Suncorp-Metway Ltd

Consolidated Financial Report 1999

This Consolidated Financial Report should be read in conjunction with the Concise Report 1999

Suncorp-Metway Ltd
ACN 010 831 722

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

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

Table of contents

Table of contents (alphabetical)

Profit and Loss Statements for the year ended 30 June 1999

	Note	Consolidated		Company	
		1999	1998	1999	1998
		$m	$m	$m	$m
Interest income	2	1,426	1,449	1,293	1,034
Interest expense	3	(835)	(854)	(832)	(687)
		591	595	461	347
General insurance premium revenue	2	725	703	-	-
Reinsurance and other recoveries revenue	2	115	68	-	-
Other operating income	2	242	263	233	373
Total operating income		**1,673**	**1,629**	**694**	**720**
Claims expense	5	(655)	(674)	-	-
Outwards reinsurance expense	6D	(40)	(39)	-	-
Other operating expenses	3	(602)	(551)	(499)	(488)
Total operating expenses		**(1,297)**	**(1,264)**	**(499)**	**(488)**
Operating profit before bad and doubtful debts expense, amortisation of goodwill, abnormal items and income tax		376	365	195	232
Bad and doubtful debts expense	4	(20)	(61)	(18)	(28)
Operating profit before amortisation of goodwill, abnormal items and income tax		356	304	177	204
Amortisation of goodwill		(10)	(10)	-	-
Operating profit before abnormal items and income tax		346	294	177	204
Abnormal items	9	(26)	-	-	-
Operating profit before income tax		**320**	**294**	**177**	**204**
Income tax (expense)/benefit associated with:					
Operating profit before abnormal items	10	(87)	(61)	(25)	(24)
Abnormal items	9	14	-	-	-
Income tax attributable to operating profit		**(73)**	**(61)**	**(25)**	**(24)**
Operating profit after income tax attributable to the members of the Company		247	233	152	180
Retained profits at the beginning of the financial year		171	90	53	25
Total available for appropriation		418	323	205	205
Dividends paid or provided	11	(174)	(152)	(174)	(152)
Retained profits at the end of the financial year		**244**	**171**	**31**	**53**

	Cents	Cents
Basic earnings per share after abnormal items	60.92	56.66
Diluted earnings per share after abnormal items	49.16	45.83
	Percent	**Percent**
Payout ratio after abnormal items	70.45	65.24

The Profit and Loss Statements should be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 4 to 70.

Balance Sheets as at 30 June 1999

	Note	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Assets					
Cash and short term liquid assets		186	424	77	201
Receivables due from other financial institutions		2	53	2	53
Trading securities	13	1,149	1,819	1,149	1,550
Investment securities	14	2,390	2,183	910	946
Loans, advances and other receivables	15	16,769	15,812	17,084	14,678
Statutory deposit with Reserve Bank of Australia		170	163	170	137
Property, plant and equipment	18	148	134	45	58
Unlisted investment in life insurance statutory funds	19	97	90	-	-
Intangible assets	20	174	184	-	-
Other assets	21	411	562	238	361
Total Assets		**21,496**	**21,424**	**19,675**	**17,984**
Liabilities					
Deposits and short term borrowings	22	11,671	11,846	12,364	11,351
Payables due to other financial institutions		21	56	-	3
Accounts payable and other liabilities	23	364	449	444	319
Provisions	24	326	308	185	182
Outstanding claims and unearned premium provisions	25	2,097	2,038	-	-
Bonds, notes and long term borrowings	26	4,553	4,449	4,438	4,085
Subordinated notes	27	576	463	576	354
Total Liabilities		**19,608**	**19,609**	**18,007**	**16,294**
Net Assets		**1,888**	**1,815**	**1,668**	**1,690**
Shareholders' equity					
Share capital	28	975	149	975	149
Converting capital notes	29	641	697	641	697
Reserves	30	22	791	21	791
Retained profits		244	171	31	53
Shareholders' equity attributable to members of the Company		1,882	1,808	1,668	1,690
Outside equity interests in controlled entities		6	7	-	-
Total shareholders' equity		**1,888**	**1,815**	**1,668**	**1,690**
		$	$		
Net tangible asset backing per share		3.27	2.93		
Derivative financial instruments	39				
Contingent liabilities and credit commitments	47				

The Balance Sheets should be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 4 to 70.

Statements of Cash Flows for the year ended 30 June 1999

	Note	Consolidated		Company	
		1999	1998	1999	1998
		$m	$m	$m	$m
Cash flows from operating activities					
Interest received		1,395	1,456	1,275	1,044
Dividends received		24	18	48	25
Premiums received		743	710	-	-
Reinsurance and other recoveries received		82	72	-	-
Other operating income received		261	285	185	267
Interest paid		(826)	(831)	(828)	(674)
Outwards reinsurance premiums paid		(40)	(39)	-	-
Claims paid		(635)	(538)	-	-
Operating expenses paid		(655)	(675)	(403)	(573)
Income taxes paid - operating activities		(3)	(43)	-	(4)
Net cash inflow from operating activities	31A	**346**	**415**	**277**	**85**
Cash flows from investing activities					
Proceeds from disposal of controlled entity		-	-	-	5
Capital redemption from life insurance statutory funds		-	28	-	-
Pre-acquisition dividends from controlled entities		-	-	37	125
(Payments for)/proceeds from plant and equipment		(67)	(24)	2	-
Net (purchase)/disposal of banking securities		670	(696)	670	(577)
Net increase in loans, advances and other receivables		(1,169)	(1,229)	(2,566)	(3,138)
Proceeds from securitisation of loans		220	-	220	-
Lodgement of deposits with Reserve Bank of Australia		(7)	(10)	(7)	(12)
Purchase of investments integral to insurance activities		(11,980)	(4,187)	-	-
Proceeds from disposal of insurance investments		11,676	4,443	-	-
Income taxes paid - investing activities		(31)	(14)	-	-
Net cash outflow from investing activities		**(688)**	**(1,689)**	**(1,644)**	**(3,597)**
Cash flows from financing activities					
Proceeds from subordinated notes		170	-	170	-
Repayment of subordinated notes		(60)	-	(60)	-
Net increase in deposits and other borrowings		133	1,292	821	3,616
Dividends paid		(155)	(125)	(155)	(125)
Net cash inflow from financing activities		**88**	**1,167**	**776**	**3,491**
Net decrease in cash and cash equivalents		(254)	(107)	(591)	(21)
Cash at the beginning of the financial year		421	528	251	272
Cash balances acquired during the year		-	-	419	-
Cash at the end of the financial year	31B	**167**	**421**	**79**	**251**

The Statements of Cash Flows should be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 4 to 70.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial report is a general purpose financial report which has been drawn up in accordance with the requirements of the Banking Act, Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Law. Except where otherwise stated, the financial report has been prepared on the basis of historical costs and does not take into account changing money values.

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

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present values.

(b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the consolidated entity, being the Company and its controlled entities. The balances and effects of transactions between entities in the consolidated entity have been eliminated. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Where an entity either began or ceased to be controlled during the financial year its results are included in consolidated profit only from the date control commenced or up to the date control ceased.

The value of the consolidated entity's shareholder interest in life insurance statutory funds has been consolidated. Policyowners' interests in the assets of these funds do not form part of the assets to which the consolidated entity is entitled and are therefore excluded from consolidation.

Associates are entities over which the Company exerts significant influence but does not exercise control. Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised in the consolidated profit and loss statement, and its share of movement in reserves is recognised in consolidated reserves.

(c) Revenue Recognition

(i) Banking activities

Interest income

Interest income is recognised as it accrues.

Non-interest income

Non-interest income comprises fees, commissions, profits on sale of assets and dividends.

Fees and commissions are generally taken to income in the financial year in which they are received. Material non-refundable front-end fees that are yield related and do not represent cost recovery are taken to profit and loss over the period of the loan.

Advisory fee income is assessed for each separate transaction and, pursuant to that assessment, is brought to account for that portion of the fee considered to be earned within the financial year.

Dividends from controlled entities are brought to account as they are provided for in the financial statements of the controlled entities. All other dividends are recognised as income when they are declared.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue Recognition (Continued)

(ii) Insurance activities

General Insurance premium revenue

Direct premiums and inwards reinsurance premiums comprise amounts, including applicable levies and charges, charged to policyholders or other insurers. 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.

Consolidated entity's interest in earnings from life insurance statutory funds

Operating revenue includes the consolidated entity's interest in the earnings of life insurance statutory funds, calculated in accordance with Actuarial Standards and the Life Insurance Act 1995.

(d) Interest Expense

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

(e) Outwards reinsurance - General Insurance activities

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

(f) Claims - General Insurance activities

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

The liability for outstanding claims for long-tail classes is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date. The liability for outstanding claims for short-tail business is not discounted as these claims are settled within a 12 month period after balance date.

The details of rates applied are included in note 25. These liabilities include appropriate prudential margins.

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

(g) Reinsurance and other recoveries receivable - General Insurance activities

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

Reinsurance and other recoveries receivable on short-tail business are not discounted as the majority of these claims are settled within a 12 month period after balance date.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Acquisition costs - General Insurance activities

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. A write-down to the recoverable amount is made when the present value of expected future claims in relation to business written to the reporting date exceeds related unearned premiums. Deferred acquisition costs are amortised over the periods expected to benefit from the expenditure, which is generally a 12 month period.

(i) Foreign Currency

Transactions denominated in foreign currencies are translated to Australian dollars and brought to account at the exchange rates ruling at the dates of the transactions. All foreign currency assets and liabilities at balance date are translated at the rates of exchange current on that date. The resulting differences are recognised in the profit and loss statement as exchange gains and losses.

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 profit and loss statement. Costs or gains arising from hedges are deferred and amortised over the lives of the hedged positions. Where a foreign exchange hedge is terminated early and the anticipated transaction is still expected to occur, recognition of any gain or loss is deferred and included in the measurement of the final purchase or sale. Where the anticipated transaction is no longer expected to occur, any gain or loss on the terminated hedge transaction is included in the profit or loss for the period.

Gains and losses on translation of general insurance investments denominated in foreign currencies are recorded as a component of changes in the net market value of investments.

(j) Taxation

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. No future income tax benefit is brought to account in respect of the general provision for impairment.

Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

(k) Interest bearing securities

Integral to banking activities

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

Investment securities are securities which are purchased primarily with the intention and ability to hold until maturity. These securities are recorded at original cost adjusted for premium or discount amortisation and interest accrual. Premiums and discounts are amortised from the date of purchase so that the securities will be recorded at face value on maturity. The appropriate proportion of premiums and discounts is accounted for in the profit and loss statement.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Interest bearing securities (Continued)

Changes in the net market value of investment securities are not taken into account unless there is considered to be a permanent diminution in value.

From time to time, investment securities may be sold prior to maturity. In such circumstances profits and losses on sale are taken to the profit and loss statement when realised.

Integral to insurance activities

Investment securities include government and other debt securities. These investments are stated at net market value at each balance date. Changes in net market values are recognised in the profit and loss statement. Net market values are determined by reference to market quotations.

(l) Other investment securities

Integral to general insurance activities

Investments include listed equities, units in property trusts and freehold land and buildings, whether wholly or partly owner occupied or fully leased. These investments are stated at net market value at each balance date. Changes in net market values are recognised in the profit and loss statement.

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

Investment revenue is brought to account on an accruals basis.

Investment in life insurance statutory funds

The investment in the life insurance statutory funds represents the consolidated entity's capital and attributable retained earnings within the life insurance statutory funds. This is derived after calculating policy liabilities of the statutory funds using the Margin on Services method in accordance with Actuarial Standard AS1.01, issued by the Life Insurance Actuarial Standards Board.

(m) 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. Securities purchased under agreements to resell are recorded as receivables. Interest on amounts outstanding is accounted for on an accruals basis.

(n) Lease Receivables

Finance leases

Finance leases, in which the consolidated entity is the lessor, are included in loans, advances and other receivables in the balance sheet 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 profit and loss statement 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 balance sheet. Debt participants have no recourse to the consolidated entity in the event of default by the lessee.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impaired Assets

All loans and advances receivable are subject to continuous management review. The consolidated entity has adopted definitions of non-accrual and past due loans consistent with Prudential Statement No. L1 "Asset Quality" issued by the Australian Prudential Regulation Authority.

Non-accrual loans

Loans are classified as non-accrual where:

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

Interest ceases to be taken to profit when a loan is classified as non-accrual but is recorded in an interest reserved account in the balance sheet and offset against the gross loan balance.

Cash inflows on non-accrual loans on which interest and/or principal payments are contractually past due are treated as a reduction of the carrying value of the loan which, net of specific provisions, represents the recoverable amount based on the anticipated future cash payments from the borrower.

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.

Bad and doubtful debts

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

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

The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the profit and loss statement.

(p) Property, Plant and Equipment

Acquisition

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

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives.

Revaluations

Land and buildings are independently valued at least every three years on an existing use basis and, at the discretion of the directors, included in the financial statements at no more than the revalued amounts. This is in addition to the annual review by directors to assess recoverable amounts referred to in note 1(a). Revaluation increments are credited directly to the asset revaluation reserve.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Property, Plant and Equipment (Continued)

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

All other items of property, plant and equipment are carried at the lower of cost less accumulated depreciation and recoverable amount.

Depreciation and amortisation

The net cost or revalued amount of each item of property, plant and equipment, including buildings 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 works in progress, from the time an asset is completed and held ready for use.

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

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

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 profit and loss statement in the periods in which they are incurred.

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.

Leasehold improvements

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Goodwill

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

(r) Other Assets

Deferred expenditure

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

Franchise systems

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

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

(s) Deposits and Borrowings

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

Deposits are carried at the principal amount outstanding. Interest expense on amounts outstanding is charged to the profit and loss statement 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 profit and loss statement.

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.

(t) Employee Entitlements

Wages, salaries and annual leave

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

Long service leave

Entitlements to long service leave represent the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date. That portion which is not expected to be settled within 12 months is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities. In determining the liability for long service leave entitlements, consideration has been given to future increases in wage and salary rates, and past experience with staff departures. Related on-costs are also included in the liability.

Superannuation

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee Entitlements (Continued)

Sick leave

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

(u) Provision for Restructuring

A liability for restructuring costs is recognised at the date of acquisition of an entity or part thereof, to the extent that the costs arise as a consequence of restructuring the acquired activities, the consolidated entity is demonstrably committed to the restructuring, and a reliable estimate of the liability can be made.

(v) 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.

Banking activities

Instruments entered into for trading purposes are valued at prevailing market rates. Realised and unrealised profits and losses in respect of market value adjustments are recognised immediately in the profit and loss statement.

Derivative financial instruments that are used to hedge underlying exposures are accounted for in a manner consistent with the accounting treatment of the respective exposures.

Gains and losses from the termination of derivative instruments designated as hedges of non-trading exposures, are deferred and amortised over the remaining life of the exposures. Where the underlying exposure is closed out, the derivatives are transferred to the trading book and gains and losses are recognised immediately in the profit and loss statement.

Foreign exchange derivatives are entered into in order to hedge exchange rate risks arising from offshore borrowing. Interest rate derivatives are used either to hedge interest rate risks inherent in the business or as part of its trading activities within limits set by the Board of Directors.

Insurance activities

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

(w) Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

These 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 recorded as contingent liabilities at their face value.

(x) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

(y) Rounding

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

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
2 OPERATING REVENUE				
Interest received or due and receivable				
controlled entities	-	-	47	68
other persons	1,426	1,449	1,246	966
Dividends received or due and receivable				
controlled entities	-	-	47	104
other persons	24	18	1	2
Property income received or due and receivable	4	4	-	-
General insurance premium revenue				
direct	724	700	-	-
inwards reinsurance	1	3	-	-
Reinsurance and other recoveries revenue	115	68	-	-
Consolidated entity's interest in earnings of life insurance statutory funds	25	25	-	-
Changes in net market value of investments integral to insurance activities				
realised	(17)	24	-	-
unrealised	56	38	-	-
Trust distributions received or due and receivable	20	11	-	-
Net profits/(losses) on trading securities	(4)	5	-	2
Net profits/(losses) on derivative and other financial instruments				
realised	(10)	5	(13)	4
unrealised	17	(2)	17	(2)
Fees and commissions received or due and receivable				
controlled entities	-	-	93	174
other persons	116	127	85	85
Write back of provision for diminution in investment	6	-	-	-
Other income	5	8	3	4
Total operating revenue	**2,508**	**2,483**	**1,526**	**1,407**

Disclosed in the profit and loss statement as:				
Interest income	1,426	1,449	1,293	1,034
General insurance premium revenue	725	703	-	-
Reinsurance and other recoveries revenue	115	68	-	-
Other operating income	242	263	233	373
Total operating revenue	**2,508**	**2,483**	**1,526**	**1,407**
Interest expense	(835)	(854)	(832)	(687)
Total operating income	**1,673**	**1,629**	**694**	**720**

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
3 OPERATING EXPENSES				
Operating profit before abnormals and income tax for the year has been determined after charging the following items:				
Interest Expense				
Interest paid or due and payable				
controlled entities	-	-	8	25
other persons	835	854	824	662
Total interest expense	**835**	**854**	**832**	**687**
Other Operating Expenses				
Staff Expenses				
Provision for employee entitlements	(3)	10	-	1
Salaries and wages	203	193	-	-
Temporary staff	23	11	-	-
Other	95	88	35	32
Total staff expenses	**318**	**302**	**35**	**33**
Equipment and Occupancy Costs				
Depreciation				
buildings	2	2	1	1
plant and equipment	37	36	9	11
leasehold improvements	4	3	1	1
Loss on disposal of property, plant and equipment	5	1	1	-
Operating lease rentals	34	42	31	34
Other	19	11	18	10
Total equipment and occupancy costs	**101**	**95**	**61**	**57**
Other				
Technology	30	23	28	21
Marketing	34	35	16	16
Communications	47	40	40	31
Amortisation of franchise systems	1	-	-	-
Provision for directors' retirement benefits	-	1	-	1
Inter group expenses	-	-	258	279
Other	71	55	61	50
Total other expenses	**183**	**154**	**403**	**398**
Total other operating expenses	**602**	**551**	**499**	**488**

	Consolidated		Company	
	1999	**1998**	**1999**	**1998**
	$m	$m	$m	$m

4 BAD AND DOUBTFUL DEBTS EXPENSE

	1999 $m	1998 $m	1999 $m	1998 $m
Banking activities				
Charge for bad and doubtful debts (note 17)				
general provision for impairment	1	13	1	15
specific provision for impairment	19	47	17	13
	20	**60**	**18**	**28**
Insurance activities				
Charge for bad and doubtful debts (note 17)				
specific provision for impairment	-	1	-	-
Total bad and doubtful debts expense	**20**	**61**	**18**	**28**

5 CLAIMS EXPENSE

	1999 $m	1998 $m
Direct	669	652
Inwards reinsurance	(14)	22
	655	**674**

Details of net incurred claims are as follows:

	1999			1998		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	$m	$m	$m	$m	$m	$m
Direct business						
Gross claims incurred and related expenses - undiscounted	835	(239)	596	794	(182)	612
Reinsurance and other recoveries - undiscounted	(98)	(9)	(107)	(59)	(5)	(64)
	737	(248)	489	735	(187)	548
Discount and discount movements - gross claims incurred	(83)	157	74	(111)	151	40
Discount and discount movements - reinsurance and other recoveries	-	(9)	(9)	4	(7)	(3)
	654	(100)	554	628	(43)	585
Inwards reinsurance business						
Gross claims incurred and related expenses - undiscounted			(50)			14
Reinsurance and other recoveries - undiscounted			-			6
			(50)			20
Discount and discount movements - gross claims incurred			36			7
Discount and discount movements - reinsurance and other recoveries			-			(6)
			(14)			21
Total net claims incurred			**540**			**606**

5 CLAIMS EXPENSE (Continued)

Exemption for inwards reinsurance business

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

Explanation of material variances

The major components of the prior year movement are:

- A release of prudential margin in respect of claim payments during the year (largely offset on the Balance Sheet by inclusion of prudential margins in respect of current year claims);
- Unwinding of the discount allowed for in the provision and a small change in discount rate; and
- Reassessment of valuation assumptions.

6 SEGMENT INFORMATION

(a) Industry segments

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

The above industry segments derive revenue from the following activities:

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

(b) Geographic segments

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

6 SEGMENT INFORMATION (Continued)

(c) Contribution to operating profit from banking activities

	Consolidated 1999 $m	Consolidated 1998 $m
Net interest income		
Interest income	1,321	1,338
Interest expense	(851)	(866)
	470	472
Other operating income		
Dividends received or due and receivable		
other persons	1	2
Net profits/(losses) on trading and investment securities	(3)	5
Net profits/(losses) on derivative and other financial instruments		
realised	(10)	5
unrealised	17	(2)
Fees and commissions received or due and receivable		
controlled entities	24	29
other persons	84	94
Other income	7	8
	120	141
Total operating income	**590**	**613**
Operating expenses		
Staff expenses	(218)	(212)
Occupancy expenses	(35)	(38)
Computer expenses	(62)	(51)
Other operating expenses	(98)	(95)
	(413)	**(396)**
Net operating profit before bad and doubtful debts	177	217
Bad and doubtful debts expense (note 4)	(20)	(60)
Contribution to operating profit from banking activities before income tax, amortisation of goodwill and abnormal items	**157**	**157**

6 SEGMENT INFORMATION (Continued)

(d) Contribution to operating profit from general insurance activities

	Consolidated 1999 $m	Consolidated 1998 $m
Net premium revenue		
Premium revenue	725	703
Outwards reinsurance expense	(40)	(39)
	685	**664**
Net incurred claims (note 5)		
Claims expense	(655)	(674)
Reinsurance and other recoveries revenue	115	68
	(540)	**(606)**
Operating expenses		
Acquisition costs	(65)	(62)
Other underwriting expenses	(111)	(86)
	(176)	**(148)**
Underwriting result	(31)	(90)
Investment revenue - Technical Reserves	101	165
Insurance trading result	**70**	**75**
Investment revenue - Shareholder Reserves		
Interest, dividends, rent, etc	25	25
Realised gains on investments	16	(3)
Unrealised gains on investments	56	26
Other revenue	10	4
Other expenses	(8)	(7)
	99	**45**
Contribution to operating profit from general insurance activities before income tax, amortisation of goodwill and abnormal items	**169**	**120**

	Consolidated 1999 $m	Consolidated 1998 $m

6 SEGMENT INFORMATION (Continued)

(e) Contribution to operating profit from life insurance activities

	Consolidated 1999 $m	Consolidated 1998 $m
Consolidated entity's interest in earnings of life insurance statutory funds (refer below)	25	25
Other revenue	21	20
Other expenses	(21)	(22)
Contribution to operating profit from life insurance activities before income tax, amortisation of goodwill and abnormal items	**25**	**23**

	Not Consolidated 1999 $m	Not Consolidated 1998 $m
Derivation of interest in earnings of life insurance statutory funds		
Premiums net of reinsurance	560	387
Investment income	209	173
	769	560
Policy payments	(597)	(465)
Reinsurance recoveries	10	6
Decrease in policy liabilities	1	79
Expenses	(50)	(52)
	(636)	**(432)**
Operating profit before income tax	133	128
Income tax expense attributable to operating profit	(33)	(23)
Operating profit after income tax	100	105
Profit Allocation		
Total operating profit after tax	100	105
less policyholders' interest in operating profit	(75)	(80)
Shareholder's interest in operating profit before income tax, amortisation of goodwill and abnormal items	**25**	**25**

(f) Contribution to operating profit from other activities

	Consolidated 1999 $m	Consolidated 1998 $m
Other operating income	35	35
Other operating expenses	(30)	(31)
Contribution to operating profit from other activities before income tax, amortisation of goodwill and abnormal items	**5**	**4**

7 ASSETS AND LIABILITIES OF CONTROLLED NON-BANKING ENTITIES

The consolidated balance sheet of the consolidated entity has been prepared in accordance with AASB1032 "Specific Disclosures by Financial Institutions". In accordance with this standard, additional disclosures have been included in the notes to and forming part of the financial statements. These disclosures apply only in relation to the banking activities of the consolidated entity. The balance sheet can be dissected as follows:

	Consolidated	
	1999	**1998**
	$m	**$m**
Assets		
Banking financial assets	18,734	18,235
Elimination of controlled entity's investment in banking products	(602)	(200)
	18,132	18,035
Banking non-financial assets	506	439
Non-banking controlled entities' assets	2,858	2,950
	21,496	**21,424**
Liabilities		
Banking financial liabilities	17,750	17,338
Elimination of controlled entity's investment in banking products	(602)	(200)
	17,148	17,138
Banking non-financial liabilities	261	248
Non-banking controlled entities' liabilities	2,199	2,223
	19,608	19,609
Net assets	**1,888**	**1,815**

8 AVERAGE BALANCE SHEET AND MARGIN ANALYSIS

The table sets out the major categories of interest earning assets and interest bearing liabilities of the banking activities of the consolidated entity together with the respective interest earned or paid and the average interest rates. Interest earning assets in relation to non-banking activities have been excluded.

Average balances used are predominantly monthly averages. Non-accrual loans are included in interest earning assets under 'gross loans and advances'.

	1999			1998		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$m	$m	%	$m	$m	%
ASSETS						
Interest earning assets						
Trading securities	1,582	81	5.1	411	23	5.6
Investment securities	-	-	-	1,236	77	6.2
Gross loans, advances and other receivables	16,428	1,236	7.5	15,088	1,233	8.2
Statutory deposit with Reserve Bank of Australia	169	-	-	153	-	0.1
Other interest earning assets	164	4	2.5	132	5	3.8
Total interest earning assets	**18,343**	**1,321**	**7.2**	**17,020**	**1,338**	**7.9**
Non-interest earning assets						
Provision for impairment	(130)			(115)		
Property, plant and equipment	139			131		
Other assets	1,302			1,152		
Total non-interest earning assets	**1,311**			**1,168**		
Total assets	**19,654**			**18,188**		
LIABILITIES						
Interest bearing liabilities						
Deposits and short term borrowings	12,700	597	4.7	11,748	650	5.5
Bonds, notes and long term borrowings	4,246	215	5.1	3,764	181	4.8
Subordinated notes	522	39	7.5	465	35	7.5
Total interest bearing liabilities	**17,468**	**851**	**4.9**	**15,977**	**866**	**5.4**
Non-interest bearing liabilities						
Other liabilities	452			461		
Total non-interest bearing liabilities	452			461		
Total liabilities	**17,920**			**16,438**		
Net assets	**1,734**			**1,750**		
Analysis of interest margin and spread						
Interest earning assets	18,343	1,321	7.2	17,020	1,338	7.9
Interest bearing liabilities	17,468	851	4.9	15,977	866	5.4
Net interest spread			**2.3**			**2.5**
Net interest margin	**18,343**	**470**	**2.6**	**17,020**	**472**	**2.8**

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

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

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

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

(3) Other consequential effects.

10 TAXATION

Income tax expense

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Prima facie income tax expense calculated at 36% (1998: 36%) on operating profit before abnormal items and income tax	125	106	64	73
Increase in income tax expense due to				
Non-deductible expenditure	7	12	8	11
Non-deductible write-down	-	2	-	-
Pre-acquisition dividend income	-	-	13	44
Goodwill amortisation	4	4	-	-
Decrease in income tax expense due to				
Non-assessable income	(12)	(12)	(17)	(19)
Distribution on converting capital notes	(21)	(22)	(21)	(22)
Transition to Commonwealth tax regime	(2)	-	-	-
Dividend rebates	(8)	(6)	(14)	(63)
Tax losses transferred for no consideration	-	-	(7)	-
Future income tax benefits not previously brought to account	(5)	(16)	-	-
Other	2	-	-	-
Income tax expense on operating profit	90	68	26	24
Over provision in prior year	(3)	(7)	(1)	-
Income tax expense attributable to operating profit before abnormal items	87	61	25	24
Income tax benefit attributable to abnormal items (note 9)	(14)	-	-	-
Income tax expense attributable to operating profit	**73**	**61**	**25**	**24**

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
10 TAXATION (Continued)				
Total income tax expense is made up of:				
Current income tax provision	15	64	22	2
Deferred income tax provision	17	4	4	11
Future income tax benefit	41	(7)	(1)	26
Transfer of future income tax benefit to controlled entity	-	-	-	(15)
	73	**61**	**25**	**24**

The future income tax benefits not previously brought to account are in relation to movements in market values of investments integral to insurance activities and other merger related items associated with the transition to Commonwealth tax regime.

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Provision for current income tax (note 24)				
Balance at the beginning of the financial year	28	21	(2)	-
Income tax paid	(32)	(57)	(12)	(4)
Under provision in prior year	2	5	-	-
Current year's income tax expense on operating profit	13	59	22	2
	11	**28**	**8**	**(2)**
Provision for deferred income tax (note 24)				
Provision for deferred income tax comprises:				
Difference in depreciation for accounting and income tax purposes	-	4	-	-
Leveraged leases	18	15	18	15
Lease finance	15	12	14	11
Research and development	3	1	-	-
Expenditure currently deductible but deferred and amortised for accounting purposes	14	13	8	5
Income not currently assessable for tax purposes	70	38	6	11
	120	**83**	**46**	**42**
Future income tax benefit (note 21)				
Future income tax benefit comprises:				
Income currently assessable but deferred for accounting purposes	16	20	5	6
Difference in depreciation for accounting and income tax purposes	13	-	10	3
Provision for specific impairment	9	8	4	1
Other provisions and accrued expenses	61	68	15	15
Lease finance	3	4	-	-
Merger restructure provision	-	9	-	9
Tax losses	-	15	-	-
	102	**124**	**34**	**34**

The potential future income tax benefit in relation to tax losses will only be obtained if:

(i) the relevant company or consolidated entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with the Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company or consolidated entity continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the relevant company or consolidated entity in realising the benefit.

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

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

Franking credits

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
The amount of dividends that would be fully franked at the 36% corporate tax rate after allowing for all tax payable in respect of the current year's profits and the payment of the proposed dividends	-	56	(47)	(49)
Franking credits in respect of dividends receivable from controlled entities	-	-	32	55
	-	**56**	**(15)**	**6**

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

The franked portions of the dividends proposed as at 30 June 1999 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2000.

Based on current estimates and assumptions (including no changes flowing from the Mercantile Mutual tax case), the Company expects to pay fully franked dividends at current levels for the next 12 months. This is subject to there being no further conversion of capital notes to ordinary shares. Such dividends will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2000.

	Consolidated	
	1999	1998
	Cents	Cents
12 EARNINGS PER SHARE		
Basic earnings per share before abnormal items	65.02	56.66
Diluted earnings per share before abnormal items	51.83	45.83
Basic earnings per share after abnormal items	60.92	56.66
Diluted earnings per share after abnormal items	49.16	45.83

	Number of Shares	
	1999	1998
Weighted average number of ordinary shares used in the calculation of basic earnings per share	300,772,631	292,356,991
Weighted average number of potential ordinary shares relating to:		
Options on ordinary shares	3,183,507	2,979,745
Partly paid ordinary shares	63,779	166,150
Preference shares	10,130,974	10,130,974
Converting capital notes	146,746,575	155,000,000
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	**460,897,466**	**460,633,860**

As required by Accounting Standard AASB1027: Earnings per share, the weighted average number of shares used to calculate basic and diluted earnings per share have been adjusted for subsequent issues of ordinary shares.

Conversion, call, subscription or issue after 30 June 1999

From 1 July 1999 to the date of signing these financial statements, 30,800 partly paid ordinary shares have been converted to fully paid.

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
13 TRADING SECURITIES				
Integral to banking activities				
Interest bearing securities at net market value				
Government and semi-government securities	39	622	39	518
Bank bills and certificates of deposits	1,110	1,059	1,110	911
Other interest bearing securities	-	138	-	121
Total trading securities	**1,149**	**1,819**	**1,149**	**1,550**

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
14 INVESTMENT SECURITIES				
Integral to banking activities				
Interest bearing securities at amortised cost				
Other interest bearing securities	1	2	1	2
	1	**2**	**1**	**2**
Other investments at cost				
Controlled entities (note 41)	-	-	907	943
Other companies	4	1	2	1
	4	**1**	**909**	**944**
Integral to insurance activities				
Interest bearing securities at net market value				
Government and semi-government securities	1,292	1,189	-	-
Bank bills, certificates of deposit and other short term negotiable securities	129	230	-	-
Other interest bearing securities	142	71	-	-
	1,563	**1,490**	**-**	**-**
Other investments at net market value				
Listed shares	622	464	-	-
Freehold land and buildings	98	114	-	-
Property trusts	96	112	-	-
	816	**690**	**-**	**-**
Not integral to insurance activities				
Shares in other corporations				
at Directors' valuation 1999	6	-	-	-
at cost 1998	-	6	-	-
Provision for diminution	-	(6)	-	-
	6	**-**	**-**	**-**
Total investment securities	**2,390**	**2,183**	**910**	**946**
Market value of interest bearing investment securities integral to banking activities	1	2	1	2

The Directors' valuation in 1999 was performed on the basis of an independent market value assessment of the other corporation's value.

15 LOANS, ADVANCES AND OTHER RECEIVABLES

	Consolidated		Company	
	1999	**1998**	**1999**	**1998**
	$m	$m	$m	$m
Integral to banking activities				
Housing loans	8,633	8,287	8,631	8,172
Commercial loans	5,539	5,261	5,396	2,277
Lease finance	1,652	1,532	1,394	1,090
Structured finance	84	67	24	21
Consumer receivables	819	645	707	491
Other receivables				
controlled entities	-	-	1,045	2,676
other persons	-	20	-	20
	16,727	15,812	17,197	14,747
Provision for impairment (note 17)	(120)	(133)	(113)	(69)
	16,607	**15,679**	**17,084**	**14,678**
Integral to insurance activities				
Premiums outstanding	46	51	-	-
Provision for lapses	(6)	(8)	-	-
Provision for impairment (note 17)	(1)	(1)	-	-
	39	42	-	-
Investment revenue receivable	10	11	-	-
Insurance recoveries and other receivables	125	92	-	-
Provision for impairment (note 17)	(12)	(12)	-	-
	162	**133**	-	-
Total loans, advances and other receivables	**16,769**	**15,812**	**17,084**	**14,678**

Securitisation of loans

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

The Trustee has funded its purchase of the mortgage loans by issuing Class A1 and Class A2 floating-rate pass-through debt securities. The securities issued by the Trust do not represent deposits or other liabilities of the Group or Parent Entity. Neither the Group nor Parent Entity stands behind the capital value and/or performance of the securities or the assets of the Trust. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The Group is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support. The Group has no right to repurchase any of the securitised loans and no obligation to do so.

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
16 IMPAIRED ASSETS				
Integral to banking activities				
Non-accrual loans				
Gross balances				
with specific provisions set aside	103	113	98	19
without specific provisions set aside	57	56	49	23
	160	169	147	42
Interest reserved	(15)	(13)	(13)	(2)
Net balances	145	156	134	40
Specific provision for impairment (note 17)	(43)	(57)	(41)	(12)
Net non-accrual loans	**102**	**99**	**93**	**28**
Details of size of gross non-accrual loans				
Less than one million	52	52	47	23
Greater than one million but less than ten million	74	86	66	19
Greater than ten million	34	31	34	-
	160	**169**	**147**	**42**
Past due loans not shown as impaired assets				
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the profit and loss statement. Value of past due loans	**105**	**97**	**99**	**32**
Interest income forgone on impaired assets				
Net interest charged but not recognised as revenue in the profit and loss statement during the financial year	**14**	**3**	**12**	**3**
Interest income on impaired assets recognised in the profit and loss statement				
Net interest charged and recognised as revenue in the profit and loss statement during the financial year	**10**	**12**	**8**	**5**
Analysis of movements in impaired assets				
Balance at the beginning of the financial year	169	158	42	24
Impaired assets acquired	-	-	119	-
Recognition of new impaired assets and increases in previously recognised impaired assets	86	130	72	48
Impaired assets written off during the financial year	(35)	(26)	(33)	(5)
Impaired assets which have been restated as performing assets	(60)	(93)	(53)	(25)
Balance at the end of the financial year	**160**	**169**	**147**	**42**

17 PROVISION FOR IMPAIRMENT

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Integral to banking activities				
General provision				
Balance at the beginning of the financial year	76	63	57	42
Acquired during the financial year	-	-	15	-
Charge against the profit and loss statement	1	13	1	15
Balance at the end of the financial year	77	76	73	57
Specific provision				
Balance at the beginning of the financial year	57	35	12	4
Acquired during the financial year	-	-	42	-
Charge against the profit and loss statement				
New and increased provisions	35	64	37	15
Write-back of provisions no longer required	(16)	(17)	(20)	(2)
Bad debts recovered	2	2	2	1
Bad debts written-off	(35)	(27)	(33)	(6)
Balance at the end of the financial year	43	57	40	12
Total provision for impairment - banking activities	**120**	**133**	**113**	**69**

	1999 %	1998 %	1999 %	1998 %
The provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are as follows:				
Specific provision	29.7	36.5	29.9	30.0
Total provision	82.8	85.3	84.3	172.5
General provision expressed as a percentage of risk weighted assets	0.55	0.53	0.52	0.53

Integral to insurance activities	$m	$m
General provision		
Balance at the beginning of the financial year	3	3
Charge against the profit and loss statement	-	-
Balance at the end of the financial year	**3**	**3**
Specific provision		
Balance at the beginning of the financial year	10	9
Acquired during the financial year	-	-
Charge against the profit and loss statement	-	1
Balance at the end of the financial year	10	10
Total provision for impairment - insurance activities	**13**	**13**

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m

18 PROPERTY, PLANT AND EQUIPMENT

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Property				
Land				
Freehold land at Directors' valuation (1998)	17	17	4	4
	17	17	4	4
Buildings				
At cost	4	-	-	-
Directors' valuation (1998)	54	54	38	38
	58	54	38	38
Accumulated depreciation	(3)	-	(2)	-
	55	54	36	38
Leasehold improvements at cost	29	21	11	11
Accumulated amortisation	(20)	(14)	(9)	(8)
	9	7	2	3
Total property	**81**	**78**	**42**	**45**
Plant and equipment				
Computer and office equipment, furniture and fittings and motor vehicles at cost	169	149	44	64
Accumulated depreciation	(102)	(93)	(41)	(51)
Total plant and equipment	**67**	**56**	**3**	**13**
Total property, plant and equipment	**148**	**134**	**45**	**58**

The Directors' valuation was carried out as at 30 June 1998 and was on the basis of the open market value of the properties concerned in their existing use. The valuation established by the directors does not exceed independent valuations of freehold land and buildings obtained at that date. No material adjustments have been taken to the asset revaluation reserve.

19 UNLISTED INVESTMENT IN LIFE INSURANCE STATUTORY FUNDS

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Consolidated entity's interest in capital and retained earnings of life insurance statutory funds (note 43)	**97**	**90**		

The retained earnings of the life insurance statutory funds are calculated and allocated between policy owners and the shareholder in accordance with the requirements of the Life Insurance Act 1995, Australian Prudential Regulation Authority's Rules and applicable Actuarial Standards (refer note 1(l)).

The consolidated entity's interest in the capital and retained earnings of the life insurance statutory funds is based on an actuarial valuation of policy owners' liabilities performed by Rowan Ward, B.Sc. FIAA, Appointed Actuary. Distributions are subject to the restrictions imposed by the Life Insurance Act 1995.

	Consolidated		Company	
	1999	**1998**	**1999**	**1998**
	$m	$m	$m	$m

20 INTANGIBLE ASSETS

	1999 $m	1998 $m	1999 $m	1998 $m
Goodwill	200	200		
Accumulated amortisation	(26)	(16)		
Total intangible assets	**174**	**184**		

21 OTHER ASSETS

	1999 $m	1998 $m	1999 $m	1998 $m
Accrued interest receivable	89	58	53	23
Prepayments	8	16	4	9
Deferred expenditure	13	17	12	11
Deferred acquisition costs on general insurance policies	24	22	-	-
Franchise systems - at Directors' valuation 1999	14	-	-	-
Franchise systems - at cost	-	4	-	-
Franchise systems - at independent valuation 1996	-	10	-	-
Future income tax benefit (note 10)	102	124	34	34
Unrealised gains on derivative hedging positions (note 39)	59	269	59	269
Sundry assets	102	42	76	15
Total other assets	**411**	**562**	**238**	**361**

The Directors' valuation of franchise systems was carried out at 30 June 1999. The directors are of the opinion that this valuation provides a reasonable estimate of recoverable amounts. The valuation is on the basis of the open market value. The valuation by directors is at a discount to an independent valuation of franchise systems obtained at 31 May 1999 which was carried out by Deloitte Corporate Finance Pty Ltd.

22 DEPOSITS AND SHORT TERM BORROWINGS

	1999 $m	1998 $m	1999 $m	1998 $m
Unsecured				
Call deposits	3,531	3,455	4,217	3,599
Term deposits	4,363	4,674	4,372	4,385
Short term securities issued	3,496	3,581	3,494	3,332
Offshore borrowings	281	35	281	35
	11,671	**11,745**	**12,364**	**11,351**
Secured				
Short term securities issued	-	101	-	-
	-	101	-	-
Total deposits and short term borrowings	**11,671**	**11,846**	**12,364**	**11,351**

The deposits and short term securities are secured by charges over various assets of certain controlled entities.

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
23 ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Unpresented bank cheques	69	138	69	138
Accrued interest payable	137	129	133	108
Sundry creditors and accrued expenses	158	182	138	68
Amounts due to controlled entities	-	-	104	5
Total accounts payable and other liabilities	**364**	**449**	**444**	**319**
24 PROVISIONS				
Employee entitlements	34	37	-	-
Directors' retirement benefits	2	2	2	2
Restructuring	-	30	-	30
Current income tax (note 10)	11	28	8	(2)
Deferred income tax (note 10)	120	83	46	42
Dividends and distributions (note 11)	124	105	124	105
Other	35	23	5	5
Total provisions	**326**	**308**	**185**	**182**

The restructuring provision included costs incurred in restructuring the former SUNCORP Insurance and Finance and QIDC Limited entities acquired, including systems amalgamation, termination of surplus leased premises, staff redundancies and consultancy.

25 OUTSTANDING CLAIMS AND UNEARNED PREMIUMS PROVISIONS

	1999	1998
Outstanding claims	1,723	1,678
Unearned premiums	374	360
Total outstanding claims and unearned premiums provisions	**2,097**	**2,038**

Outstanding claims provision

	1999	1998
Expected future claims (undiscounted)	2,012	2,071
Discount to present value	(289)	(393)
Liability for outstanding claims	**1,723**	**1,678**
Current	526	395
Non-current	1,197	1,283
	1,723	**1,678**

Inflation and Discount Rates

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

	1999	1998
	%	%
For the succeeding and subsequent years:		
Inflation rate	7.5-8.5	4.5-9.7
Discount rate	5.0-6.0	5.1-5.9

25 OUTSTANDING CLAIMS AND UNEARNED PREMIUMS PROVISIONS (Continued)

Term to Settlement

The portfolio is weighted towards long-tail business whereby claims are expected to be settled progressively over approximately 20 years. The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 2.8 years (1998: 3.7 years).

	Consolidated		Company	
	1999	1998	1999	1998
	$m	$m	$m	$m
26 BONDS, NOTES AND LONG TERM BORROWINGS				
Secured				
Long term securities issued	115	276	-	-
Unsecured				
Long term securities issued	2,053	2,090	2,053	2,002
Offshore	2,385	2,083	2,385	2,083
	4,438	4,173	4,438	4,085
Total bonds, notes and long term borrowings	**4,553**	**4,449**	**4,438**	**4,085**

The long term securities issued are secured by charges over various assets of certain controlled entities.

27 SUBORDINATED NOTES

	Consolidated 1999	Consolidated 1998	Company 1999	Company 1998
Floating rate notes due December 1998	-	5	-	5
Fixed rate notes due December 2003	-	55	-	55
Floating rate notes due December 2004	10	10	10	10
Fixed rate notes due October 2005	53	53	53	-
Fixed rate notes due August 2006	56	56	56	-
Fixed rate notes due November 2006	284	284	284	284
Perpetual floating rate notes	173	-	173	-
Total subordinated notes	**576**	**463**	**576**	**354**

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

In respect of notes issued by the Company, payments of principal and interest on the notes have priority over Company dividend payments only, and in the event of the winding-up of the Company, the rights of the note holders will rank in preference only to the rights of the preference and ordinary shareholders.

In respect of notes issued by a controlled entity, payments of principal and interest on the notes will only be payable to the extent that, after such payment, the controlled entity remains solvent.

In line with the Australian Prudential Regulation Authority's capital adequacy measurement rules, perpetual floating rate notes are included in upper tier 2 capital. The term subordinated notes are included in lower tier 2 capital and are reduced by 20 percent for each of their last five years to maturity.

The subordinated notes are represented as:

	Consolidated 1999	Consolidated 1998	Company 1999	Company 1998
Qualifying tier 2 capital	576	459	576	350
Non-qualifying	-	4	-	4
	576	**463**	**576**	**354**

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m

28 SHARE CAPITAL

Issued and Paid-up

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
205,051,887 ordinary shares each fully paid (1998: 192,280,137 of 50 cents par value each fully paid)	522	96	522	96
7,200 ordinary shares each 45 cents partly paid (1998: 36,600 of 50 cents par value each 45 cents partly paid)	-	-	-	-
NIL ordinary shares each 44 cents partly paid (1998: 169,950 of 50 cents par value each 44 cents partly paid)	-	-	-	-
51,650 ordinary shares each 5 cents partly paid (1998: 124,050 of 50 cents par value each 5 cents partly paid)	-	-	-	-
100,000,000 subordinated dividend ordinary shares each fully paid (1998: 100,000,000 of 50 cents par value each fully paid)	382	50	382	50
5,455,140 non-redeemable non-cumulative converting preference shares (Series 2) each fully paid (1998: 5,455,140 of 50 cents par value each fully paid)	71	3	71	3
2,000 non-participating shares each fully paid (1998: 2,000 of 50 cents par value each fully paid)	-	-	-	-
	975	**149**	**975**	**149**

Movements During the Year

	Consolidated 1999 $m	Consolidated 1998 $m	Company 1999 $m	Company 1998 $m
Balance at the beginning of the financial year	149	149	149	149
Conversion of converting capital notes to ordinary shares	56	-	56	-
Transfer from share premium reserve	770	-	770	-
Balance at the end of the financial year	**975**	**149**	**975**	**149**

Details concerning the above movements are as follows:

Description	Share Type	No. of shares	Paid-up Capital
Partly paid shares converted to fully paid	Ordinary	271,750	0.13 (Average)
Calls on partly paid shares	Ordinary	159,050	0.39 (Average)

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

28 SHARE CAPITAL (Continued)

Preference Shares Series 2 are convertible at the discretion of the directors of the Company to fully paid ordinary shares in the Company at the lesser of $7.00 or a discount of 7.5 percent to the then market price of ordinary shares, at any time between 17 October 1999 and 17 October 2000.

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

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

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

	Consolidated		Company	
	1999	**1998**	**1999**	**1998**
	$m	$m	$m	$m

29 CONVERTING CAPITAL NOTES

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

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

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

	Consolidated		Company	
	1999	**1998**	**1999**	**1998**
	$m	$m	$m	$m
Distributions (note 11)	58	61	58	61
Income tax benefit (note 10)	21	22	21	22
	37	**39**	**37**	**39**