e) Foreign exchange risk (continued)

General insurance activities (continued)

As this business is no longer being written, the consolidated entity established a special investment portfolio to ensure sufficient funds were set aside to accommodate all final settlements. The claim payments will be predominantly in United States dollars. The investment portfolio consists of cash and short term discount securities with a forward foreign exchange agreement. The details of the forward foreign exchange agreement are contained in note 33.

Life insurance activities

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

32(f) Combined trading risk – banking activities

Combined risk from both interest rate and foreign exchange trading activities is independently calculated and monitored against Board approved limits on a daily basis. The risk calculations, based on the variance co-variance methodology, take into account correlations between different positions in both the interest rate and foreign exchange trading portfolios, that is, the potential for movements in one portfolio to offset movements in the other portfolio. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate extreme market movements.

The VaR for the banking entity's combined trading portfolios for the year was as follows.

	CONSOLIDATED	
	2004 $m	2003 [1] $m
Average VaR	0.15	0.23
Maximum VaR	0.37	0.57

[1] In December 2002, the banking entity moved from using a historical simulation VaR methodology and parallel yield curve shift risk model to a VaR model based on a variance co-variance methodology.

32(g) Liquidity risk

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

Banking activities

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

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

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

General insurance activities

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

The Board has adopted a policy to maintain capital of at least 135 percent of the Minimum Capital Requirement prescribed in the capital adequacy standard issued by APRA.

Life insurance activities

The investment portfolio mandates ensure that sufficient cash deposits are available to meet day-to-day obligations. The consolidated entity maintains a level of capital adequacy in accordance with Actuarial Standard 3.03 as issued by the Life Insurance Actuarial Standards Board.

32. Risk management (continued)

32(h) Other market risks

General insurance activities

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

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

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

An overall downturn in the equities markets may impact on the future results of the consolidated entity. The impact of any significant movement is managed by ensuring that the investment portfolio consists of a diverse holding of leading Australian companies and through the limited use of derivative financial instruments, as discussed in note 33.

Life insurance activities

The consolidated entity has a shareholder and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund.

The shareholder fund is held for the investment of the component of share capital and retained earnings that is not in the statutory funds. To provide higher returns on capital maintained, the investment mandate for this portfolio has an investment strategy, comprising primarily of equities.

Within the Capital Guaranteed Fund there are four sub-funds. The investment mandates for the biggest sub-funds comprise a diverse investment strategy, including interests in equities, property and cash. This mandate aims to provide high returns for both policyowners and the shareholder but also have regard to the impact of volatility of returns on profitability and capital adequacy. Within the Investment Linked Fund there are fourteen sub-funds. Each of these sub-funds has an investment mandate with a view to offering investment choice to policy owners.

32(i) Operational risk

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

33. Derivative financial instruments

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

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

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

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

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

Banking activities

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

	CONSOLIDATED		
	Face value $m	Credit equivalent $m	Fair value $m
2004			
Exchange rate related contracts			
Forward exchange contracts	7,770	216	68
Cross currency swaps	4,319	214	(231)
Currency options	95	2	-
	12,184	432	(163)
Interest rate related contracts			
Forward rate agreements	1,160	-	-
Interest rate swaps	16,435	140	36
Interest rate futures	211	-	-
Interest rate options	380	7	-
	18,186	147	36
Total derivative exposures	30,370	579	(127)
2003 financial year			
Exchange rate related contracts			
Forward exchange contracts	8,224	145	(173)
Cross currency swaps	4,515	146	(502)
Currency options	82	3	-
	12,821	294	(675)
Interest rate related contracts			
Interest rate swaps	14,392	144	16
Interest rate options	370	7	-
	14,762	151	16
Total derivative exposures	27,583	445	(659)

33. Derivative financial instruments (continued)

Insurance activities

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

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

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

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

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

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

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

	CONSOLIDATED			
	Average interest rate 2004 %	Notional principal amount 2004 $m	Average interest rate 2003 %	Notional principal amount 2003 $m
General insurance				
Less than one year	5.6	1,576	4.5	1,120
Life insurance				
Less than one year	5.1	799	3.8	492

33. Derivative financial instruments (continued)

Insurance activities (continued)

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

	CONSOLIDATED			
	Face value 2004 $m	Fair value 2004 $m	Face value 2003 $m	Fair value 2003 $m
General insurance				
Forward exchange contracts	31	1	33	(1)
Interest rate futures	1,324	-	766	(2)
Equity futures	221	(4)	321	5
	1,576	(3)	1,120	2
Life insurance				
Forward exchange contracts	169	(1)	89	(1)
Interest rate futures	259	-	144	1
Equity futures	371	(5)	259	-
	799	(6)	492	-

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

34. Disclosures about fair value of financial instruments

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

	CONSOLIDATED			
	Carrying value 2004 $m	Net fair value 2004 $m	Carrying value 2003 $m	Net fair value 2003 $m
Financial assets				
Cash and liquid assets	709	709	846	846
Receivables due from other financial institutions	163	163	68	68
Trading securities	2,549	2,549	3,174	3,174
Investment securities	8,972	8,972	7,902	7,902
Loans, advances and other receivables	28,907	28,854	24,459	24,470
Other financial assets	528	528	448	448
Financial liabilities				
Deposits and short term borrowings	24,287	24,285	21,579	21,585
Payables due to other financial institutions	70	70	26	26
Payables	1,104	1,104	1,273	1,273
Bonds, notes and long term borrowings	3,925	3,904	2,710	2,718
Subordinated notes	805	813	815	818

The fair value of derivative financial instruments can be found in note 33.

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

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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

Contingent financial liabilities and credit commitments

The consolidated entity has potential financial liabilities that may arise from certain contingencies disclosed in note 43. As explained in that note, no material losses are anticipated in respect of any of those contingencies.

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

Other unrecognised financial instruments

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

35. Controlled entities

Suncorp–Metway Ltd
Controlled entities of Suncorp-Metway Ltd

Metway Credit Corporation Limited
Suncorp Metway Staff Pty Ltd
Metway Leasing Limited
Excelle Pty Ltd
SIS Super Pty Ltd (1)
SME Management Pty Ltd
QIDC Limited
Suncorp Metway Advances Corporation Pty Ltd
Suncorp Metway Equipment Leasing Pty Ltd
First National Financial Solutions Limited
(formerly LJ Hooker Financial Services Limited)

Suncorp Finance Limited
Controlled entities of Suncorp Finance Limited

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

Graham & Company Limited
Controlled entities of Graham & Company Limited

Graham & Company Securities Limited

Hooker Corporation Limited
Controlled entities of Hooker Corporation Limited

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

Metfin Capital Pty Ltd (1)(4)
Controlled entities of Metfin Capital Pty Ltd

Shelbourne Investments Pty Ltd (1)(4)

Suncorp Metway Insurance Ltd
Controlled entities of Suncorp Metway Insurance Ltd

The Park Road Property Trust (47.5% interest) (5)
Suncorp Metway Risk Management Pte Limited
(Incorporated in Singapore) (2)
RACT Insurance Pty Ltd (3)
SPDEF Pty Ltd
Suncorp Property Development Equity Fund
GIO Insurance Investment Holdings A Pty Ltd
Controlled entities of GIO Insurance Investment Holdings A Pty Ltd
GIO Australia Limited
Controlled entities of GIO Australia Limited
GIO Technical Services Pty Ltd (1)
GIO General Limited
Controlled entities of GIO General Limited
GIO Workers Compensation (NSW) Limited
GIO Workers Compensation (VIC) Limited

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

SUNCORP Custodian Services Pty Ltd
SUNCORP Noosa Management Pty Ltd

Suncorp Life & Superannuation Limited
Controlled entities of Suncorp Life & Superannuation Limited

SIP Super Pty Ltd
SUNCORP Financial Services Pty Ltd
(formerly SUNCORP Financial Planning Pty Ltd)
SUNCORP Superannuation Pty Ltd
Suncorp Investment Management Australian Equities Trust
Suncorp Investment Management Australian Fixed Interest Trust
Suncorp Investment Management World Fixed Interest Trust

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

(1) A number of controlled entities are small proprietary companies. Accordingly, they are not required to produce, and have not produced, audited financial statements.
(2) Audited by another member firm of KPMG International.
(3) Audited by Deloitte Touche Tohmatsu.
(4) Companies are in voluntary liquidation.
(5) Suncorp Metway Insurance Ltd holds a 47.5 percent interest and Graham & Company Limited (a subsidiary of Suncorp-Metway Ltd) holds a 17.6 percent interest in The Park Road Property Trust.

36. Acquisition and disposal of controlled entities

36(a) Acquisition

During the financial year ended 30 June 2004 the consolidated entity completed the acquisition of RACT Insurance Pty Ltd (RACTI). The business acquired includes 100 percent of the general insurance business of RACTI which incorporates personal lines only (predominantly motor, home and boat). Details of the acquisition are as follows:

	CONSOLIDATED	
	2004 $m	2003 $m
Consideration		
Paid on 31 March 2004	12	-
Paid on 14 May 2004	1	-
Cost of acquisition	13	-
Fair value of net assets acquired		
Assets		
Cash and liquid assets	3	-
Investment securities	12	-
Receivables	8	-
Reinsurance and other recoveries receivable	2	-
Other assets	7	-
Total assets	32	-
Liabilities		
Payables	3	-
Outstanding claims and unearned premiums provisions	21	-
Total liabilities	24	-
Fair value of net assets of entities acquired	8	-
Goodwill on acquisition	5	-
Cash consideration	13	-
Acquisition of RACTI		
Outflow of cash to acquire controlled entity, net of cash acquired		
Cash consideration	13	-
Less: Balances acquired		
Cash	3	-
Outflow of cash	10	-

For the purposes of preparing the financial report of the consolidated entity, control of the RACTI general insurance business was effective from 1 April 2004. The financial report includes the financial position, the results from operations and cash flows from that date. The assets, liabilities, rights and licences necessary to undertake the business acquired are held in RACTI.

Control was recognised for the following managed investment schemes on 1 July 2003:

- Suncorp Investment Management Australian Equities Trust – 82.55 percent interest;
- Suncorp Investment Management Australian Fixed Interest Trust – 88.44 percent interest; and
- Suncorp Investment Management World Fixed Interest Trust – 81.88 percent interest.

36. Acquisition and disposal of controlled entities (continued)

36(b) Disposal

On 22 September 2003, the consolidated entity disposed of all of its shareholding in Hedge Funds Limited (57.1 percent). The aggregate cash consideration received was $1 million and the aggregate net assets disposed of was $67,359. The aggregate gain on disposal of Hedge Funds Limited was $1 million.

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

Suncorp Property Management Limited	20 March 2004

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

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

No gains or losses arose on deregistration of these controlled entities.

37. Related party information

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

The wholly owned group consists of Suncorp-Metway Ltd and its wholly owned and controlled entities disclosed in note 35.

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

Several controlled entities have entered into repurchase agreements with the Company. Securities sold, and subject to an obligation on the controlled entities to repurchase under the agreement on a 90 day call, are retained in the consolidated entity's statement of financial position as 'Investments integral to insurance activities'. The agreement is not an agreement of the kind known as a securities lending arrangement. The terms of the repurchase agreement with Suncorp Metway Insurance Ltd were renegotiated in December 1999 to allow the liability in relation to the obligation to repurchase the securities to be offset against a deposit with the Company, being the consideration paid by the Company under the original sale. The net of the liability and deposit have been recognised in the statement of financial position in accordance with Accounting Standards.

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

	COMPANY	
	2004 $m	2003 $m
Current amounts receivable		
Controlled entities	1,813	2,339
Current amounts payable		
Controlled entities	348	1,433

Ultimate parent entity

The ultimate parent entity in the wholly owned group is Suncorp-Metway Ltd.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(a) Controlled entities – note 35; and
(b) Associates – note 39.

38. Fiduciary activities

The consolidated entity conducts investment management and other fiduciary activities as trustee, custodian or manager for various investment funds and trusts, Suncorp Metway approved deposit funds, Superannuation funds, and wholesale and retail unit trusts. These activities result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not the property of the consolidated entity and are not included in the consolidated financial statements.

Where controlled entities, as single responsible entities or trustees, incur liabilities in respect of these activities, a right of indemnity exists against these assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is not probable that the controlled entities will be required to settle them, the liabilities are not included in the consolidated financial statements.
At 30 June 2004 the value of assets under management was $1,676 million (2003: $1,303 million).

39. Investments in associates

The financial report of the consolidated entity includes the financial position, the results from operations and cash flows of the following joint venture operations in accordance with the accounting policy described in note 1(p). Information relating to the associates is set out below:

Name of Company	Principal Activity	Ownership interest 2004 %	Ownership interest 2003 %	Consolidated carrying amount 2004 $m	Consolidated carrying amount 2003 $m
RACQ Insurance Ltd [(1)(2)]	Insurance	50	50	87	70
RAA – GIO Insurance Holdings Limited [(1)]	Insurance	50	50	13	12
Workplace Injury Management Services Pty Ltd [(1)]	Injury management	-	50	-	1
Australand Land and Housing No 5 (Hope Island) Pty Ltd [(3)]	Property investment	50	-	-	-
Australand Land and Housing No 7 (Hope Island) Pty Ltd [(3)]	Property investment	50	-	-	-
Australand Land and Housing No 8 (Hope Island) Pty Ltd [(3)]	Property investment	50	-	-	-
				100	83

(1) Investments held by GIO Insurance Investment Holdings A Pty Ltd.
(2) RACQ Insurance Ltd has a 31 December balance date.
(3) Investments held by Suncorp Property Development Equity Fund.

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	83	86
Share of profits from ordinary activities after income tax	21	11
Notional goodwill amortisation	(2)	(2)
Dividends received/receivable	(12)	(12)
Increased investments in associates	10	-
Carrying amount at the end of the financial year	100	83
Results attributable to associates		
Profits from ordinary activities before income tax	30	15
Income tax expense	(9)	(4)
Profits from ordinary activities after income tax	21	11
Less: Dividends received/receivable	(12)	(11)
Less: Disposal of joint venture	(1)	-
	8	-
Retained profits attributable to associates at the beginning of the financial year	6	6
Retained profits attributable to associates at the end of the financial year	14	6
Summary of the performance and financial position of associates		
The aggregate profits, assets and liabilities of associates are:		
Profits from ordinary activities after income tax expense	42	22
Assets	835	588
Liabilities	693	482

40. Director and executive disclosures

40(a) Remuneration of specified directors and specified executives

Page 35 of the directors' report sets out the remuneration policies of the consolidated entity and the relationship between these policies and the consolidated entity's performance.

The following are the executives (other than executive directors) with the greatest authority for the strategic direction and management of the consolidated entity:

Mark Blucher	Group Executive Retail Banking Customers
Diana Eilert	Group Executive General Insurance (employment commenced 3 November 2003)
Bernadette Fifield	Group Executive Wealth Management, Group Strategy, Corporate Relations and Marketing
Carmel Gray	Group Executive Information Technology
Peter Johnstone	Group Executive HR, Projects and Central Services
Ray Reimer	Group Executive Business Banking Customers

In addition, John Trowbridge held the position of Group Executive General Insurance until his resignation on 26 September 2003.

The following table provides the details of all directors of the Company ('specified directors') and the executives of the consolidated entity with the greatest authority ('specified executives') and the nature and amount of the elements of their remuneration.

	Primary		Post-employment		Equity		Other		Total
	Salary and fees $	Bonus $	Super-annuation $	Retirement benefits [1] $	Options [2] $	Shares [3] $	Termination $	Other [4] $	$
2004									
Specified directors									
Executive directors									
J F Mulcahy	1,108,851	1,200,000	91,149	-	-	884,951	-	7,947	3,292,898
C Skilton [5]	556,882	410,000	43,118	-	170,738	243,916	-	453	1,425,107
Non-executive directors									
J D Story	300,000	-	27,292	217,250	-	-	-	3,754	548,296
W J Bartlett [6]	95,000	-	11,250	-	-	30,000	-	2,531	138,781
I D Blackburne	125,000	-	11,250	95,657	-	-	-	2,531	234,438
R F Cormie	125,000	-	11,250	36,086	-	-	-	453	172,789
C Hirst	100,000	-	9,000	71,715	-	-	-	453	181,168
J J Kennedy	102,250	-	6,750	19,500	-	-	-	453	128,953
M D E Kriewaldt	125,000	-	11,250	-	-	-	-	2,531	138,781
Total directors	2,637,983	1,610,000	222,309	440,208	170,738	1,158,867	-	21,106	6,261,211
Specified executives									
M Blucher [5]	478,246	490,000	36,754	-	64,979	206,759	-	5,132	1,281,870
B Fifield	408,257	300,000	36,743	-	-	182,615	-	65,453	993,068
D Eilert	293,734	200,000	26,422	-	-	155,209	-	264	675,629
C Gray [5]	408,998	410,000	11,002	-	90,246	155,067	-	453	1,075,766
P Johnstone [5]	408,998	600,000	11,002	-	77,888	155,067	-	453	1,253,408
R Reimer [5]	394,495	325,000	35,505	-	22,858	213,479	-	453	991,790
J Trowbridge [7]	133,028	-	11,972	-	512,188	140,700	450,000	151	1,248,039
Total executives	2,525,756	2,325,000	169,400	-	768,159	1,208,896	450,000	72,359	7,519,570

(1) The amounts represent accruals to the provision for directors' retirement benefits. The balance of the provision is shown in note 18.

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

(3) Performance shares issued as long term incentives are expensed to the statement of financial performance over the period from allocation date to vesting date. However the amount expensed may not reflect the actual value received by the executive whose entitlement to the shares is independent on meeting performance hurdles based on Total Shareholder Return (TSR).

(4) 'Other' includes an allocation of insurance premiums paid by the Company in respect of the Directors' and Officers' Liability insurance contract and the cost to the Company of providing certain fringe benefits. The 'other' benefits for Ms Fifield represent a sign-on payment of $65,000 which was agreed at the date of her employment with the Company.

(5) Bonus includes Transformation bonus payments of varying amounts.

(6) The shares issued relate to a 'salary sacrifice' under the terms of the Non-Executive Directors' Share Plan.

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

40. Director and executive disclosures (continued)

40(a) Remuneration of specified directors and specified executives (continued)

	Primary		Post-Employment		Equity		Other		Total
	Salary and fees $	Bonus $	Super-annuation $	Retirement benefits (1) $	Options $	Shares $	Termination $	Other (2) $	$
2003									
Specified directors									
Executive directors									
J F Mulcahy (3)	544,334	450,000	42,623	-	-	2,702,175	-	29,956	3,769,088
C Skilton (4)									
– Director	349,497	409,589	31,455	-	121,154	58,178	-	283	970,156
– Executive	180,210	240,411	16,219	-	71,112	-	-	63,260	571,212
W S Jones (5)	247,370	-	-	-	2,170,359	2,054,738	2,052,000	173,721	6,698,188
Non-executive directors									
J D Story	194,333	-	17,514	78,415	-	-	-	453	290,715
I D Blackburne	106,000	-	9,540	88,810	-	-	-	453	204,803
R F Cormie	104,667	-	9,420	2,333	-	-	-	453	116,873
C Hirst	91,000	-	8,190	30,732	-	-	-	453	130,375
J J Kennedy	89,666	-	8,070	50,915	-	-	-	453	149,104
M D E Kriewaldt	101,583	-	9,143	2,542	-	-	-	453	113,721
R J Lamble	139,592	-	-	59,824	-	33,264	-	453	233,133
R P Handley	75,000	-	6,750	37,111	-	-	-	453	119,314
Total directors	2,223,252	1,100,000	158,924	350,682	2,362,625	4,848,355	2,052,000	270,844	13,366,682
Specified executives									
M Blucher	462,268	425,000	31,482	-	108,671	52,356	-	453	1,080,230
B Fifield	95,879	55,000	8,629	-	-	21,685	-	65,113	246,306
C Gray	404,481	356,000	10,519	-	101,625	39,329	-	453	912,407
P Johnstone	404,481	600,000	10,519	-	108,671	39,329	-	453	1,163,453
G Moynihan	341,922	208,500	22,616	-	181,858	34,980	888,462	321	1,678,659
R Reimer	339,450	225,000	41,800	-	39,419	44,525	-	31,366	721,560
J Trowbridge (6)	522,752	405,000	49,748	-	249,585	289,230	-	453	1,516,768
Total executives	2,571,233	2,274,500	175,313	-	789,829	521,434	888,462	98,612	7,319,383

(1) Represents the increase in the provision for retirement benefits. Mr Lamble retired during the financial year and received a payout from the provision of $671,004. Mr Handley retired during the financial year and received a payout from the provision of $52,841. These amounts are not shown in retirement benefits.

(2) The 'other' remuneration includes insurance premiums paid by the Company in respect of the Directors' and Officers' Liability insurance contract. The 'other' benefits for Mr Jones include amounts paid for relocation, waiver of break fees on a loan and term deposit and an allowance for charitable donations. The 'other' benefits for Ms Fifield represent a sign-on payment which was agreed at the date of her employment with the Company. The 'other' benefits include the cost to the Company of providing certain fringe benefits.

(3) Of the shares issued to Mr Mulcahy, $2,259,450 relates to a one-off upfront compensation of benefits foregone from change of employment.

(4) Mr Skilton was an executive for the whole of the financial year and was appointed a director on 13 November 2002.

(5) The shares issued represent the amount taken to the statement of financial performance as a result of the vesting of shares issued in a prior period which vested as a result of the cessation of employment of Mr Jones.

(6) The shares issued to Mr Trowbridge relate to a one-off upfront compensation of benefits foregone from change in employment.

40. Director and executive disclosures (continued)

40(b) Grants of deferred ordinary shares

Long term incentives

Deferred ordinary shares have been granted to executives as long term incentives and are expensed to the statement of financial performance over the period from allocation date to vesting date. Further information is provided in the Directors Report on page 36.

The following grants have been made in this or previous financial years and affect remuneration in this financial year:

13 December 2002

Performance period:	3 years from 13 December 2002 to 13 December 2005
Vesting date:	13 December 2005
Participating specified directors:	C Skilton – 41,021 shares
Participating specified executives:	M Blucher – 36,463 shares
	C Gray – 27,347 shares
	P Johnstone – 27,347 shares
	R Reimer – 31,905 shares

6 January 2003 to J Mulcahy

Number of shares	Performance period	Vesting date
100,000	6 January 2003 to 5 January 2006	5 January 2006
100,000	6 January 2003 to 5 January 2007	5 January 2007
100,000	6 January 2003 to 5 January 2008	5 January 2008

1 October 2003

Performance period:	3 years from 1 October 2003 to 30 September 2006
Vesting date:	30 September 2006
Participating specified directors:	C Skilton – 41,981 shares
Participating specified executives:	M Blucher – 33,585 shares
	B Fifield – 29,387 shares
	C Gray – 25,188 shares
	P Johnstone – 25,188 shares
	R Reimer – 29,387 shares

3 November 2003

Performance period:	3 years from 1 October 2003 to 30 September 2006
Vesting date:	30 September 2006
Participating specified executives:	D Eilert – 29,387 shares

Shares granted on employment

In addition, certain executives were granted deferred ordinary shares on employment. There are no performance criteria for these shares, other than continuing employment with the Company.

The following grants have been made in this or previous financial years and affect remuneration in this financial year:

7 April 2003 to B Fifield

Number of shares	Vesting date
5,000	7 April 2004
5,000	7 April 2005

3 November 2003 to D Eilert

Number of shares	Vesting date
8,396	3 November 2004

40. Director and executive disclosures (continued)

40(c) Grants of options in previous financial years

No options were granted as remuneration during the current financial year. The following options were granted in previous financial years and affect remuneration in this period. They are valued at fair value at grant date and allocated to remuneration over the period from grant date to vesting or start date.

Options granted 16 December 1998

These options have an exercise price of $7.96 and an expiry date of 16 December 2003.

Start date	Strike price	Number of options granted to specified executives
16 June 2001	$9.00	M Blucher – 21,000 P Johnstone – 27,000 R Reimer – 20,500
16 June 2002	$9.50	M Blucher – 22,000 P Johnstone – 27,000 R Reimer – 21,000
16 June 2003	$10.00	M Blucher – 22,000 P Johnstone – 28,000 R Reimer – 21,000

Options granted 6 October 1999

These options have an exercise price of $8.11 and an expiry date of 6 October 2004.

Start date	Strike price	Number of options granted to specified executives
31 March 2002	$9.12	M Blucher – 21,000 P Johnstone – 27,000 R Reimer – 16,250
31 March 2003	$9.56	M Blucher – 22,000 P Johnstone – 27,000 R Reimer – 16,250
31 March 2004	$10.05	M Blucher – 22,000 P Johnstone – 28,000 R Reimer – 16,250

Options granted 1 October 2000

These options have an exercise price of $8.89 and an expiry date of 1 October 2004.

Start date	Strike price	Number of options granted to specified executives
31 March 2003	$10.00	M Blucher – 41,000 P Johnstone – 41,000 R Reimer – 26,000
31 March 2004	$10.49	M Blucher – 42,000 P Johnstone – 42,000 R Reimer – 27,000
31 March 2005	$11.02	M Blucher – 42,000 P Johnstone – 42,000 R Reimer – 27,000

40. Director and executive disclosures (continued)

40(c) Grants of options in previous financial years (continued)

Options granted 20 September 2001

These options have an exercise price of $11.62 and an expiry date of 20 September 2006.

Start date	Strike price	Number of options granted to specified directors and executives
31 March 2004	$12.20	C Skilton – 116,667 M Blucher – 33,000 C Gray – 61,000 P Johnstone – 41,000 R Reimer – 8,000
31 March 2005	$13.13	C Skilton – 116,667 M Blucher – 33,000 C Gray – 61,000 P Johnstone – 42,000 R Reimer – 8,000
31 March 2006	$13.94	C Skilton – 116,666 M Blucher – 34,000 C Gray – 63,000 P Johnstone – 42,000 R Reimer – 9,000

Options granted 22 April 2002

These options have an exercise price of $12.30 and an expiry date of 22 April 2007. The performance measure for vesting is Total Shareholder Return (refer note 45).

Start date	Number of options granted to specified executives
30 November 2004	J Trowbridge – 116,667
30 November 2005	J Trowbridge – 116,667
30 November 2006	J Trowbridge – 116,666

40. Director and executive disclosures (continued)

40(d) Loans to directors, executives and personally-related entities

The Australian Securities and Investments Commission has issued class order 98/0110 dated 10 July 1998 (as amended by CO 04/665 dated 15 July 2004) which relieves Australian banks from disclosure of bank loans and other financial instrument transactions made to related parties in the ordinary course of business, other than loans and financial instrument transactions to a director or executive of the Company or an entity controlled or significantly influenced by a director or executive. This relief does not extend to shares and share options.

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

Details regarding the aggregate of loans made by the Company to specified directors and specified executives, and the number of individuals in each group, are as follows:

	Balance 1 July 2003	Interest charged	Interest not charged	Write-off	Balance 30 June 2004	Individuals in group 30 June 2004
Specified directors	79,424	5,113	-	-	-	1
Specified executives	1,376,566	69,970	-	-	2,442,010	3

Details regarding loans outstanding at the reporting date to specified directors and specified executives, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2003	Interest charged	Interest not charged	Write-off	Balance 30 June 2004	Highest in period
Specified executives						
M Blucher	804,400	11,687	-	-	754,163	804,400
P Johnstone	-	18,519	-	-	816,333	816,333
R Reimer	572,166	39,764	-	-	871,514	875,422

The loans to executives are housing loans and asset lines provided in the ordinary course of the banking business. All loans have commercial terms, which may include staff discounts at the same terms available to all employees of the consolidated entity. The loans may have offset facilities, in which case the interest charged is after the offset.

40. Director and executive disclosures (continued)

40(e) Equity instrument disclosures relating to directors and executives

Shareholdings

The number of shares held by specified directors and executives of the Company in the Company are set out below[1]:

	Balance 1 July 2003	Received as remuneration[2]	Options exercised	Purchases (Sales)	Other charges [3]	Balance 30 June 2004
Specified directors						
J D Story	72,067	-	-	-	-	72,067
J F Mulcahy	500,000	-	-	-	-	500,000
C Skilton [4]	101,021	86,103	-	(25,000)	-	162,124
W J Bartlett	-	1,307	-	3,000	-	4,307
I D Blackburne	14,000	-	-	3,000	-	17,000
R F Cormie	15,735	-	-	-	-	15,735
C Hirst	3,383	-	-	-	-	3,383
J J Kennedy	31,735	-	-	-	-	31,735
M D E Kriewaldt	48,320	-	-	-	-	48,320
Specified executives						
M Blucher	90,099	33,585	130,000	(130,000)	-	123,684
B Fifield	10,000	29,387	-	-	-	39,387
D Eilert	-	37,783	-	-	-	37,783
C Gray	37,530	25,188	-	-	-	62,718
P Johnstone	99,871	25,188	55,000	391	-	180,450
R Reimer	103,228	29,387	121,000	(9,000)	-	244,615
J Trowbridge	31,675	10,610	-	3,298	(45,583)	-

(1) The number of shares disclosed for executive directors and executives may include shares held by the Trustee of the Executive Performance Share Plan and therefore beneficial entitlement to those shares remain subject to satisfaction of specified performance hurdles. In regard to the 500,000 shares attributable to Mr Mulcahy, 300,000 of those shares remain subject to TSR performance hurdles.

(2) Includes shares allocated under the Executive Performance Share Plan. These shares are recorded in the Company's share register in the executive's name when allocated, but the shares vest only when performance hurdles are met. The remuneration disclosure includes the cost of the shares allocated over the vesting period. Also includes shares relating to a 'salary sacrifice' under the Non-Executive Directors Share Plan.

(3) J Trowbridge resigned during the financial year and accordingly is not a specified executive at 30 June 2004.

(4) Included in shares received as remuneration are 44,122 shares issued as a result of Mr Skilton choosing to receive his 2003 bonus in shares.

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

Option holdings

Remuneration options exercised

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

	Shares issued (number)	$ per share paid
Specified Executives		
M Blucher	65,000	7.96
	65,000	8.11
P Johnstone	55,000	7.96
R Reimer	62,500	7.96
	32,500	8.11
	26,000	8.89

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

40. Director and executive disclosures (continued)

40(e) Equity instrument disclosures relating to directors and executives (continued)

Number of options held by specified directors and executives

	Balance 1 July 2003	Options exercised	Net change other [1]	Balance 30 June 2004	Vested at 30 June 2004 Total	Exercisable	Not Exercisable
Specified directors							
C Skilton	350,000	-	-	350,000	350,000	116,666	233,334
Specified executives							
M Blucher	355,000	(130,000)	-	225,000	225,000	116,000	109,000
C Gray	215,000	-	-	215,000	215,000	84,300	130,700
P Johnstone	387,000	(55,000)	-	332,000	332,000	206,000	126,000
R Reimer	216,250	(121,000)		95,250	95,250	51,250	44,000
J Trowbridge	350,000	-	(350,000)	-	-	-	-

[1] Mr Trowbridge resigned during the period and whilst he still holds the options he is no longer a specified executive.

40(f) Other transactions with directors, executives and personally-related entities

Financial instrument transactions

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

Transactions other than financial instrument transactions

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

Mr John D Story is the non-executive Chairman of Corrs Chambers Westgarth Lawyers, which from time to time rendered legal services to the Company in the ordinary course of business. Fees paid to the firm during the financial year amounted to $1,342,757 (2003: $1,033,695).

Mr Martin D E Kriewaldt provides advice to Aon Corporation. Aon Corporation provides management services to a controlled entity. These services are provided under normal terms and conditions.

Other transactions with directors, executives and their personally-related entities are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

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

41. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Profit from ordinary activities after income tax	618	384	405	318
Classified as investing activities				
Income tax paid – investing activities	52	31	-	-
Non-cash items				
Amortisation of goodwill	60	62	-	-
Change in net market value of trading securities	(25)	(17)	(10)	(3)
Change in net market value of investments	(258)	31	-	-
Bad and doubtful debts expense	49	49	43	49
Depreciation of property, plant and equipment	89	80	1	1
Loss on disposal of property, plant and equipment	1	6	-	-
Share of net profits of associates accounted for using the equity method	(13)	3	-	-
Change in assets and liabilities				
Gross up of GST on lease instalments included in operating payments	10	9	10	25
Net movement in tax balances	34	13	80	(15)
Increase in accrued interest receivable	(29)	(9)	(14)	(1)
(Increase) decrease in prepayments and deferred expenses	(23)	64	6	40
(Increase) decrease in excess of net market value of interests in subsidiaries	(3)	4	-	-
(Increase) decrease in receivables and other financial assets	414	(151)	80	12
Increase (decrease) in accrued interest payable	1	(8)	1	(8)
Increase (decrease) in sundry creditors and accrued expenses	237	94	(3)	76
Increase in outstanding claims provisions	44	357	-	-
Increase in unearned premiums provisions	97	104	-	-
Increase (decrease) in life insurance gross policy liabilities	144	(119)	-	-
Increase in policy owner retained profits	30	48	-	-
Increase (decrease) in provisions	23	(73)	3	(1)
Net cash inflow from operating activities	1,552	962	602	493

42. Auditors' remuneration

During the year the auditor of the Company and its related practices earned the following remuneration:

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Audit services				
Auditors of the company – KPMG				
Audit and review of the financial reports	2,403	2,308	776	730
Other regulatory audit services	436	451	171	290
	2,839	2,759	947	1,020
Other auditors				
Audit and review of the financial reports (1)	118	140	-	-
	2,957	2,899	947	1,020
Other services				
Auditors of the company – KPMG				
Other assurance services (2)	894	669	414	315
Other auditors				
Other assurance services (3)	-	42	-	-
	894	711	414	315

(1) Audit and review of the financial reports by Deloitte Touche Tohmatsu (2004) relates to the audit of RACT Insurance Pty Ltd and represents the proportion of the fee since its acquisition on 31 March 2004.
(2) Other assurance services provided by KPMG primarily relate to credit and other benchmarking services, agreed upon due diligence procedures, agreed upon procedures engagements and accounting advisory services.
(3) Other assurance services provided by Ernst & Young (2003) primarily relate to accounting related services, advisory and compliance taxation services, corporate finance advisory, risk review services and legislative advice.

43. Contingent liabilities and contingent assets

Contingent liabilities

There are outstanding court proceedings, potential fines, claims and possible claims against the consolidated entity, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities for which no provisions are included in these financial statements are as follows:

- The consolidated entity has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 44 sets out details of these guarantees.
- Certain controlled entities act as trustee for various trusts. In this capacity, the controlled entities are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business the consolidated entity enters into various types of investment contracts, including derivative positions, that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.
- As part of the consolidated entity's acquisition of 100 percent of GIO Insurance Investment Holdings A Pty Ltd and its wholly-owned controlled entities during the 2002 financial year, 15,028,800 cash settleable warrants were issued to AMP Life Limited. The exercise price is $16.38 per warrant at any time during the period 28 September 2004 to 28 September 2006. Should the cash settleable warrants be settled in cash, the amount payable by the consolidated entity is the volume weighted average price of the consolidated entity's share price over the 10 business days prior to the exercise date, less the exercise price.
- In respect of the sale of property investments, undertakings have been provided by the consolidated entity to purchasers in relation to costs which may arise due to conditions existing prior to sale for which the purchasers were not notified. The amounts attributable cannot be quantified and it is considered unlikely that any material liability will arise in respect of these items. In some cases, counter claims would be available against design engineers and other contractors to recover any liability incurred by the consolidated entity.

43. Contingent liabilities and contingent assets (continued)

Contingent liabilities (continued)

- A controlled entity, Suncorp Metway Insurance Ltd (SMIL), entered into lease securitisation and defeasance transactions in May 1993 under which SMIL is required to reassume the liability for instalment payments due under certain circumstances, such as default under its obligations as lessor or an unremedied breach of warranty, representation or covenant in relation to the original documents. The net present value of the total amount of principal and interest instalments outstanding as at 30 June 2004 is approximately $61 million (2003: $66 million). In the event of crystallisation of this liability, that entity would reassume the interest in the leasehold over the two properties. The prospect of a resumption of liability has been reviewed and is assessed as highly improbable.
- During the year, SMIL entered into agreements to provide leased space to certain parties in future years. Whilst it is anticipated that another external party will assume SMIL's rights and obligations under these agreements, there is a possibility that SMIL would be required to perform its obligations under those agreements. SMIL has provided a bank guarantee for $7 million in favour of one of the parties to these agreements as security for its performance under these agreements.

Contingent assets

There are claims and possible claims made by the consolidated entity against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The consolidated entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that receivables are not required in respect of these matters, as it is not probable that future economic benefits will eventuate or the amount is not capable of reliable measurement.

During the year, the Company disposed of its investment in Cashcard Australia Ltd (Cashcard). In accordance with the terms and conditions of the sale, the Company will receive additional consideration contingent on specific conditions including the value of Cashcard's net asset value at a date post sale. The estimated additional consideration that may be received is $4 million (2003: nil).

44. Commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers, including commitments to extend credit, letters of credit and financial guarantees. The consolidated entity uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

Credit commitments – banking activities

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA:

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
Notional amounts				
Guarantees entered into in the normal course of business	142	124	142	124
Commitments to provide loans and advances	5,180	4,192	5,180	4,192
	5,322	4,316	5,322	4,316
Credit equivalent amounts				
Guarantees entered into in the normal course of business	76	65	76	65
Commitments to provide loans and advances	1,160	1,030	1,160	1,030
	1,236	1,095	1,236	1,095

44. Commitments (continued)

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Operating lease commitments				
Aggregate future non-cancellable operating lease rentals contracted for but not provided in the financial statements are payable as follows:				
Within one year	44	50	30	32
Later than one year but not later than five years	128	114	104	70
Later than five years	46	74	45	73
	218	238	179	175

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

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m	COMPANY 2004 $m	COMPANY 2003 $m
Expenditure commitments				
Expenditure for the acquisition of plant and equipment contracted for but not provided in the financial statements is payable as follows:				
Not later than one year	7	4	-	-

Superannuation commitments

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

In the case of defined benefit funds, an actuarial assessment of the fund is made not less than every three years. At the date of the last review of the Suncorp Staff Superannuation Plan (effective 30 June 2002), the actuary (Mr N G Spencer, BSc., FIAA), in his report dated 5 February 2003, concluded that the assets of the funds are sufficient to meet all the benefits payable in the event of the funds' termination, or the voluntary or compulsory termination of employment of each employee.

Employer contributions to the Suncorp Staff Superannuation Plan during the year ended 30 June 2004 were $47 million (2003: $44 million).

Employer contributions payable to the Suncorp Staff Superannuation Plan as at 30 June 2004 were $3 million (2003: $0 million).

44. Commitments (continued)

	CONSOLIDATED 2004 $m	CONSOLIDATED 2003 $m
Defined benefit assets at net market value and vested defined benefits of the Plan are as follows:		
Suncorp Staff Superannuation Plan (formerly SUNCORP Staff (Closed) Superannuation Plan)		
Plan defined assets at net market value as at 30 June 2003 (2003: June 2002)	7	8
Total accrued defined benefits as at 30 June 2002 (most recent actuarial review)	(7)	(7)
Excess of the present value of employees' accrued benefits over assets held to meet future benefit payments	-	1
Total vested benefits as at 30 June 2003 (2003: 30 June 2002)	7	8

The amounts relate to the actuarial report for the period ended 30 June 2002. The next review is due for completion in 2005/06 and will relate to the period ended 30 June 2005. The Staff Plan's June 2003 financial statements refer to the 30 June 2002 review. More recent information is not available.

45. Employee benefits

At an Extraordinary General Meeting of the Company held on 14 March 1997, shareholders approved an Exempt Employee Share Plan (EESP), a Deferred Employee Share Plan (DESP), and an Executive Option Plan (EOP).

At the Annual General Meeting on 1 November 2000, shareholders approved the establishment of the Non-Executive Directors' Share Plan (NEDSP).

On 21 October 2002 directors resolved to discontinue the issue of options to Executive Officers under the EOP and establish an Executive Performance Share Plan (EPSP).

Shares required for the above Share Plans are acquired by an unrelated special purpose trustee and/or custodial companies in ordinary trading on the Australian Stock Exchange.

45. Employee benefits (continued)

Features of the plans currently in operation are as follows:

Feature	EESP	DESP	EPSP	NEDSP
Eligibility	Employees (other than Executive Officers) having completed 12 months' service (or less at the discretion of the Board).	Employees having completed three months' service (or less at the discretion of the Board).	Executive Officers.	Non-executive directors or their associates as approved by the Board.
Basis of Share Offers	Each eligible employee can receive shares up to a maximum value of $1,000 in any one year. The value of shares to be offered each year is determined by the Board based on the consolidated entity's overall performance.	Employees can elect to fund the acquisition of shares to be held under this Plan from their pre-tax remuneration or the Company may offer shares to employees as part of their terms of employment. Shares offered to employees under this plan as part of their terms of employment are subject to achievement of tenure based criteria or criteria based on the individual's performance.	Offers under this plan can be made on commencement of employment however offers are also made on an annual basis. The value of shares offered is determined by the Board based on the participating executive's level of remuneration and individual performance. Share offers are subject to performance criteria.	All non-executive directors are invited to participate in this Plan. If a director elects to participate they nominate a percentage of their pre-tax remuneration that is to be used to fund the acquisition of shares on market. Shares acquired are held in the Plan for a maximum of 10 years from the date of acquisition.
Price	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.	Shares acquired from employees' pre-tax remuneration are purchased on market each month. The price of shares acquired for offers funded by the Company is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.	Shares acquired from director's pre-tax remuneration are purchased on market at predetermined dates during the year. Those dates reflect the terms of the Company's share trading policy.
Vesting	Fully vested, not subject to forfeiture.	If the acquisition of the shares is funded through the employee's remuneration the shares are fully vested at the date of acquisition. If entitlement to shares is subject to performance criteria, those shares will vest when that criteria is satisfied.	Vesting of shares is subject to satisfaction of performance criteria over the performance period.	As the acquisition of shares is funded through the participating director's remuneration, the shares are fully vested at the date of acquisition.

45. Employee benefits (continued)

Feature	EESP	DESP	EPSP	NEDSP
Performance criteria	Shares offered to employees under this plan are not subject to performance criteria.	If the acquisition of the shares is funded through the employee's remuneration no performance criteria apply. If the acquisition of shares is funded by the Company then performance criteria are applied. Those criteria will either be tenure based or based on the individual's performance over specified periods.	The criteria is based on total shareholder returns (TSR) for the Company over a three year performance period compared to the TSR for a comparator group comprising the Top 50 Industrial companies in the S&P/ASX 100, excluding property trusts. No shares are vested unless the Company's TSR ranking at the end of the performance period is above the 50th percentile of the comparator group. If the Company's TSR ranking is at or above the 75th percentile 100 percent of the shares will vest. Between the 50th and 75th percentiles, an additional two percent of the shares will vest for each one percent improvement in the Company's TSR ranking above the 50th percentile.	Not applicable.
Minimum holding period	Three years from date of allocation, or upon cessation of employment.	One year or as otherwise specified in the terms of individual offers.	No minimum holding period applies once shares have vested unless otherwise determined by the Board.	None.
Plan maximum limit	Shares must not be issued under this plan if the number to be issued would exceed five percent of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option plan of the Company.	Shares must not be issued under this plan if the number to be issued would exceed five percent of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option plan of the Company.	Shares must not be issued under this plan if the number to be issued would exceed five percent of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option plan of the Company.	Shares must not be issued under this plan if the number to be issued would exceed five percent of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option plan of the Company.
Dividend entitlements	Full entitlement from date of shares held in the Plan.	Full entitlement from date of shares held in the Plan.	Full entitlement from date of vesting.	Full entitlement from date of shares held in the Plan.
Voting rights	Participating employees have the right to vote from the date shares are held in the Plan.	Participating employees have the right to vote from the date shares are held in the Plan.	Voting rights are held by the Plan Trustee until shares have vested with the participating employee.	Participating employees have the right to vote from the date shares are held in the Plan.

45. Employee benefits (continued)

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

	Dates on which shares were issued/allocated	Total number of shares issued/allocated	Issue/allocation Prices	Fair value (market value at dates of issue/allocation)	Amounts received from employees
2004 financial year	Various dates	915,951	Various, based on market value at date of issue	$11,407,433	$4,928,976
2003 financial year	Various dates	1,244,995	Various, based on market value at date of issue	$14,044,537	$5,335,537

The amounts recognised in the statement of financial performance of the Company and the consolidated entity during the year in relation to the issue of shares under the EESP, DESP, EPSP and NEDSP was $4,202,086 (2003: $6,139,527). During the financial year $3,258,942 (2003: $1,308,146) was provided to acquire shares to the value of $500 (2003: $250) for each employee eligible under the EESP. These shares will be issued in October 2004.

At 30 June 2004 unissued fully paid ordinary shares of the Company under the Executive Option Plan are:

Issue date of option	Start date	Expiry date	Exercise price of option (1) $	Strike price (2) $	No. of options held at 30 June 2004 (3)	No. of options held at 30 June 2003
16 Dec 1998	16 Jun 2001	16 Dec 2003	7.96	9.00	-	92,500
16 Dec 1998	16 Jun 2002	16 Dec 2003	7.96	9.50	-	121,000
16 Dec 1998	16 Jun 2003	16 Dec 2003	7.96	10.00	-	122,000
03 Jun 1999	03 Nov 2003	03 Jun 2004	8.81	10.75	-	116,666
03 Jun 1999	17 Nov 2003	03 Jun 2004	8.81	10.75	-	13,333
06 Oct 1999	31 Mar 2002	06 Oct 2004	8.11	9.12	41,700	210,450
06 Oct 1999	31 Mar 2003	06 Oct 2004	8.11	9.56	78,800	254,150
06 Oct 1999	31 Mar 2004	06 Oct 2004	8.11	10.05	160,750	255,950
01 Oct 2000	31 Mar 2003	01 Oct 2005	8.89	9.78	41,200	82,200
01 Oct 2000	31 Mar 2004	01 Oct 2005	8.89	10.31	153,000	203,000
01 Oct 2000	31 Mar 2005	01 Oct 2005	8.89	10.85	203,000	203,000
01 Oct 2000	31 Mar 2003	01 Oct 2005	8.89	10.00	59,000	150,000
01 Oct 2000	31 Mar 2004	01 Oct 2005	8.89	10.49	94,600	151,200
01 Oct 2000	31 Mar 2005	01 Oct 2005	8.89	11.02	133,500	153,800
20 Sep 2001	31 Mar 2004	20 Sep 2006	11.62	12.20	286,666	303,333
20 Sep 2001	31 Mar 2005	20 Sep 2006	11.62	13.13	303,333	303,333
20 Sep 2001	31 Mar 2006	20 Sep 2006	11.62	13.94	303,334	303,334
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	13.24	700,000	700,000
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	14.25	700,000	700,000
16 Oct 2001	23 Sep 2002	23 Sep 2004	12.61	15.13	600,000	600,000
22 Apr 2002	31 Oct 2004	22 Apr 2007	12.30	(4)	116,667	116,667
22 Apr 2002	31 Oct 2005	22 Apr 2007	12.30	(4)	116,667	116,667
22 Apr 2002	31 Oct 2006	22 Apr 2007	12.30	(4)	116,666	116,666
					4,208,883	5,389,249

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

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

(3) During the year 1,139,866 options (2003: 759,000) were exercised under the Executive Option Plan. All options expire on the earlier of their expiry date or termination of the employee's employment unless otherwise approved by the Board. In addition to those options shown above, 40,500 (2003: 68,700) options expired in respect of employees who resigned.

(4) The Company has adopted Total Shareholder Return (TSR) as the performance measure on which option vesting is based and the Top 50 Companies in the ASX All Industrials Index has been adopted as the comparator group. Currently the following vesting schedule applies:
- If the Company's TSR growth over a relevant evaluation period is equal to the median TSR performance for the comparator group, then 50 percent of those options available to be exercised at that time will vest.
- For each additional percentile increase in the Company's ranking above the median, a further two percent of the relevant tranche of options will vest.
- If the Company's TSR growth over the relevant evaluation period reaches the 75th percentile, 100 percent of the options will vest.

(5) Options granted under the Executive Option Plan carry no dividend or voting rights.

(6) There were no options granted during the financial year as the Company ceased to issue options under the Executive Option Plan.

45. Employee benefits (continued)

Options may only be exercised within the limitations imposed by the *Corporations Act 2001* and the Australian Stock Exchange Listing Rules. Under the Australian Stock Exchange Listing Rules, options may not be issued to directors under an employee incentive scheme without specific shareholder approval.

The market price of the Company's shares at 30 June 2004 was $14.20 (2003: $11.60).

At the date of this report unissued fully paid ordinary shares of the Company under the Executive Option Plan decreased to 4,198,883 from 30 June 2004 due to the following options being exercised since the end of the financial year:

Issue date of option	Start date	Expiry date	Exercise price of options $	Strike price $	No. of options
6 Oct 1999	31 Mar 2002	6 Oct 2004	8.11	9.12	3,300
6 Oct 1999	31 Mar 2003	6 Oct 2004	8.11	9.56	3,300
6 Oct 1999	31 Mar 2004	6 Oct 2004	8.11	10.05	3,400

	CONSOLIDATED		COMPANY	
	2004 $m	2003 $m	2004 $m	2003 $m
Employee benefits and related on-costs liabilities				
Included in Payables and other liabilities (note 17)	18	20	-	-
Provision for employee benefits – current	91	81	3	2
Provision for employee benefits – non-current	15	9	-	-
	124	110	3	2

As explained in note 1(ac), the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values:

	CONSOLIDATED	
	2004	2003
Weighted average rate of increases in annual employee benefits to settlement of the liabilities	4.0%	3.5%
Weighted average discount rate	5.93%	4.99%
Weighted average term to settlement of liabilities	7years	7years

46. Matters subsequent to the end of the financial year

In July 2004, the Company appointed Investa Property Group to manage Suncorp's national corporate property portfolio. The five year contract includes the management of 179 Suncorp and GIO retail outlets, five call centres, and 21 corporate office sites across the country.

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

DIRECTORS' DECLARATION
for the year ended 30 June 2004

The directors declare that the financial statements and notes set out on pages 41 to 133:

a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
b) Give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

a) The financial statements and notes are in accordance with the *Corporations Act 2001*; and
b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
27 August 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS
for the year ended 30 June 2004

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial performance, statements of financial position, statements of changes in equity, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration as set out on pages 41 to 134 for both Suncorp-Metway Ltd (the 'Company') and Suncorp-Metway Ltd and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2004. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit Opinion

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

a) The *Corporations Act 2001*, including:
   i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
   ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) Other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Brian Greig
Partner

Brisbane
27 August 2004

DEFINITIONS

Item	Definition
Basic shares	Ordinary fully paid shares on issue.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Diluted shares	Comprises ordinary shares, partly paid shares, subordinated dividend ordinary shares and outstanding options. Preference shares are not dilutive for the purpose of the Earnings per Share ratios as they cannot convert to ordinary shares in the first five years. For the purposes of weighted average shares, excludes options where the exercise price exceeds the market price.
Earnings per share	Basic earnings per share is calculated by dividing the earnings of the Company for the financial year less dividends on preference shares by the weighted average number of ordinary shares of the Company outstanding during the financial year. Diluted earnings per share is based on weighted average diluted shares. Calculated in accordance with AASB 1027 '*Earnings per Share*'.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding general insurance shareholder funds' investment income and excluding the impact of life insurance accounting standard AASB 1038 '*Life Insurance Business*'.
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing per share (basic)	Shareholders' equity attributable to members of the Company less preference shares and intangibles, divided by the number of ordinary shares at the end of the period. In determining the number of ordinary shares at the end of the period, partly paid shares are taken into account by assuming that the unpaid amount is paid.
Payout ratio (basic)	Total dividends and distributions which relate to the financial year divided by operating profit after tax.
Return on average shareholders' equity (basic)	Operating profit after tax less preference dividends divided by adjusted average ordinary shareholders equity. The ordinary shareholders' equity excludes preference shares. Averages are based on beginning and end of period balances.
Return on average total assets	Operating profit after tax divided by average total assets excluding the impact of AASB 1038 '*Life Insurance Business*'. Averages are based on beginning and end of period balances.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.

Major Shareholders

(i) Ordinary Shares

At 13 August 2004, the 20 largest holders of fully paid Ordinary Shares held 185,651,946 shares, equal to 34.59 percent of the total fully paid shares on issue.

	Number of shares	%
J P Morgan Nominees Australia Limited	47,295,127	8.81
National Nominees Limited	33,961,147	6.33
Westpac Custodian Nominees Limited	29,497,888	5.50
ANZ Nominees Limited	8,823,363	1.64
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	8,560,577	1.59
Citicorp Nominees Pty Limited	7,368,153	1.37
AMP Life Limited	7,006,481	1.31
Queensland Investment Corporation	6,877,924	1.28
Cogent Nominees Pty Limited	6,778,174	1.26
Citicorp Nominees Pty Limited (CFS Wholesale Geared Share Fund A/C)	4,456,135	0.83
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	3,866,088	0.72
IAG Nominees Pty Limited	3,661,898	0.68
Citicorp Nominees Pty Limited (CFS Wsle Imputation Fund A/C)	3,187,154	0.59
IOOF Investment Management Limited	2,378,078	0.45
Australian Foundation Investment Company Limited	2,356,462	0.44
PSS Board	2,186,687	0.41
Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	1,997,862	0.37
Milton Corporation Limited	1,910,198	0.36
CSS Board	1,811,884	0.34
Questor Financial Services Limited (TPS RF A/C)	1,670,666	0.31
	185,651,946	34.59

Major Shareholders

(ii) Reset Preference Shares

At 13 August 2004, the 20 largest holders of fully paid Reset Preference Shares held 1,296,197 shares, equal to 51.85 percent of the total fully paid shares on issue.

	Number of shares	%
AMP Life Limited	208,402	8.34
Westpac Custodian Nominees Limited	148,658	5.95
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	111,700	4.47
Citicorp Nominees Pty Limited	105,000	4.20
JP Morgan Nominees Pty Limited	97,248	3.89
Cogent Nominees Pty Limited	79,847	3.19
ANZ Executors and Trustee Company Limited	72,359	2.90
Citicorp Nominees Pty Limited (CMIL Cwlth Income Fund A/C)	60,000	2.40
Javl Pty Ltd	50,000	2.00
The Australian National University	50,000	2.00
UBS Private Clients Australia Nominees Pty Ltd	40,693	1.63
Kaplan Equity Limited	40,000	1.60
Argo Investments Ltd	32,000	1.28
Permanent Trustee Company Limited (CNA0017 A/C)	31,000	1.24
Australian Industrial Sands Pty Limited	30,000	1.20
Brencorp No 11 Pty Limited	30,000	1.20
ANZ Nominees Limited	29,600	1.18
Permanent Trustee Australia Limited (KAP0002 A/C)	28,000	1.12
Permanent Trustee Australia Limited (KAP0001 A/C)	26,800	1.07
UBS Nominees Pty Ltd (Prime Broking A/C)	24,890	0.99
	1,296,197	51.85

Distribution of Shareholdings

(i) Fully paid Ordinary Shares at 13 August 2004

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	122,599	67.09	60,865,517	11.34
1,001-5,000 shares	48,497	26.54	106,116,987	19.77
5,001-10,000 shares	7,357	4.03	51,129,797	9.53
10,001-100,000 shares	4,124	2.25	84,456,121	15.74
100,001 shares and over	168	0.09	234,060,789	43.62
	182,745	100.00	536,629,211	100.00

(ii) Fully paid Ordinary Shares at 13 August 2004

Location	Number of holders	% of holders	Number of shares	% of shares
Australia				
- Queensland	106,679	58.35	267,029,064	49.77
- New South Wales	32,684	17.88	123,438,987	23.00
- Victoria	26,849	14.68	117,218,905	21.85
- South Australia	5,746	3.14	11,977,306	2.23
- Western Australia	4,304	2.35	6,050,004	1.13
- Tasmania	1,767	.97	3,084,928	.57
- ACT	3,123	1.71	4,002,379	.75
- Northern Territory	376	.21	990,086	.18
New Zealand	335	.18	879,319	.16
Hong Kong	108	.06	220,293	.04
United Kingdom	242	.13	498,215	.09
United States	150	.08	313,094	.06
Other overseas	472	.26	926,631	.17
	182,835	100.00	536,629,211	100.00

Some registered holders own more than one class of security.

(iii) Non-participating shares

All shares of this class are fully paid shares and are held by the Trustee of the Metropolitan Permanent Building Society Trust, Permanent Trustee Australia Limited.

(iv) Partly paid Ordinary Shares at 13 August 2004

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	3	37.50	2,500	14.16
1,001-5,000 shares	4	50.00	9,350	52.98
5,001-10,000 shares	1	12.50	5,800	32.86
10,001-100,000 shares	-	-	-	-
100,001 shares and over	-	-	-	-
	8	100.00	17,650	100.00

Distribution of Shareholdings (continued)

(v) Fully paid Reset Preference Shares at 13 August 2004

Range	Number of holders	% of holders	Number of shares	% of shares
1-1,000 shares	1,646	89.21	578,759	23.15
1,001-5,000 shares	157	8.51	386,977	15.48
5,001-10,000 shares	15	0.81	116,384	4.66
10,001-100,000 shares	23	1.25	844,120	33.76
100,001 shares and over	4	0.22	573,760	22.95
	1,845	100.00	2,500,000	100.00

Substantial Shareholders

At 13 August 2004, the following entries were contained in the register of substantial shareholdings, based on Substantial Holding Notices received:

	Number of shares
Barclays Group	26,870,448

Voting Rights of Shareholder

(i) Ordinary Shares

The fully paid Ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:

- Show of hands – one vote per shareholder; and
- Poll – one vote per fully paid ordinary share.

(ii) Non-participating Shares

The non-participating shareholder has an entitlement to vote only in certain circumstances.

(iii) Reset Preference Shares

Reset Preference shareholders are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as Ordinary shareholders with one vote per Reset Preference Share. The limited circumstances are set out in the Information Memorandum dated 16 August 2001.

Holders of Non-marketable Parcels

At 13 August 2004 the number of shareholders with less than a marketable parcel for fully paid Ordinary Shares (1-36 shares) was 2,007 (1.09% of shareholders) representing 30,661 shares.

SHAREHOLDER INFORMATION

Registered Office

Level 18
36 Wickham Terrace
Brisbane Qld 4000
GPO Box 1453
Brisbane Qld 4001
Telephone: (07) 3835 5355
Facsimile: (07) 3836 1190
Internet: www.suncorp.com.au

Company Secretary

Clifford R Chuter B.Bus

Annual General Meeting

2.30pm Wednesday 27 October 2004
Plaza Ballroom, Brisbane Convention and Exhibition Centre
cnr Merivale and Glenelg Streets, South Brisbane

Share Registry

Shareholders can obtain information about their shareholdings by contacting the Company's share registry:

ASX Perpetual Registrars Limited
Level 22
300 Queen Street
Brisbane Qld 4000
Mailing address: Locked Bag 568, Brisbane, Qld. 4001
Telephone: 1300 882 012
Facsimile: (07) 3221 3149
Email: registrars@asxperpetual.com.au
Website: www.asxperpetual.com.au

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

Change of address

Shareholders sponsored by Suncorp (issuer sponsored) must advise ASX Perpetual Registrars Limited in writing, appropriately signed, of the amended details. Change of address forms can be obtained via the Suncorp or share registry websites or by contacting the share registry.

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

Payment of dividends

Shareholders who wish to have their dividends paid directly into their bank, building society or credit union account should obtain a direct credit application form from the share registry or via the Suncorp or share registry websites.

Dividend Reinvestment Plan

Shareholders can elect to take their cash dividends by way of shares in full or in part at a 2.5 percent discount on the average market price calculated over the five trading days immediately following the Record Date for payment of the relevant dividend. An election/variation form is available on the share registry website.

Removal from Annual Report mailing list

Shareholders no longer wishing to receive a Concise Report or a full Annual Report should advise the share registry in writing, by fax, telephone or by email, quoting their SRN/HIN. A form is available via the Suncorp or share registry websites.

Register your email address

Now you can register your email address for dividend advices, notices of meeting, annual report information and other shareholder communications. To register your details, go to Share Registry Services on the Suncorp website www.suncorp.com.au which provides a link to the share registry, or directly to the share registry website www.asxperpetual.com.au where, by using your SRN/HIN and other requested details, you will be able to view details of your shareholding, obtain registry forms and record your own email address.

Stock Exchange Listed Securities

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

Ordinary Shares (code SUN)

Floating Rate Capital Notes (SUNHB)

Reset Preference Shares (SUNPA)

KEY DATES

Ordinary Shares (SUN)

2004	
Final Dividend	
Ex dividend date	1 September
Record date	7 September
Dividend paid	1 October
2005	
Interim Dividend	
Ex dividend date	2 March
Record date	8 March
Dividend paid	1April
Final Dividend	
Ex dividend date	31 August
Record date	6 September
Dividend paid	3 October

Floating Rate Capital Notes (SUNHB)

2004	
Ex interest date	9 November
Record date	15 November
Interest paid	30 November
2005	
Ex interest date	9 February
Record date	15 February
Interest paid	1 March
Ex interest date	10 May
Record date	16 May
Interest paid	31 May
Ex interest date	9 August
Record date	15 August
Interest paid	30 August
Ex interest date	9 November
Record date	15 November
Interest paid	30 November

Reset Preference Shares (SUNPA)

2004	
Ex-dividend date	1 September
Record date	7 September
Dividend paid	14 September
2005	
Ex-dividend date	2 March
Record date	8 March
Dividend paid	15 March
Ex-dividend date	31 August
Record date	6 September
Dividend paid	14 September

Dates may be subject to change

METROPOLITAN PERMANENT BUILDING SOCIETY TRUST
Financial statements for the year ended 30 June 2004

Statement of financial position as at 30 June 2004

	2004 $	2003 $
Assets		
Investments at cost (unquoted)		
2,000 non-participating shares each fully paid in Suncorp-Metway Ltd	1,000	1,000
Equity		
Initial sum	1,000	1,000

Notes to the financial statements for the year ended 30 June 2004

1. Significant accounting policies

The financial report of the Trust is a general purpose financial report which has been drawn up in accordance with the requirements of Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the provisions of the Trust Deed dated 23 March 1988 and the *Corporations Act 2001*. It is prepared in accordance with the historical cost convention and does not take into account changing money values. These accounting policies have been consistently applied.

The carrying amounts of all non-current assets are reviewed at balance date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present values.

2. Statement of financial performance and statement of cash flows

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

3. Disclosures about fair value of financial instruments

The fair value of the non-participating shares as at 30 June 2004 is $1,000 (2003: $1,000). These shares are not readily traded on an organised market in a standardised form.

4. Remuneration of auditors

	2004 $	2003 $
Audit services		
Auditors of the Trust – KPMG		
Audit of the financial report	250	250

Fees for services rendered by the Trust's auditor in relation to the statutory audit are borne by Suncorp-Metway Ltd.

Trustee's report for the year ended 30 June 2004

As Trustee of the above Trust we report for the year ended 30 June 2004 that:

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

Mike Britton
General Manager Corporate Services Permanent Trustee Australia Limited

Sydney
27 August 2004

METROPOLITAN PERMANENT BUILDING SOCIETY TRUST
Financial statements for the year ended 30 June 2004

Independent audit report to the beneficiaries of Metropolitan Permanent Building Society Trust

Scope

The financial report and Trustee's responsibility

The financial report comprises the statement of financial position, accompanying notes and the Trustee's declaration for Metropolitan Permanent Building Society Trust (the "Trust") for the year ended 30 June 2004.

The Trustees are responsible for the preparation and true and fair presentation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the beneficiaries of the Trust. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirement in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We performed our audit on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustees.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of the Metropolitan Permanent Building Society Trust:

(a) presents fairly in accordance with the provisions of the Trust Deed dated 23 March 1988, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the Trust's financial position as at 30 June 2004 and its performance for the year ended on that date.

(b) is properly drawn up in accordance with the provisions of the Trust Deed dated 23 March 1988.

KPMG

KPMG

Brian Greig
Partner

Brisbane
27 August 2004

CONTACT DETAILS

Suncorp

General enquiries	**13 11 55**
Quickcall phone banking	**13 11 25**
Insurance sales and enquiries	**13 11 55**
Insurance claims	**13 25 24**
Loan hotline	**13 11 34**
Lost or stolen cards and passbooks	**1800 775 020**
Life Insurance, Superannuation, Financial Planning	**1800 451 223**
Investment Funds enquiries centre	**1800 067 732**
Business Banking service centre	**13 11 55**
Small Business Banking	**13 11 55**
Share Trade	**1300 135 190**
New sales enquiries/new customers for Margin Lending	**1800 115 211**
Existing customer enquiries for Margin Lending	**1800 805 972**

GIO

General enquiries	**13 10 10**
Personal and Business Insurance	**13 10 10**
Personal Insurance Claims	**13 14 46**
Workers' Compensation	
NSW policies and claims	**13 10 10**

Internet Sites

Suncorp's internet site, http://www.suncorp.com.au provides information on banking, insurance and investment products and services, sponsorships, financial results, company and shareholder information. Applications can be made online for a transaction account through internet banking, credit card, home or investment property loan, small business loan, or personal finance loan. Customers can also obtain a quote and purchase home or car insurance.

The site also offers internet banking, Share Trade to buy and sell shares, the ability to manage a margin lending facility and manage superannuation accounts.

GIO's internet site, provides customers with information about our insurance products, details on how to obtain quotes, online quoting for CTP/Green Slip insurance, the ability to make payments and submit home or motor insurance claims. There are also direct links to Suncorp banking, loans and credit card products.

Annual Report

Copies of both the 2004 Concise Report and the full Annual Report (which includes the Consolidated Financial Statements) can be obtained from Suncorp Investor Relations (07) 3835 5797 or on the Suncorp website: www.suncorp.com.au

Information about the group is also available on the website and includes half-year results and profit announcements. The group's announcements to the Australian Stock Exchange can also be accessed via the Suncorp website.

Credit Ratings	Short term	Long term	Insurer financial strength general insurance	Insurer financial strength life and super
Standard & Poor's (Upgraded December 2003)	A-1	A	A	A
Moody's				
Bank Deposits	P-1	A2	n/a	n/a
Senior Debt	P-1	A2	a	n/a
Fitch Ratings	F1	A	A+	A

BANKING INSURANCE INVESTMENT

Consolidated 06335 09/04 A