Suncorp-Metway Ltd

Annual Report 2010/11

"Suncorp Bank makes doing business easier."
Peter Mawad, coffee shop owner, and first customer at Lane Cove branch, Sydney.

One Company
Many Brands

SUNCORP GROUP

Contents

Directors' Report

For the year ended 30 June 2011

The directors present their report together with the financial report of Suncorp-Metway Ltd (the Company) and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2011 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are set out below. All non-executive directors are members of the Nomination Committee.

John D Story

BA, LLB, FAICD
Age 65
Non-executive Chairman
Ex-officio member Audit, Risk and Remuneration Committees

Director since January 1995, Deputy Chairman since June 2002 and Chairman since March 2003. Mr Story was a partner of the national law firm Corrs Chambers Westgarth for 36 years, retiring on 30 June 2006. He practised in the areas of corporate and commercial law and served as Queensland Managing Partner and National Chairman.

He is Chairman of Echo Entertainment Group Limited and a director of CSR Limited. Mr Story is Chancellor of The University of Queensland and is a Commissioner of the Public Service Commission (Queensland).

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
CSR Limited	12.04.03	
Tabcorp Holdings Limited	29.01.04	08.06.11
Suncorp Group Limited	22.12.10	
Echo Entertainment Group	09.06.11	

1. Directors (continued)

Patrick J R Snowball

MA, Hon. LL.D
Age 61
Managing Director and Chief Executive Officer

Managing Director since joining the Group on 1 September 2009. Mr Snowball is an experienced financial services executive with extensive knowledge of the insurance industry, having overseen businesses in the UK, Ireland, Canada, India and Asia.

Mr Snowball joined the main board of Norwich Union plc in 1999 prior to the merger with CGU in 2000, having previously been part of the team delivering the realignment of Norwich Union after demutualisation in 1997. He re-joined the Aviva main board in 2001 as Executive Director for general insurance in the UK, Ireland, Canada, India and Asia. From 2005 to 2007, he was Group Executive Director, Aviva UK, where he was responsible for all UK operations, including its general and life insurance businesses. He worked with the Towergate group of companies in both deputy chairman and chairman's roles and served as a non-executive director of Jardine Lloyd Thompson plc from 2008 to 2009. Before his business career, Patrick served with the British Army including periods as Squadron Leader in the United Kingdom and West Germany.

Mr Snowball was a member of the Financial Services Authority (FSA) Practitioner Panel (UK) – representing Life and General Insurance – from 2006 to 2008.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Jardine Lloyd Thompson Group Plc (LSE)	01.11.08	01.07.09
Suncorp Group Limited	22.12.10	

Ilana R Atlas

BJuris (Hons) (WAust), LLB (Hons) (WAust), LLM (Syd)
Age 56
Non-executive director
Member Risk and Remuneration Committees

Director since January 2011. Ms Atlas is an experienced financial services and legal executive and has most recently held senior management positions at Westpac Banking Corporation including Group Executive, People and Group Secretary and General Counsel. Prior to joining Westpac, Ms Atlas was a partner at Mallesons Stephen Jaques, practising as a corporate lawyer, holding a number of managerial roles in the firm including Managing Partner and Executive Partner, People & Information.

Ms Atlas is a director of Coca-Cola Amatil Limited and Westfield Holdings Limited, Chairman of Bell Shakespeare, and is also Pro-Chancellor of the Australian National University.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Suncorp Group Limited	22.12.10	
Coca-Cola Amatil Limited	24.02.11	
Westfield Holdings Limited	25.05.11	

William J Bartlett

FCA, CPA, FCMA, CA (SA)
Age 62
Non-executive director
Member Audit and Remuneration Committees

Director since 1 July 2003. Mr Bartlett is a director of Reinsurance Group of America Inc., GWA International Limited and Abacus Property Group. He has 35 years' experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003.

Mr Bartlett 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 (1994–2007). He holds an honorary position on the board of the Bradman Foundation and the Bradman Museum. He is Chairman of the Council of Governors of the Cerebral Palsy Foundation.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Reinsurance Group of America Inc. (NYSE)	26.05.04	
Abacus Property Group	14.02.07	
GWA International Limited	21.02.07	
Suncorp Group Limited	22.12.10	

Dr Ian D Blackburne

MBA, PhD, BSc (First Class Hons)
Age 65
Former non-executive director
(from 3 August 2000 to 31 August 2010)
Chairman Risk Committee (to 31 August 2010)

Dr Blackburne is Chairman of Aristocrat Leisure Limited, and a director of Teekay Corporation. He is the immediate past Chairman of CSR Limited and the Australian Nuclear Science and Technology Organisation (July 2001–June 2006) and was formerly Managing Director of Caltex Australia Limited having spent 25 years in the petroleum industry.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
CSR Limited	01.09.99	07.07.11
Teekay Corporation (NYSE)	08.09.00	
Symbion Health Limited	01.09.04	28.04.08
Aristocrat Leisure Limited	01.12.09	

1. Directors (continued)

Paula J Dwyer

BComm, FCA, FAICD, FFin
Age 50
Non-executive director
Chairman Audit Committee

Director since April 2007. Ms Dwyer was a director and chairman of the audit, risk and compliance committee of Promina Group Limited at the date of merger with the Company. She is chairman of Tabcorp Holdings Limited and a director of Foster's Group Limited and Astro Japan Property Group Limited, where she is chairman of the audit, risk and compliance committee. Ms Dwyer is a member of the Takeovers Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Research Institute.

Prior to becoming a company director in 2000, Ms Dwyer's professional experience was in securities, investment banking and chartered accounting, holding senior positions with Ord Minnett (now J P Morgan) and PricewaterhouseCoopers. She was formerly a director of David Jones Limited.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Astro Japan Property Group Limited	19.02.05	
Tabcorp Holdings Limited	30.08.05	
Foster's Group Limited	09.05.11	
Healthscope Limited	10.03.10	12.10.10
Suncorp Group Limited	22.12.10	

Stuart I Grimshaw

BCA (Vic, NZ), MBA (Melb), PMD (Harvard)
Age 50
Former non-executive director
(from 27 January 2010 to 23 August 2011)
Member Audit and Risk Committees (to 23 August 2011)

Director since January 2010 and resigned on 23 August 2011. He was appointed Chief Executive Officer at Caledonia Investments in January 2009. Mr Grimshaw has over 25 years' experience in the banking and financial services industry, both in Australia and abroad. He formerly held senior positions at Commonwealth Bank of Australia including Chief Financial Officer, Group Executive Premium Business and Group Executive Wealth Management.

While working overseas for the National Australia Bank, Mr Grimshaw held the position of Chief Executive Officer for both Yorkshire and Clydesdale Banks in the UK.

Mr Grimshaw is a director of Grays (Australia) Holdings Pty Ltd, a Senior Fellow of the Financial Services Institute of Australasia (FINSIA), member of the board of the Melbourne Football Club and President of Hockey Australia.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Suncorp Group Limited	22.12.10	23.08.11

Ewoud J Kulk

BEcon, FAICD
Age 65
Non-executive director
Chairman Risk Committee and Member Remuneration Committee

Director since March 2007. Mr Kulk was a director of Promina Group Limited at the date of merger with the Company. He was Managing Director of the Australian General Insurance Group (1994–1998) and was Group Director Asia Pacific for Royal & Sun Alliance Insurance Group plc from March 1998 until his retirement in September 2003.

Mr Kulk is Chairman of AA Insurance Limited (NZ), a director of the Westmead Millennium Institute, a member of the NSW Council of the Australian Institute of Company Directors and a past president of the Insurance Council of Australia. He has over 25 years' experience in the insurance industry.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Suncorp Group Limited	22.12.10	

Geoffrey T Ricketts

LLB (Hons)
Age 65
Non-executive director

Director since March 2007. Mr Ricketts was a director of Promina Group Limited at the date of merger with the Company. He is Chairman of Lion Nathan National Foods Limited and a non-executive director of Spotless Group Limited, Todd Corporation Limited (NZ), Heartland New Zealand Limited and Heartland Building Society (NZ). Mr Ricketts is also a director of the Centre for Independent Studies Limited. He is a lawyer and a consultant for Russell McVeagh, Solicitors (NZ) and was a partner in that firm from 1973 until 2000.

He was formerly Chairman of Royal & Sun Alliance's New Zealand (R&SA NZ) operations having been a non-executive director of R&SA NZ for over ten years.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Lion Nathan Limited	13.06.88	Delisted 28.10.09
Taylors Group Limited (NZX)	13.01.92	18.12.09
Spotless Group Limited	08.07.96	
Suncorp Group Limited	22.12.10	
Heartland New Zealand Limited (NZX)	05.01.11	

1. Directors (continued)

Dr Zygmunt E Switkowski

BSc (Hons), PhD, FAICD, FTSE
Age 63
Non-executive director
Chairman Remuneration Committee and Member Risk Committee

Director since September 2005, Dr Switkowski is Chairman of Opera Australia, a director of Tabcorp Holdings Limited, Oil Search Limited and Lynas Corporation Ltd and Chancellor of RMIT University.

He is the immediate past Chairman of the Australian Nuclear Science and Technology Organisation and previously Chief Executive Officer of Telstra Corporation Limited, Optus Communications Ltd and Kodak Australasia Pty Ltd.

Listed company directorships held since 1 July 2008

Company name	Appointed	Resigned
Healthscope Limited	19.01.06	12.10.10
Lynas Corporation Ltd	01.02.11	
Oil Search Limited	22.11.10	
Suncorp Group Limited	22.12.10	
Tabcorp Holdings Limited	02.10.06	

2. Company Secretary

Anna C Lenahan BA (Hons), MA (Psych)(Hons), LLB (Hons) was appointed to the position of Group General Counsel and Company Secretary in March 2011. Prior to this, Ms Lenahan was a Corporate Partner at the law firm Allens Arthur Robinson.

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

Darren C Solomon LLB was appointed joint company secretary in March 2010 and has over 20 years' legal and company secretarial experience within banking and financial services.

3. Directors' meetings

In January 2011, the Company implemented a non-operating holding company structure following shareholder, regulatory and court approval. This established Suncorp Group Limited (SGL) as the listed holding company of the Suncorp Group of companies. The directors of SGL are also directors of the Company.

The number of directors' meetings of both SGL and the Company[1] (including meetings of committees of directors) and the number of meetings attended by each of the directors of both SGL and the Company during the financial year ended 30 June 2011 were:

	Board of Directors		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
J D Story	13	13	6	6	7	7	4	4	3	3
P J R Snowball	13	13	6	6[2]	7	6[2]	4	4[2]	-	-
I R Atlas	6	6	3	2	3	3	3	3	-	-
W J Bartlett	13	13	6	6	-	-	4	4	3	3
Dr I D Blackburne	2	2	-	-	2	2	-	-	2	2
P J Dwyer	13	13	6	6	-	-	-	-	3	3
S I Grimshaw	13	13	6	6	7	7	-	-	3	3
E J Kulk	13	13	-	-	7	7	4	4	3	3
G T Ricketts	13	13	-	-	-	-	-	-	3	3
Dr Z E Switkowski	13	13	-	-	7	7	4	4	3	3

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

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

1. On 7 January 2011, Suncorp Group Limited replaced Suncorp-Metway Ltd as the listed parent of the Suncorp Group as part of the non-operating holding company restructure. The meetings listed in the table are a combination of meetings conducted by directors of Suncorp-Metway Ltd over the period 1 July 2010 to 7 January 2011 and meetings conducted by directors of Suncorp Group Limited over the period from the restructure to 30 June 2011.
2. The Managing Director attends Audit Committee, Risk Committee and Remuneration Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any board committee.

4. Remuneration Report

The Remuneration Report is set out on page 15 and forms part of the Directors' Report for the financial year ended 30 June 2011.

5. Principal activities

The principal activities of the Group 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 in Australia and New Zealand.

In January 2011, the Company implemented a non-operating holding company structure following shareholder, regulatory and court approval. This established Suncorp Group Limited (SGL) as the listed holding company of the Suncorp Group of companies and enabled the Suncorp Group's legal and operating structure to align. Suncorp-Metway Ltd (SML) no longer operates as the Suncorp Group's holding company, however, it continues as the Suncorp Group's Authorised Deposit Taking Institution.

5.1. Group's objectives

The Suncorp Group's 'Clarity of Purpose' outlines its core aspirations:

- To be 'One Company, Many Brands'.
- To protect and grow the financial wellbeing of aspiring Australians and New Zealanders.

The focus is on simplicity and relentless execution to deliver on these aspirations, maximising value through four strategic priorities – Cost, Capital, Customer and Culture.

The Suncorp Group remains committed to delivering consistent, strong returns through its unique, diversified business model which consists of five operating divisions with end-to-end accountability, supported by a lean, strong corporate centre and a shared service function for common services and infrastructure.

The objectives of the Company are to deliver to these objectives in the context of the Company's activities as an Authorised Deposit Taking Institution.

6. Operating and financial review

6.1. Overview of the Group

Suncorp-Metway Ltd, previously, was the holding company for the Suncorp Group companies. This consisted of investment and operations in General Insurance, Banking, Life and Corporate entities.

Following the restructure of the Group in January 2011, Suncorp-Metway Ltd's interests in non-banking subsidiaries were transferred to Suncorp Group Limited. Suncorp-Metway Ltd became a subsidiary of Suncorp Group Limited.

Suncorp-Metway Ltd and its subsidiaries continue its operations in banking as an Authorised Deposit Taking Institution.

6.2. Review of principal businesses

The profit after tax of the Group was $307 million (2010: $789 million). The results for the Group include profits from its Life and General Insurance companies up until 7 January 2011, when they were transferred as part of the corporate restructure. Results of transferred companies are disclosed as discontinued operations.

The profit after tax of continuing operations of the Group was $80 million for the year ended 30 June 2011 (2010: $81 million). The Group continued to execute its announced Banking strategic objectives of:

- growth in total customer base to one million customers
- trebling the number of customers in Western Australia and New South Wales
- doubling the branch footprint in Western Australia and New South Wales
- increasing 'complete customers' by 50%
- a cost to income ratio of mid 40%; and
- delivery of sustained return on equity of 15% in the Core Bank.

Core Bank

Suncorp Bank is Australia's fifth largest retail bank with its core business in personal, SME and agribusiness banking.

Core Bank profit after tax profit was $259 million. This performance was underpinned by the following achievements:

- home lending marginally above system for the full year, despite exposure to flood-affected Queensland
- solid core business lending growth despite contracting system
- the deposit to core lending ratio was maintained at the top end of the target range of 60% to 70%
- the net interest margin to lending assets improved by 12 basis points over the year; and
- impairment charges were in line with the banking industry despite the weather events.

Growth in housing loan receivables was strong in the first half but momentum slowed significantly following the impact of major weather events. The Bank's strong brand presence supported renewed growth towards the end of the year; however the Queensland mortgage market continues to be subdued. Over the year, housing loan receivables (including securitised assets), increased by 6.5% to $30.9 billion.

Consumer lending decreased 1.9% over the year to $558 million as customers continued to focus on repaying existing debt.

Business lending increased 5.4% to $8.1 billion at 30 June 2011. This is a solid result in a market that is still contracting and reflects the strength of the franchise and the Bank's position as number one nationally in customer satisfaction among business customers, as measured by Roy Morgan[1].

The Bank continued to focus on developing 'Main Financial Institution' status with customers through its Complete Customer metric. This builds more enduring customer relationships and supports the Bank's multi-product holdings strategy.

The deposit to core lending ratio was maintained at the top end of the target range. Deposit growth moderated to match lending growth and support the net interest margin. The overall composition of deposits improved over the year in terms of both price and retention quality.

Net interest income for the full year was $837 million, representing an increase of 11.2%. Net interest income to interest earning assets improved by 10 basis points to 1.90%, and net interest income to lending assets improved by 12 basis points to 2.18%. This margin improved by 16 basis points from the first to second half.

Net banking fee income of $87 million was down 23% reflecting the systemic shift in the market to lower fees. This reduction was particularly evident in the home lending and retail deposit portfolios.

Operating expenses in the Core Bank were $492 million, up from $451 million, reflecting continued investment in building the core franchise and stimulating growth through branch expansion and increases in customer-facing staff. The Core Bank cost-to-income ratio was 52.5%. The second half cost to income ratio was 52%, down from 53% in the first half. This trend is expected to continue as the growth in average receivables balances increases and new branch investment matures.

A $25 million provision made in December 2010 to allow for potential losses and credit quality deterioration due to the flood events has been retained. The Bank took a conservative approach to provide for the dislocation impacts that could potentially arise. Actual incurred losses have been immaterial to date.

1 Roy Morgan Research Business Survey 6 months to June 2011 – based on performance amongst top six banks (ANZ, CBA, NAB, WESTPAC, St George and Suncorp)

6. Operating and financial review (continued)

6.2. Review of principal businesses (continued)

Non-Core Bank

The Non-core Bank operating loss after tax for the year was $175 million, down 21.9% from the prior year.

The Non-core Bank continued to exceed run-off targets in 2011. The focus remains on responsible run-off of the portfolio to maximise the value of distributable capital that can be returned to the Group.

Gross loans and advances in the Non-core Bank reduced by $4.9 billion over the year to $7.7 billion at 30 June 2011. This run-off was achieved across all segments.

The Bank has maintained its strategy of match funding the non-core book, taking a conservative approach to refinancing risk through to portfolio maturity. The Bank currently holds excess liquid assets over prudential requirements which have enabled the comfortable repayment of significant funding maturities during the year. The Bank is also well positioned to meet the impending regulatory changes being imposed on the industry to strengthen liquidity reserves.

The significant holding of liquid assets and an overall increase in the weighted average cost of funding continue to have a material impact on the non-core net interest margin, although this stabilised in the second half.

Non-core impairment losses for the year were $274 million, a reduction of 36%.

Non-core impaired assets decreased during the second half of the year to $2.2 billion after an increase in the first half. Improvement in market conditions across the sectors has allowed some resolution of accounts.

Capital structure

Following the implementation of the non-operating holding company structure, the Company repatriated its excess capital holdings to Suncorp Group Limited for use in Suncorp Group Limited subsidiaries. As a result the Bank reduced its capital adequacy ratio to 13.40%.

The Company remains well capitalised with capital well in excess of the minimum required.

6.3. Impact of legislation and other external requirements

The Basel III global capital and liquidity reforms for banks and other financial institutions were finalised by the Basel Committee on Banking Supervision. The Australian Prudential Regulation Authority (APRA) will be working with industry through 2011 and 2012 to implement the reforms which are expected to be phased into effect, starting on 1 January 2013. The reforms are expected to impose new liquidity requirements on, and increase the required quality and quantity of, capital held by authorised deposit taking institutions (ADIs) in Australia.

In December 2010 the Federal Government announced its proposed reforms to promote a competitive and sustainable banking system. Key features of the announced reforms, called the Competitive and Sustainable Banking System, included prohibiting exit fees on new home loans from 1 July 2011, introducing a mandatory key facts sheet for new home loan customers, amending the *Competition and Consumer Act 2010* (previously called the Trade Practices Act) to give the Australian Competition and Consumer Commission power to prosecute price signalling, allowing ADIs to issue covered bonds and confirming the Financial Claims System (FCS) as a permanent feature of Australia's financial system.

The legislation to ban home loan exit fees was passed in the first half of 2011, with effect from 1 July 2011. Further amendments have been proposed to the *Competition and Consumer Act 2010* prohibiting price signalling by ADIs.

The Federal Government is consulting on the FCS, on the amendments proposed to the scheme by the Council of Financial Regulators (comprises the Reserve Bank of Australia, APRA, the Australian Securities & Investments Commission and Federal Treasury) in respect of ADIs. Key recommendations include lowering the current $1 million cap to between $100,000 and $250,000 per depositor per ADI, from October 2011.

Consultation continues on the second stage of the national consumer credit lending reforms following on the implementation of the national consumer credit protection legislation in 2010. The legislation codified existing State Uniform Consumer Credit Codes and introduced new licensing and responsible lending requirements and expanded regulation of credit to individuals for residential property investment purposes. The second stage consists of further disclosure requirements for consumer credit lenders in respect of home loans and credit cards (the home loan and credit card key fact sheet) and regulation in respect of reverse mortgages, consumer leases, National Credit Code enhancements and short-term small amount lending.

The Federal Government is working with industry on finalising legislation to establish a regulatory model under which ADIs will be allowed to issue covered bonds.

The Bank continues to work on and understand the impacts arising from the *Personal Property Securities Act 2009*, a national law which will regulate lending secured over personal property interests.

APRA continues consultation on the Level 3 supervision of conglomerates proposals and expects to finalise and implement those proposals by the second quarter of 2013.

National uniform occupational health and safety laws are expected to start in January 2012.

Federal Government consultation continues on the proposed reforms to Australia's privacy laws with proposed new privacy principles and credit reporting reforms having been released for public consultation.

All of these prudential, regulatory and other proposals or enquiries will or could impact the Group's respective operations in banking.

Outcomes of other Government or regulatory reviews, including into the taxation system and Australia's clearing and settlement systems and various reforms proposed or already implemented for various Federal and State judicial systems, could also impact the Group's operations.

The ASX Corporate Governance Council introduced changes to the Corporate Governance Principles and Recommendations (2nd edition) on 30 June 2010. These included new recommendations relating to diversity that apply to a listed entity's first financial year commencing on or after 1 January 2011.

In early 2011, the Board approved the Equal Employment Opportunity (EEO) and Diversity Policy and also endorsed the Diversity Strategy Plan 2011–14, including measurable objectives to achieve gender diversity. The EEO and Diversity Policy are available on the Suncorp Group website.

6.4. Significant changes in the state of affairs

The Company has moved to the next stage in its strategic journey. The business has been stabilised and there is a solid foundation for growth. This included the implementation of the approved non-operating holding company structure. The focus is now on executing strategic plans, simplifying operations and demonstrating progress against commitments. The Company no longer operates as the Suncorp Group's holding company, however it continues as the Group's Authorised Deposit Taking Institution.

A single enterprise agreement was agreed and commenced at the end of February 2011. This provides a consistent set of terms and conditions for Suncorp Group's Australian employees.

6.5. Environmental regulation

The *Building Energy Efficiency Disclosure Act* was passed in 2010, and requires the Group to obtain a Building Energy Efficiency Certificate (BEEC) for any building where the Group plans to sell or sub-lease commercial office space above 2,000 square metres.

The *National Greenhouse and Energy Reporting Act 2007* came into effect in July 2008. The Group will report emissions under this Act for the 2010/11 period.

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

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

7. Dividends

A fully franked dividend of $256 million (20 cents per share) was paid on 1 October 2010.

Further details of dividends provided for or paid are set out in note 9 to the consolidated financial statements.

8. Events subsequent to reporting date

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

9. Likely developments

Over the coming financial year, the Group will continue with the run-off of the Non-Core Banking portfolio while focusing on sustainable growth of its Core Banking. Over the next three years, growth is expected to be realised through the investment in the bank franchise in line with its strategic objectives.

Other than as disclosed elsewhere in this report, at the date of signing the directors can make no comment on any likely developments in the Group's operations in future financial years or the expected results of those operations.

10. Directors' interests

During the year all shares and interests in the Company's shares, debentures and interests in registered schemes or options, were transferred to Suncorp Group Limited as part of implementation of the non-operating holding company. As such, no director holds any interest in the Company as at 30 June 2011.

The directors of the ultimate parent entity, Suncorp Group Limited, hold interests in Suncorp Group Limited. The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by Suncorp Group Limited, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	2011
	Fully Paid Ordinary Shares
J Story	138,803
P Snowball[1]	966,123
W Bartlett	26,968
P Dwyer	20,000
S Grimshaw	24,314
E Kulk	20,173
G Ricketts	23,654
Dr Z Switkowski	201,599
I Atlas	-

1. Includes 900,000 shares held by the trustee of the Executive Performance Share Plan. Beneficial entitlement to those 900,000 shares remains subject to satisfaction of specified performance hurdles.

11. Indemnification and insurance of officers

Indemnification

Under the ultimate parent entity's Constitution, Suncorp Group Limited 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, except where the liability arises out of conduct involving a lack of good faith. The Constitution stipulates that the ultimate parent entity 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*.

Insurance premiums

During the financial year ended 30 June 2011, the ultimate parent entity Suncorp Group Limited 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. The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

12. Non-audit services

During the year KPMG, the Company’s auditor performed certain services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, having received appropriate confirmations from the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or due and payable to the auditor of the Company, KPMG, and its related practices for non-audit services provided during the year are set out below:

Services other than statutory audit	2011 $000	2010 $000
Audit-related fees (regulatory)		
APRA reporting	**245**	269
Australian Financial Services Licences	**10**	11
Other regulatory compliance services	**21**	71
	276	351
Audit-related fees (non-regulatory)		
Other assurance services	**364**	375
Non-audit services		
Other services	**45**	20
Tax fees		
Tax compliance	**12**	12
	697	758

13. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 43 and forms part of the Directors' Report for the financial year ended 30 June 2011.

14. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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.

Remuneration Report

The Board presents the Suncorp-Metway Ltd Remuneration Report for the financial year ended 30 June 2011 (2011). This report forms part of the Directors' Report for Suncorp-Metway Ltd and its subsidiaries (the Group). Sections 2 and 3 of the Remuneration Report have been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

It should be noted that the Suncorp Group completed a restructure on 7 January 2011 which resulted in Suncorp Group Limited replacing Suncorp-Metway Ltd (the Company) as the ultimate parent of the Suncorp Group. As both Suncorp Group Limited and Suncorp-Metway Ltd are disclosing entities, separate Remuneration Reports are required.

The Remuneration Report is presented in the following three key sections:

1. Remuneration overview – unaudited

1.1. Remuneration in 2011
1.2. Remuneration earned by the Group Chief Executive Officer (Group CEO) and Senior Executives (together, the Senior Leadership Team (SLT)) in office at 30 June 2011
1.3. Changes in 2012

2. Remuneration – audited

2.1. The policy and framework for remunerating the SLT
2.2. Key Management Personnel (KMP), position titles and appointment dates
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3.1. Remuneration structure
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1. Remuneration overview – unaudited

Introduction

The Board is committed to clear and transparent disclosure of remuneration arrangements, and presenting this in a useful way for shareholders.

Suncorp Group Limited is the ultimate parent of the Company. The Group is subject to the remuneration framework determined by the Suncorp Group, being Suncorp Group Limited and its subsidiaries. The composition of the Board for the Group is consistent with that of Suncorp Group Limited. Throughout this report for consistency, references are made to the Suncorp Group's remuneration arrangements rather than the Group's remuneration arrangements.

This overview provides key details regarding remuneration for 2011, and is included in addition to statutory reporting requirements to make it easier for shareholders to understand the Suncorp Group's remuneration arrangements.

Sections 2 and 3 of this Remuneration Report provide greater detail regarding remuneration structures and outcomes and have been prepared in accordance with the *Corporations Act 2001* and relevant accounting standards.

Remuneration strategy

The Suncorp Group's remuneration strategy is to attract, motivate and retain talented executives to deliver strong long-term results for our stakeholders while encouraging prudent risk-taking behaviour.

Remuneration structure

The structure of remuneration transforms the remuneration strategy into practice.

The total remuneration opportunity for the Group CEO and Senior Executives (together the Senior Leadership Team (SLT)) is made up of both fixed and 'at-risk' components. The at-risk component comprises both short-term incentives (STI) and long-term incentives (LTI) which have to satisfy performance and risk-related conditions. All these components together comprise the total remuneration opportunity.

For fixed remuneration the Suncorp Group broadly targets the median of the competitive market, while the at-risk component provides the opportunity for total remuneration to reach the upper end of the market spectrum. To achieve this, the proportion of at-risk remuneration, particularly STI, is intentionally positioned towards the upper end of the market enabling the Suncorp Group to appropriately reward superior performance.

STI awards are dependent upon performance against a balanced scorecard of financial and non-financial performance objectives. These scorecard components are weighted towards delivery of business strategy and achievement of annual objectives, in particular, with the aim of consistently creating value for the longer term. To ensure outcomes have been delivered within the Suncorp Group's risk appetite, and to meet APRA's requirements, a percentage of the STI award is deferred for two years.

LTI opportunities are dependent upon Total Shareholder Return (TSR) performance relative to a peer comparator group (refer section 2.3). The purpose of LTI is to focus the SLT on the Suncorp Group's long-term business strategy, align SLT and shareholder interests and to support the creation of long-term shareholder value.

When the Board assesses performance it takes into account the quality of outcomes and the creation of long-term value for shareholders, customers and employees. The Board has discretion to adjust STI and LTI reward outcomes as necessary to reflect the quality of the operational improvements.

Discretion may be applied for:

- STI, at year end when assessing performance against scorecard objectives to determine STI awards, or at the end of the two-year deferral period, when determining if there are any risk management issues impacting the initial performance result assessed; and
- LTI, at any time prior to or at the final vesting of the performance rights and will take account of factors such as any material misstatements of financial results or individual instances of non-compliance with Suncorp Group policies.

1.1. Remuneration in 2011

The following drivers and actions have been considered in arriving at 2011 remuneration outcomes.

The remuneration outcomes for the Group are driven by the remuneration drivers and actions as experienced by the Suncorp Group, detailed in this section.

This year, the Suncorp Group has strengthened the business through the sound execution of its business plans. Since June 2010 the Suncorp Group has successfully delivered against the strategic growth plan outlined to the market in May 2010. This required completion of numerous significant projects including:

- the establishment of Suncorp Group Limited – the Non-Operating Holding Company (NOHC)
- delivery of the Building Blocks Program, including establishing single pricing and claims systems for both Motor and Home Insurance; consolidating finance and customer data systems and providing uniform employment terms and conditions through the One Team program; and
- improvements in the internal management of Suncorp Group capital.

The successful completion of these key projects has occurred during a once in a lifetime series of major events across Australia and New Zealand which impacted all operating businesses. During the year to June 2011, the Suncorp Group managed more than 100,000 flood, cyclone, earthquake and other natural hazard claims at an estimated gross cost of approximately $4 billion. Despite this, all operating businesses delivered solid profit contributions.

Changes introduced in response to the regulatory environment

The Board implemented a number of changes to the Suncorp Group's remuneration framework for the 2011 performance year. These changes were made to improve the governance of our remuneration practices and to align with the Australian Prudential Regulation Authority's (APRA) Remuneration Standards released in November 2009. The key remuneration framework changes implemented were:

- a deferral of an element of short-term incentive remuneration for all executives and for other employees earning significant performance-based remuneration. The deferral is for two years, which is the period of time deemed appropriate for validating the integrity of scorecard results as assessed at the end of the performance period.
- a change in pay mix for executives to facilitate the introduction of deferred incentive remuneration payments, achieved by transferring a discounted portion of the LTI into STI. The amount transferred into STI was discounted by 50% to account for the increased potential for STI to vest relative to LTI vesting.
- the introduction of ex-post adjustment provisions for all deferred STI and LTI. Ex-post adjustment is the act of clawing back (reducing or eliminating) withheld remuneration where risk outcomes that are outside the Suncorp Group's risk appetite are uncovered during the deferral period; and
- a tightening of risk management practices:
  - functional oversight of performance planning, reviews and remuneration recommendations for employees in risk and financial control roles
  - the incorporation of risk behaviour into remuneration arrangements achieved primarily through the balanced scorecard process and the Suncorp Group remuneration policy.

These changes continued to strengthen the linkages between risk management, performance and remuneration.

Other changes introduced

The re-testing provision in the LTI was removed for future grants. Previously executives could elect to extend the measurement period of LTI grants for two years. However, LTI grants made from 2011 (for awards granted in October 2010) onwards will have one performance test date. This improves the alignment with shareholders, and is in keeping with preferred market practice.

In addition, the peer comparator group against which TSR is measured for LTI grants was updated to exclude mining companies. This allows the Suncorp Group's performance to be compared against similar companies in terms of investment profile.

1. Remuneration overview – unaudited (continued)

2011 Actual remuneration outcomes

Fixed remuneration

Fixed remuneration increases for the SLT were based on independent benchmarking against peer comparator groups, the intention being to keep executive remuneration in line with competitive market practices.

Short-term incentives (STI)
Whilst the 2011 financial results were impacted by natural disasters, the achievement of non-financial performance objectives contributed to the long-term financial soundness of the Suncorp Group. To this end, the Board applied its discretion to ensure both balanced scorecard and remuneration outcomes appropriately reflect executive performance in building a sound platform for the Suncorp Group's long-term financial prospects.

In balancing financial and non-financial performance outcomes the Board has determined a 'below target' Group STI pool.

Long-term incentives (LTI)
As the TSR performance hurdles were not met during 2011 there is no vesting of LTI. Current SLT members derive no value this year through the vesting of relevant performance rights.

1.2. Remuneration earned by the current SLT in 2011

The table below is presented in order to provide greater visibility to shareholders of an executive's remuneration in the current year, as it can be difficult to determine this from statutory disclosures. The table is intended to provide a total view of actual remuneration in relation to 2011, and sets out:

- past remuneration awarded in previous years that vested during 2011 (left hand side). No deferred STI was due to vest in 2011 as deferral was introduced in 2010 for the Group CEO and in 2011 for the other SLT members. No LTI vested in 2011, as performance of the 2007 grant did not meet the hurdle at 30 September 2010 and participants therefore elected to re-test outcomes through extending the performance period for a further two years
- fixed salary and STI earned and received in 2011 (middle section); and
- remuneration (LTI and deferred STI) awarded in 2011 that may be received in future years, subject to potential ex-post adjustment.

It is important to note that the cash and other benefits earned by the SLT during the year as shown in the table below differ from the amounts shown in the full remuneration table in section 2.5, which is prepared in accordance with the *Corporations Act 2001* and *Accounting Standards*.

Further details of the terms and conditions of STI and LTI are set out in the 'Remuneration components' in section 2.3.

Past, present and future remuneration of members of the SLT in office at 30 June 2011

Past 'at-risk' remuneration received in 2011[1]				SLT members in office at 30 June 2011	Remuneration earned and received in 2011			Future 'at-risk' remuneration awarded in 2011[7]	
Deferred STI (cash) vested in 2011[2]	% vesting[3]	LTI (equity) vested in 2011[4]	% vesting[3]		Fixed salary[5]	2011 STI (paid in 2011)[6]	Total	2011 STI (deferred as cash)[8]	LTI (equity) granted in 2011[9]
$000		$000			$000	$000	$000	$000	$000
				Executive director and Group CEO					
–	–	–	–	Patrick Snowball	**2,192**	**990**	**3,182**	**990**	–
				Senior Executives					
–	–	–	–	Anthony Day	**672**	**455**	**1,127**	**245**	**650**
–	–	–	–	Gary Dransfield[10]	**62**	**39**	**101**	**21**	–
–	–	–	–	David Foster	**741**	**504**	**1,245**	**271**	**700**
–	–	–	–	Mark Milliner	**776**	**556**	**1,332**	**299**	**750**
–	–	–	–	John Nesbitt	**831**	**611**	**1,442**	**329**	**800**
–	–	–	–	Amanda Revis[11]	**473**	**387**	**860**	**208**	**535**
–	–	–	–	Jeff Smith	**776**	**614**	**1,390**	**331**	**750**
–	–	–	–	Robert Stribling	**602**	**436**	**1,038**	**235**	**600**
–	–	–	–	Geoff Summerhayes	**675**	**455**	**1,130**	**245**	**625**

1. Past 'at-risk' remuneration represents LTI and deferred STI awarded in prior years that vested during 2011.
2. 2010 was the first year of deferral of STI for the Group CEO, therefore no deferred STI was due to vest in 2011. 2011 is the first year of deferral for all other SLT members, therefore no deferred STI was due to vest in 2011. For further details of the STI program, refer to section 2.3.
3. This represents the percentage of the original award that vested during 2011. Awards that vest at 0% are forfeited.
4. LTI vested in 2011 represents the 2007 LTI grant which had an initial performance end date of 30 September 2010. The performance hurdle was not met at this time, and therefore participants elected to extend the performance period for a further two years. Therefore the amounts shown above are nil given no LTI vested in 2011. For LTI grants made during 2011 onwards, the performance period ceases after three years and no re-testing is available. For further details of the LTI program, refer to section 2.3.
5. Fixed salary represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.
6. For the Group CEO, this represents 50% of the total STI for 2011. For all other SLT members, this represents 65% of the total STI for 2011.
7. Future 'at-risk' remuneration represents awards made in 2011 which may conditionally vest in future years, and are not guaranteed.
8. 2011 STI (deferred as cash) represents the deferred portion of total STI awarded for 2011. For the Group CEO, this represents 50% of the total STI for 2011. For all other SLT members, this represents 35% of the total STI for 2011. These awards are subject to potential ex-post adjustment.
9. LTI (equity) represents the value of performance rights granted under the LTI Executive Performance Share Plan (EPSP) during the year. For further details of the LTI program, refer to section 2.3.
10. Mr Dransfield was appointed (from within the Suncorp Group) to the position of CEO Vero New Zealand on 23 May 2011. Remuneration details reported within this table reflect Mr Dransfield's remuneration as a KMP since 23 May 2011. Mr Dransfield was not granted any LTI while he held the position of CEO Vero New Zealand.
11. Ms Revis was appointed to the position of Group Executive, Human Resources on 16 August 2010. Remuneration details reported within this table reflect Ms Revis' remuneration as a KMP since 16 August 2010.

1. Remuneration overview – unaudited (continued)

1.3. Changes in 2012

No major changes to remuneration structures are anticipated in the coming year. The Board will however continue to ensure remuneration structures are effective in supporting the business strategy and remain aligned to the interests of our stakeholders.

2. Remuneration – audited

2.1. Remuneration policy and framework

Remuneration policy

The Suncorp Group's remuneration policy sets out the key objectives of its remuneration strategy. These are to:

- facilitate remuneration structures aligned to the business strategy
- provide competitive remuneration linked to appropriate internal and external benchmarks
- provide fair and appropriate remuneration outcomes having regard to the performance of both the Suncorp Group and the individual; and
- ensure that remuneration arrangements for all employees encourage behaviour that supports the Suncorp Group's long-term financial soundness and risk management framework.

The Suncorp Group's risk management practices are governed by an integrated framework including defined risk appetites, Suncorp Group Policies (including the remuneration policy) and the use of personal scorecards that include specific measures of performance tied to the relevant risk appetite and risk behaviours. The performance of each Business Unit (and individual) is reviewed and measured with reference to how risk is managed.

This section explains how the key objectives of the remuneration strategy are achieved in practice.

Remuneration governance framework

The Suncorp Group's remuneration policy aims to ensure that remuneration structures for all employees are equitable and are strongly linked to the long-term interests of the Suncorp Group. While the Board has overall responsibility for employee remuneration structures, the Board relies on its Remuneration Committee to assist in remuneration-related matters and takes account of the advice of the Group CEO and other members of management.

The following diagram details the remuneration governance framework as it relates to the SLT.

BOARD

Maintains overall responsibility and accountability for remuneration policy, as well as the principles and processes which give effect to that policy.

Approves, having regard to recommendations of the Remuneration Committee:

- the remuneration of the Group CEO
- remuneration arrangements for the non-executive directors
- remuneration arrangements, levels of, appointments to, and terminations from, Senior Executive positions reporting to the Group CEO
- all awards made under the long-term incentive plan
- the Suncorp Group's STI pool; and
- the annual increase pool for the Suncorp Group's total employment cost.

Instruct and oversee

Inform and recommend

REMUNERATION COMMITTEE

Recommends to the Board:

- the remuneration of the Group CEO, including performance targets
- remuneration arrangements for non-executive directors
- appointments to, and terminations from, Senior Executive positions reporting to the Group CEO
- remuneration and human resource policy matters; and
- the structure and operation of equity-based plans.

Endorses and recommends to the Board based on recommendations from the Group CEO:

- the remuneration arrangements and levels of Senior Executives
- the Suncorp Group's STI pool; and
- the annual increase pool for the Suncorp Group's total employment cost.

Engage and oversee

Support and advise

EXTERNAL CONSULTANTS

Support the Remuneration Committee by providing **independent advice** on matters including:

- benchmarking data and market practice among other listed companies
- proposed changes to the Suncorp Group's remuneration policy, structures and practices
- legal and regulatory issues that impact on remuneration arrangements for directors and Senior Executives; and
- structuring alternatives for short and long-term incentive plans.

Instruct and oversee

Inform and recommend

GROUP CEO

Recommends to the Remuneration Committee:

- the remuneration arrangements and levels of Senior Executives
- the Suncorp Group's STI pool; and
- the annual increase pool for the Suncorp Group's total employment cost.

Approves:

- the performance targets of Senior Executives for the variable component of their remuneration and
- the remuneration and performance of Senior Executives.

2. Remuneration – audited (continued)

2.1. Remuneration policy and framework (continued)

Risk governance arrangements

As detailed in the Suncorp Group's remuneration policy, the following risk governance arrangements apply to all employees as relevant:

- the Suncorp Group STI pool is based on Suncorp Group performance, inclusive of risk management, as assessed by the Board
- risk management is incorporated into scorecards for all employees
- performance-based remuneration for all employees is subject to deferral based on predefined thresholds
- both deferred STI and LTI are subject to potential ex-post adjustment based on the Suncorp Group's ex-post adjustment provisions and at the discretion of the Board; and
- remuneration decisions for employees working in risk and financial control roles are governed by a separate process which enables the performance of employees in these roles to be assessed independently of the business areas they oversee.

Remuneration Committee

The Remuneration Committee comprises four independent non-executive directors and is chaired by Dr Zygmunt Switkowski. Three members of the Committee are also members of the Risk Committee, one of whom is the Risk Committee Chairman.

Further information on the Remuneration Committee's role, responsibilities and membership can be found in the Corporate Governance Statement.

Use of remuneration consultants

The Remuneration Committee engages independent external remuneration consultants to provide advice and market-related information as required.

In 2011 the Remuneration Committee engaged PwC to provide advice to the Remuneration Committee and the Board on matters relating to remuneration benchmarking, proposed changes to the Suncorp Group's remuneration structures and practices and on specific matters such as remuneration policy.

The requirement for the services of an independent consultant to the Remuneration Committee will be assessed annually in the context of the issues to be addressed by the Remuneration Committee.

Linking remuneration to business objectives

The diagram below illustrates how SLT remuneration is structured to support the Suncorp Group's strategic objective of achieving sustainable business growth.

Strategic business objective	**Sustainable business growth**		
Supported by remuneration drivers	**Attract and retain talented executives**	**Motivate superior performance**	**Ensure appropriate risk alignment**
Reinforced through remuneration structures	1. Fixed remuneration levels are aligned to the median of a defined talent market. 2. Rewards of up to 237.5% of fixed salary are available through the variable 'at-risk' components of remuneration (STI and LTI).	1. Significant component of remuneration is 'at-risk' under both STI and LTI plans. 2. STI is subject to financial and non-financial performance measures with some portion now deferred. 3. Vesting of the LTI award is dependent on the Company's relative total shareholder return (TSR) performance against a peer group. If TSR performance is below the median of the peer group, the LTI does not vest and is forfeited.	1. SLT cannot hedge equity instruments that are unvested or subject to restrictions, for example unvested performance rights held in the Executive Performance Share Plan. 2. Remuneration policy amended in 2010 to provide a governance framework for the structure and operation of remuneration systems, within the context of the Suncorp Group's long-term financial soundness and risk management framework.

2. Remuneration – audited (continued)

2.2. Key Management Personnel

Key Management Personnel (KMP) are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly. KMP include all directors of the Company (executive and non-executive) as well as Senior Executives who report to the Group CEO.

The following persons were KMP of the Group during 2011:

Name	Position	Changes
Non-executive directors in office at 30 June 2011		
John Story (Chairman)	Non-executive Chairman	
Ilana Atlas	Non-executive director	Appointed 1 January 2011
William Bartlett	Non-executive director	
Paula Dwyer	Non-executive director	
Stuart Grimshaw	Non-executive director	Left office 23 August 2011
Ewoud Kulk	Non-executive director	
Geoffrey Ricketts	Non-executive director	
Dr Zygmunt Switkowski	Non-executive director	
Executive director		
Patrick Snowball	Suncorp Group Chief Executive Officer	
Senior Executives in office as at 30 June 2011		
Anthony Day	Chief Executive Officer, Commercial Insurance	
Gary Dransfield	Chief Executive Officer, Vero New Zealand	Appointed 23 May 2011
David Foster	Chief Executive Officer, Suncorp Bank	
Mark Milliner	Chief Executive Officer, Personal Insurance	
John Nesbitt	Group Chief Financial Officer	
Amanda Revis	Group Executive, Human Resources	Appointed 16 August 2010
Jeff Smith	Chief Executive Officer, Suncorp Business Services	
Robert Stribling	Group Chief Risk Officer	
Geoff Summerhayes	Chief Executive Officer, Suncorp Life	
Former non-executive directors in 2011		
Dr Ian Blackburne	Non-executive director	Left office 31 August 2010
Former Senior Executives in 2011		
Roger Bell	Chief Executive Officer, Vero New Zealand	Left office 22 May 2011
Dharma Chandran	Acting Group Executive, Human Resources	Left office 15 August 2010

2.3. Remuneration component

Total remuneration for the SLT is both of a fixed and variable nature, as summarised below.

Fixed remuneration

- consists of two components, being:
  - base remuneration, including base salary, salary sacrificed benefits and other fringe benefits; and
  - superannuation.

Variable remuneration

- consists of two components, being:
  - short-term incentives (STI); and
  - long-term incentives (LTI)
- is remuneration that is considered to be 'at-risk'; and
- is linked to both the individual's and the Suncorp Group's performance.

The table below provides a summary of each component of remuneration and how that component links to performance.

The total remuneration provided to SLT members is evaluated on an annual basis against peer comparator groups such as the ASX 100 Index and ASX 50 Index separately, and custom groups therein based on the industries in which the Suncorp Group operates and competes for talent and the size and scope of the Suncorp Group business (note that the peer comparator groups used to evaluate remuneration are different from the Peer Comparator Group used to test LTI performance (refer 'The performance hurdle – total shareholder return' section below)).

Remuneration component			Vehicle	Purpose
Fixed remuneration	1	Base remuneration	Base salary, salary sacrificed benefits and other benefits.	Positioned at a market-competitive level that reflects the size and complexity of the role, individual responsibilities, individual performance, experience and skills.
	2	Superannuation	Superannuation paid at a rate of 9% of the benefits base or the maximum contribution base set out in the *Superannuation Guarantee Act*, whichever is the lesser[1].	Superannuation contributions paid according to statutory requirements.
Variable remuneration	3	Short-term incentives (STI)	Annual 'at-risk' component of remuneration, subject to Suncorp Group and individual performance. A portion of all STI is deferred for two years and is subject to potential ex-post adjustment at the end of the deferral period. Typically paid in cash, unless the SLT member nominates to have all or part of their award paid into superannuation or Suncorp Group Limited shares (subject to relevant limits).	Rewards SLT members for their contribution to the Suncorp Group and business unit outcomes.
	4	Long-term incentives (LTI)	Performance rights granted that vest subject to performance hurdles being met. Long-term 'at-risk' component of remuneration, generally assessed over three years, and subject to potential ex-post adjustment at the end of the vesting period[2].	Rewards SLT members for their contribution to the creation of shareholder value over the longer term. Vesting of LTI is dependent on Suncorp Group Limited's relative total shareholder return against a peer group of ASX-listed companies.

1. Different legislation and approach to superannuation applies within New Zealand.
2. For LTI grants for 2010 and prior, participants had the option to extend the performance period to five years. From 2011 the performance period is set at three years.

2. Remuneration – audited (continued)
2.3. Remuneration component (continued)

Fixed remuneration

Fixed remuneration is reviewed each year in line with the Suncorp Group's remuneration policy, competitor practices and other business and role critical factors. As discussed in section 2.1, external remuneration consultants support the Remuneration Committee in assessing market practice to ensure fixed remuneration is competitive.

Increases to fixed remuneration were delivered during 2011 to reflect competitive market practice.

Short-term incentives (STI)

The Suncorp Group operates an annual STI program designed to reward the contribution of SLT members in line with Suncorp Group and individual performance. For 2011 the Senior Executive target STI opportunity is typically positioned at an amount equivalent to 125% of fixed remuneration, with a maximum STI opportunity equivalent to 187.5% of fixed remuneration [1]. The Group CEO target STI opportunity is set at 100% of fixed remuneration, with a maximum STI opportunity equivalent to 150% of fixed remuneration. A portion of STI for SLT members is deferred for two years (refer 'Incentive deferral' section below).

The size of the Suncorp Group's STI pool available for distribution each year is determined by the Remuneration Committee, relative to financial and non-financial performance outcomes. A key measure of financial performance is determined by the Suncorp Group's achievement against agreed financial targets set by the Board each year. The quality of the financial result, including factors such as the current economic environment, is also taken into account when determining the size of the Suncorp Group's STI pool.

Performance objectives

Individual performance is assessed against agreed performance objectives and targets using a balanced scorecard approach. Financial and non-financial objectives, including risk management as a separate category, are weighted and reflect the performance focus of both the Suncorp Group and specific Business Units to support the overall business strategy.

How is performance assessed?

The Group CEO and the Remuneration Committee assess each Senior Executive's performance at the end of the financial year against the Suncorp Group and Business Unit scorecards, assessing actual outcomes relative to the agreed targets. The overall performance assessment reflects both Suncorp Group and Business Unit performance.

The Board believes that the Suncorp Group and Business Unit focus, the key performance measures, targets and their relative weightings, combine to effectively motivate SLT members.

Achievement of revenue targets is expected to be in line with strategic plans approved by the Board (as amended from time to time) and in a manner consistent with the Board's expressed risk appetite.

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[1] The STI target opportunity for Jeff Smith, CEO Suncorp Business Services, is contractually set at 138% of fixed remuneration. His maximum is in line with other Senior Executives (187.5%).

Examples of key performance measures included within the balanced scorecard for the SLT are set out in the table below.

Suncorp Group performance objectives **Weighting:** Group CEO: 100% Senior Executives: 60%	1. Profit and financials: targeted profit after tax and improvement in shareholder returns (return on equity) 2. Risk management: manage risk levels within agreed parameters 3. Customer: improve external confidence in the Suncorp Group 4. People: maintain a highly respected and engaged team 5. Key Company strategic deliverables: implementation of key strategic projects/initiatives to drive business improvements
Business Unit performance objectives **Weighting:** Senior Executives: 30%	1. Profit and financials: targeted profit after tax and improve shareholder returns 2. Risk management: drive a positive risk culture and risk governance framework and manage risk levels within agreed parameters 3. Customer: achieve customer retention, advocacy and grow customer base 4. People: maintain a highly engaged team 5. Key Business Unit strategic deliverables: implementation of key strategic projects/initiatives to drive business improvements
Individual performance objectives **Weighting:** Senior Executives: 10%	Dependent on contribution to the team and demonstration of the Suncorp Group Values: – Honesty – Trust – Courage – Caring – Fairness – Respect

STI Incentive deferral

Incentive deferral applies to the SLT based on a predefined threshold for all performance-based remuneration.

By deferring a portion of incentives, the alignment of incentive payments to the long-term interests of the Suncorp Group and to shareholder interests are strengthened.

Incentive deferral applies for the Group CEO with 50% of all incentives awarded deferred as cash for two years. Incentive deferral has now been introduced for Senior Executives from 2011; as a response to the APRA Remuneration Standards, 35% of all incentives awarded are deferred as cash for two years. For Senior Executives, interest is payable on the deferred amount when vested.

During the deferral period, the Board will seek to understand the long-term impacts of decisions made and actions taken during the performance year. Significant adverse outcomes may give grounds for the Board to apply its discretion to adjust the original deferred incentive allocation downwards, to zero if necessary.

In the event of resignation, redundancy or retirement, the deferred incentive portion will generally vest after the termination date in accordance with the deferral period and will be subject to potential ex-post adjustment at the end of the vesting period.

2. Remuneration – audited (continued)

2.3. Remuneration component (continued)

Long-term incentives (LTI)

LTI delivered in the form of performance rights are designed to recognise the contribution of the SLT to the creation of shareholder value over the long term. LTI are offered to SLT members as they have a direct impact on the Suncorp Group's long-term performance. LTI awards are provided through the EPSP. LTI recipients only derive any value from their LTI grants if challenging performance hurdles are met.

What is a performance right?

A performance right entitles a participant to one fully paid ordinary share (or under limited circumstances, a cash payment, in lieu of an allocation of ordinary shares) at no cost. This entitlement arises at a set future point in time, provided specific performance hurdles are met.

How are performance rights allocated?

SLT members are offered performance rights at Board discretion.

The value of LTI to be granted to the Senior Executives on 1 October 2011 is to be based on 50% of fixed remuneration, down from prior years' grants which were based on 100% of fixed remuneration. This is in line with the change in variable remuneration mix being the reallocation of a portion of LTI to STI which is now also subject to deferral. To determine the number of performance rights granted, the value of the LTI is divided by the five-day Volume Weighted Average Price (VWAP) of one ordinary share over the five days preceding the date of grant.

When offers are made, the shares are bought on market to avoid any dilutionary impact that issuing new ordinary shares would have on the share price. The shares are acquired by the EPSP trustee and held in trust during the vesting period. After vesting the shares remain held by the trustee until the SLT member applies to the Board to remove them or until ten years have passed.

The performance hurdle – total shareholder return

Performance is measured by ranking Suncorp Group Limited's total shareholder return (TSR) against a pre-determined group of peer companies (Peer Comparator Group). TSR (expressed as a percentage) is the growth in share price, plus dividends reinvested over the relevant performance period. TSR represents the total return of all cash flows to an investor; it combines share price appreciation (capital gain) as well as dividends paid, to show the total return to the shareholder during the holding period of an investment. TSR will vary over time but the relative position reflects the market perception of overall performance relative to a peer comparator group.

The ranking of Suncorp Group Limited's TSR determines the extent to which performance rights vest.

The Peer Comparator Group chosen for relative TSR performance assessment is the top 50 ASX-listed companies in the S&P/ASX 100 Index, excluding listed property trusts and mining companies. The TSR performance measure is chosen on the basis that:

- it offers a relevant indicator of measuring increases in shareholder value by comparing Suncorp Group Limited's performance against similar companies in terms of size and investment profile
- it provides alignment between comparative shareholder return and reward for executives and a relative, market-based performance measure against similar comparator companies
- it enables executives to share a common target to encourage performance; and
- it provides a direct link between SLT reward and shareholder return over the long term and minimises the impact market cycles may have.

LTI vesting schedule

The extent to which performance rights will vest, and shares will be allocated, is subject to performance conditions based on Suncorp Group Limited's TSR measure of performance over the relevant three-year performance period.

The SLT will not derive any value from the LTI component of their remuneration unless Suncorp Group Limited's performance is greater than the median performance of the Peer Comparator Group. Performance rights vest in accordance with the LTI vesting schedule represented in the table below:

Performance measure: **Relative TSR performance outcome**	**Percentage of award that will vest**
Below the 50th percentile (below median performance)	0%
At the 50th percentile (median performance)	50%
Between the 50th and 75th percentiles	50% plus 2% for each full 1% increase in Suncorp Group Limited's ranking against the Peer Comparator Group
At or above the 75th percentile	100%

Performance period

The performance period begins on the date the award is made and extends for a period of three years. The Board determined that from 2011 onwards there would be no provision for re-testing performance conditions in any future LTI grants, to align with general market practice and institutional investor expectation.

The table below outlines the performance period for grants made from 2011 onwards.

Awards made (year 0)	End of performance period (year 3)
The performance period commences on the date of the award	The vesting date occurs. At the end of the performance period, the TSR outcome is applied to unvested performance rights. If median TSR performance is met or exceeded, the relevant proportion of performance rights are converted to shares (according to the vesting schedule in the table above). If median TSR performance is not met and the LTI does not vest, the performance rights are forfeited.

It should be noted that under limited circumstances the EPSP rules allow the Board the discretion to satisfy a participant's entitlement upon vesting through a cash payment, in lieu of an allocation of ordinary shares.

For grants made during the year ended 30 June 2010 (i.e. for awards granted in October 2009) and prior, the SLT had the option to extend the performance period for a further two years at the end of the initial three years, as outlined in the table below.

2. Remuneration – audited (continued)

2.3. Remuneration component (continued)

Year 0 Awards made	End Year 3 Initial period	End Year 3 to End Year 5 2-year Retest period	End Year 5
The performance period commences on the date of the award.	The first potential vesting date occurs. If performance measures are met, the executive can elect to: 1. exercise performance rights and convert them to shares; OR 2. lock the performance rights in for an extended two year re-test period. If performance measures are not met and the LTI does not vest, the executive can elect to: 1. forfeit any future right to the performance right; OR 2. lock the performance rights in for an extended two year re-test period.	Where an executive elects to extend the measurement period for two years, TSR is measured every six months between the measurement dates.	At the end of the re-test period, the most favourable TSR outcome from either the initial period or during the re-test period is applied to unvested performance rights. After the re-test period, no further elections to re-test are available, and performance rights that do not vest are forfeited.

TSR measurement

TSR performance is monitored by an independent expert at key points throughout the LTI life cycle as outlined in the table below. TSR performance may also be measured upon termination of an individual's contract of employment where the member of the SLT holds unvested performance rights when they cease employment. Further details of how LTI are treated on termination are set out within the 'Treatment of LTI on termination' section below.

Dividends

The EPSP trustee manages any dividends that may be received during the time that the underlying shares are held in trust. If an individual's performance rights vest and shares are allocated to the individual, a payment equal to the dividends received by the trustee with respect to the underlying shares is paid at the same time that the shares are allocated to the individual (less applicable taxes that have been paid by the EPSP trustee with respect to the dividends).

Treatment of LTI on termination

If a SLT member ceases to be an employee of the Suncorp Group for a 'qualifying reason' (meaning death, total and permanent disablement, retirement, redundancy as a result of a restructure within the Suncorp Group, change of control of Suncorp Group Limited or another reason as determined by the Board), any performance rights which have not vested remain 'on foot' and will vest subject to the terms of the grant (including in relation to performance conditions and lapse or forfeiture conditions), except that any allocation made will be pro-rated to reflect the proportion of the performance period actually worked, unless otherwise determined by the Board.

If a SLT member ceases to be an employee of the Suncorp Group other than as a result of a 'qualifying reason' (as defined above), any performance rights held, which have not vested, automatically lapse. The Board has ultimate discretion over whether to allow the vesting of any performance rights. Where the Board exercises its discretion to allow unvested shares to vest at the termination date, performance is measured at the termination date. Where vesting occurs, the final award size is pro-rated for the period from the grant date to the date of termination.

Group CEO's LTI terms

The performance period and some other minor terms of the Group CEO's LTI award are different from the Senior Executives' awards. Details of these differences are set out in section 2.6 of this report.

Hedging prohibition

The Suncorp Group's securities dealing policy extends to dealing in a financial product which operates to limit the economic risk of a holding in Suncorp Group Limited's securities, including unvested EPSP performance rights.

Dealing in these types of financial products is prohibited unless the transaction has been approved by either the Chairman (for directors) or the Group CEO (for Senior Executives) and the security is not an unvested EPSP performance right. All KMPs are reminded of this policy at least twice per year, usually in the month prior to the release of the Suncorp Group's annual and half-year financial results, and are required to declare on an annual basis that they have not hedged any unvested equity exposure to the Suncorp Group.

While performance rights remain unvested, SLT members do not have an entitlement to the shares underlying the performance rights and the underlying shares are held in the name of the EPSP trustee. During this time the underlying shares therefore cannot be accessed by the individual.

Once performance rights have fully vested under the EPSP, the Chairman or Group CEO (as appropriate) must be notified when the underlying shares are withdrawn from the EPSP including details of how the individual intends to deal in the shares once they are released.

2.4. Remuneration and the link to performance

Remuneration is structured to motivate performance as well as to attract and retain talented employees. The portion of 'at-risk' variable remuneration received by the SLT is dependent on achieving superior performance (both at an individual and Suncorp Group level) and generating value for shareholders.

In 2011 the Suncorp Group has not achieved target financial performance and the value of STI to be delivered has therefore been reduced. In respect of LTI, the performance hurdle has not been met therefore no value will be delivered to the SLT in office at 30 June 2011.

Suncorp Group performance

The operating and financial review in section 6 of the Directors' Report provides an analysis of performance in 2011.

The table below includes a number of indices reflecting the Suncorp Group's[1] performance over the five years to 30 June 2011. The intention is to provide an overall view of the Suncorp Group's performance (the TSR in the table does not relate to the Suncorp Group's LTI plan which is dependent on relative TSR performance against a peer group of ASX-listed companies).

Year ended 30 June	Share performance				Earnings performance	
	Closing share price [2] ($)	Dividend p/share (cents)	TSR [3]	Basic EPS (cents)	Profit for the year ($m)	Return on equity for the year (%)
2011	8.14	35	63	35.6	457	3.2
2010	8.04	35	60	61.8	789	5.7
2009	6.70	40	48	31.6	353	2.7
2008	13.04	107	82	60.2	588	4.7
2007	20.17	107	119	158.6	1,064	8.6

1. The Suncorp Group completed a restructure on 7 January 2011. Amounts prior to the restructure relate to Suncorp-Metway Ltd, the ultimate parent entity prior to the restructure.
2. Closing share price at 30 June.
3. TSR is based on the closing share price as at 30 June relative to the share price at the commencement of the five year period commencing 1 July 2006. To have achieved a value of 125 at 30 June 2011, this means an initial capital investment of $100 in Suncorp shares on 1 July 2006, together with reinvested dividends over the ensuing five year period, would be worth $125 at 30 June 2011.

Suncorp Group performance and short-term incentives

The Suncorp Group met certain short-term Suncorp Group and individual performance objectives during 2011, which resulted in value being delivered to the SLT under the STI program at an average of 58% of total realisable STI maximum.

As outlined in section 2.3, STI outcomes are determined by the assessment of each SLT member's performance against predetermined financial and non-financial performance objectives. Actual STI payments for 2011 are represented in the table below. On average, 42% of the STI opportunity was forfeited.

2. Remuneration – audited (continued)

2.4. Remuneration and the link to performance (continued)

STI awards for 2011

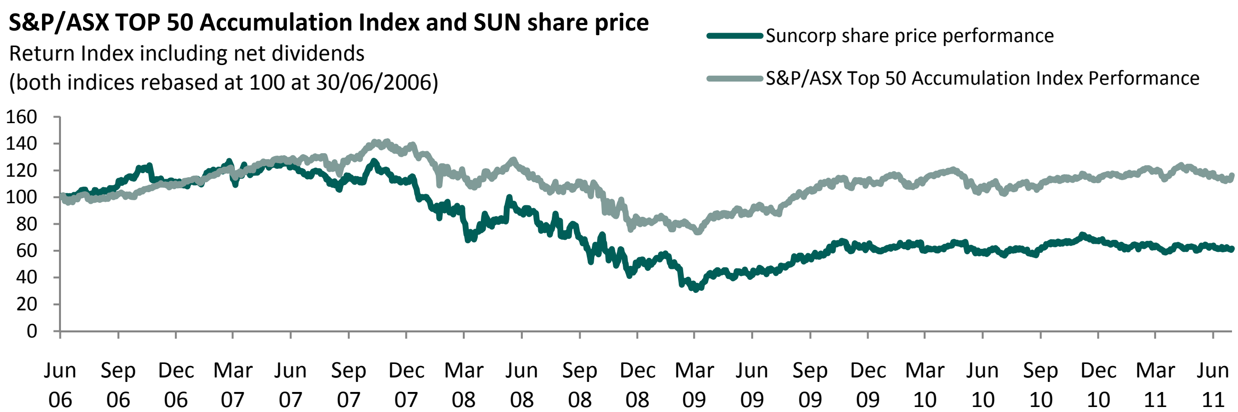
	Actual STI awarded ($000) [1]	Maximum STI ($000) [2,3]	Actual STI award as % of maximum STI	% of maximum STI award forfeited	Amount Deferred ($000)
Executive director					
Patrick Snowball	1,980	3,300	60	40	990
Senior Executives					
Anthony Day	700	1,265	55	45	245
Gary Dransfield [4]	60	100	60	40	21
David Foster	775	1,406	55	45	271
Mark Milliner	855	1,462	58	42	299
John Nesbitt	940	1,560	60	40	329
Amanda Revis [4]	595	1,003	59	41	208
Jeff Smith	945	1,463	65	35	331
Robert Stribling	670	1,125	60	40	235
Geoff Summerhayes	700	1,290	54	46	245
Former Senior Executives					
Roger Bell [4]	518	1,279	52	48	181
Dharma Chandran [5]	-	-	-	-	-

1. The value of STI awarded for 2011 represented is before any deferral.
2. Maximum STI represents 150% of fixed remuneration for the Group CEO and 187.5% of fixed remuneration for all other SLT members.
3. The maximum potential value of the 2011 STI awards for the SLT is the amount disclosed. A minimum level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI for all participants in 2011 was nil.
4. Individual was not a KMP for the full financial year 2011. Pro rata maximum STI is represented within the table, to reflect the maximum STI possible during the time the Senior Executive was a KMP.
5. Mr Chandran was not eligible for STI in 2010 or 2011.

Suncorp Group Limited performance and long-term incentives

In 2011 the LTI performance hurdles were not met and the SLT members in office at 30 June 2011 derived no value in 2011 in relation to their LTI entitlements. As outlined in section 2.3, the vesting of LTI is based on relative TSR performance against the Peer Comparator Group. If Suncorp Group Limited's TSR performance does not meet or exceed the median of this Peer Comparator Group, LTI does not vest and the SLT members are not rewarded.

The graph below shows Suncorp Group Limited's TSR performance relative to the S&P/ASX 50 Index over the five years to 30 June 2011. The S&P/ASX 50 Index is used as a proxy for the performance of the Peer Comparator Group.



Information with respect to the movement of performance rights during 2011 and of current LTI grants held by the Group CEO and Senior Executives (current and former) as at 30 June 2011 are outlined in the table below.

Number and value of performance rights granted, vested and forfeited under the EPSP

	Performance rights granted			Fair value yet to vest		Market value		Vested in year	Forfeited in year
	Number of ordinary shares	Date	Year in which grant may first vest	Min[1] $	Max[2] $	At date of grant[3] $	As at 30 June 2011[4] $	%	%
Executive director									
Patrick Snowball	300,000	01 Oct 09	30 Jun 13	-	1,902,000	2,646,000	2,442,000	-	-
	300,000	01 Oct 09	30 Jun 14	-	1,968,000	2,646,000	2,442,000	-	-
	300,000	01 Oct 09	30 Jun 15	-	2,025,000	2,646,000	2,442,000	-	-
Senior Executives									
Anthony Day	9,543	01 Oct 07	30 Jun 11[5]	-	139,328	194,200	77,680	-	-
	13,843	01 Oct 08	30 Jun 12	-	59,802	133,031	11,682	-	-
	17,092	01 Oct 09	30 Jun 13	-	108,363	150,751	139,129	-	-
	71,585	01 Oct 10	30 Jun 14	-	380,116	627,800	582,702	-	-
Gary Dransfield	20,136	01 Oct 09	30 Jun 13	-	127,662	177,600	163,907	-	-
	18,942	01 Oct 10	30 Jun 14	-	100,582	166,121	154,188	-	-
David Foster	23,120	01 Oct 06	30 Jun 10[5]	-	286,919	507,253	188,197	-	-
	763	17 Apr 07	30 Jun 10[5]	-	5,945	16,382	6,211	-	-
	32740	01 Oct 07	30 Jun 11[5]	-	478,004	666,259	266,504	-	-
	64,272	01 Oct 08	30 Jun 12	-	277,655	617,654	523,174	-	-
	81,949	01 Oct 09	30 Jun 11[5]	-	519,557	722,790	667,065	-	-
	77,092	01 Oct 10	30 Jun 14	-	409,359	676,097	627,529	-	-
Mark Milliner	20,808	01 Oct 06	30 Jun 10[5]	-	258,227	456,528	169,377	-	-
	686	17 Apr 07	30 Jun 10[5]	-	5,344	14,728	5,584	-	-
	35,259	01 Oct 07	30 Jun 11[5]	-	514,781	717,521	287,008	-	-
	69,216	01 Oct 08	30 Jun 12	-	299,013	665,013	563,418	-	-
	81,949	01 Oct 09	30 Jun 13	-	519,557	722,790	667,065	-	-
	82,599	01 Oct 10	30 Jun 14	-	438,601	724,393	672,356	-	-
John Nesbitt	313,016	03 May 10	30 Jun 13	-	1,859,315	2,851,576	2,547,950	-	-
	88,105	01 Oct 10	30 Jun 14	-	467,838	772,681	717,175	-	-
Amanda Revis	58,920	01 Oct 10	30 Jun 14	-	312,865	516,728	479,609	-	-
Jeff Smith	37,777	01 Oct 07	30 Jun 11[5]	-	551,544	768,762	307,505	-	-
	74,160	01 Oct 08	30 Jun 12	-	320,371	712,678	603,662	-	-
	87,803	01 Oct 09	30 Jun 13	-	556,671	774,422	714,716	-	-
	82,599	01 Oct 10	30 Jun 14	-	438,601	724,393	672,356	-	-
Robert Stribling[6]	66,079	01 Oct 10	30 Jun 14	-	261,012	579,513	537,883	-	-
Geoff Summerhayes	61,800	01 Oct 08	30 Jun 12	-	266,976	593,898	503,052	-	-
	73,169	01 Oct 09	30 Jun 13	-	463,891	645,351	595,596	-	-
	68,832	01 Oct 10	30 Jun 14	-	365,498	603,657	560,262	-	-
Former Senior Executives									
Roger Bell[7]	23,813	01 Apr 07	30 Jun 10[5]	-	271,706	495,310	193,838	-	-
	32,740	01 Oct 07	30 Jun 11[5]	-	478,004	666,259	266,504	-	-
	64,272	01 Oct 08	30 Jun 12	-	277,655	617,654	523,174	-	-
	76,096	01 Oct 09	30 Jun 13	-	482,449	671,167	619,421	-	-
	71,585	01 Oct 10	30 Jun 14	-	380,116	627,800	582,702	-	-
Dharma Chandran[8]	-	-	-	-	-	-	-	-	-

2. Remuneration – audited (continued)
2.4. Remuneration and the link to performance (continued)

1. The minimum value of shares yet to vest is nil as the performance criteria or service condition may not be met and consequently the shares may not vest.
2. For equity- settled performance rights, the maximum value of shares yet to vest is determined as the fair value at grant date, assuming all performance criteria are met. For cash-settled performance rights, the maximum value of shares yet to vest is determined as the fair value at 30 June 2011, assuming all performance criteria are met.
3. Market value at date of grant is calculated by the number of shares granted multiplied by the closing share price as traded on the Australian Securities Exchange (ASX) on the date of grant. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.
4. Market value as at 30 June 2011 is calculated by the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2011.
5. Executives elected to extend the performance period by a further two years.
6. The grant made to Mr Stribling was for cash-settled performance rights.
7. Mr Bell's employment ceases on 30 September 2011. At this point all unvested performance shares will be prorated at termination and Mr Bell will be given the opportunity to either have them tested against the performance criteria then or to allow the performance shares to continue on foot and be tested at the original end date. The final number of shares to vest will depend on how they perform when measured against the performance criteria.
8. Mr Chandran does not hold LTI.

2.5. SLT remuneration disclosures in detail

This section provides full details of total remuneration for the SLT for 2011 and 2010, as required under the provisions of the *Corporations Act 2001*.

The table below includes LTI amounts which did not deliver value during 2011 to the SLT members in office at 30 June 2011. The 'share-based payment' amount reflects the amount required to be expensed in accordance with Accounting Standards. The fair value of equity-settled performance rights is determined at grant date and amortised over the vesting period. The fair value of cash-settled performance rights is remeasured at year end, with changes in fair value recognised as an expense. The values realised in subsequent years may differ to the accounting expense reported below, depending on the extent to which the performance hurdles are met.

Details of remuneration for SLT members (calculated in accordance with applicable Accounting Standards) are set out in the table below.

Remuneration of SLT members for the year ended 30 June 2011

	Salary and fees	Short-term benefits			Post-employment benefits	Long-term benefits			Total excluding share-based payments
		STI	Non-monetary benefits[1]	Other[2]	Super-annuation benefits	Deferred STI[3]	Other[4]	Termination benefits	
2011	$000	$000	$000	$000	$000	$000	$000	$000	$000
Executive director									
Patrick Snowball	2,183	990	43	153	9	607	-	-	3,985
Senior Executives									
Anthony Day	656	455	2	11	16	245	-	-	1,385
Gary Dransfield[6] (from 23 May 2011)	62	39	1	8	-	21	-	-	131
David Foster	716	504	1	25	25	271	18	-	1,560
Mark Milliner	760	556	2	(17)	16	299	21	-	1,637
John Nesbitt	812	611	3	20	19	329	-	-	1,794
Amanda Revis (from 16 August 2010)	458	387	2	20	15	208	-	-	1,090
Jeff Smith	750	614	3	46	26	331	-	-	1,770
Robert Stribling	552	436	3	3	50	235	-	-	1,279
Geoff Summerhayes	624	455	3	(1)	51	245	-	-	1,377
Former Senior Executives									
Roger Bell[7] (to 22 May 2011)	607	337	12	276	774	181	-	1,318	3,505
Dharma Chandran[8] (to 15 August 2010)	152	-	-	-	-	-	-	-	152

Remuneration of SLT members for the year ended 30 June 2011

2011	Share-based payments[9] $000	Performance related %
Executive director		
Patrick Snowball	1,531	56.7
Senior Executives		
Anthony Day	179	56.2
Gary Dransfield[6] (from 23 May 2011)	8	48.9
David Foster	464	61.2
Mark Milliner	485	63.1
John Nesbitt	737	66.3
Amanda Revis (from 16 August 2010)	78	57.6
Jeff Smith	512	63.9
Robert Stribling	65	54.7
Geoff Summerhayes	335	60.5
Former Senior Executives		
Roger Bell[7] (to 22 May 2011)	393	23.4
Dharma Chandran[8] (to 15 August 2010)	-	-

1. Non-monetary benefits costs met by the Suncorp Group for airfares and insurances.
2. Other short-term benefits represent annual leave accrued during the year.
3. The amount of deferred STI awarded to Mr Snowball is discounted and amortised over the vesting period. The amount of deferred STI awarded to members of the SLT is recognised in full as there are no performance or service conditions required.
4. Other long-term benefits represent long service leave accrued during the year.
5. Termination benefits are paid in accordance with contractual commitments. Refer to section 2.6.
6. Mr Dransfield became a member of the SLT on 23 May 2011. Remuneration disclosed relates only to his period in office.
7. Mr Bell is remunerated in New Zealand dollars, amounts are disclosed in Australian dollars. Mr Bell's employment ceases on 30 September 2011. Termination benefits to Mr Bell are restricted to the terms required in his contract and are stated under 'Post employment benefits Superannuation benefits' and 'Termination benefits'. The terms of Mr Bell's contract were disclosed in last year's remuneration report and are included here for convenience. The contract required 116 weeks' notice upon termination and additional pension benefits of 20% of earned pensionable service and funding to allow pension payments to commence at age 55 years with no early retirement reduction factor. The latter term (i.e. funding to allow pension payments to commence at 55) had no impact as Mr Bell is over 55.
8. Mr Chandran was seconded from Ernst & Young. Remuneration disclosed reflects the fees paid to Ernst & Young.
9. Equity-settled performance rights issued as LTI to SLT members are expensed to the income statement based on their fair value at grant date over the period from grant date to vesting date. For cash-settled performance rights, the fair value is remeasured at year end with changes in fair value recognised as an expense. The fair value was assessed using a Monte Carlo model and reflects the fact that an individual's entitlement to the shares is dependent on relative TSR performance. The assumptions underpinning these valuations are set out in note 37 to the financial statements.

2. Remuneration – audited (continued)
2.5. SLT remuneration disclosures in detail (continued)

Remuneration of SLT members for the year ended 30 June 2010

2010	Salary and fees	Short-term benefits			Post-employment benefits	Long-term benefits			Total excluding share-based payments
		STI	Non-monetary benefits[1]	Other[2]	Super-annuation benefits	Deferred STI[3]	Other[4]	Termination benefits	
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Executive director									
Patrick Snowball (from 1 September 2009)	1,748	963	40	371	9	294	-	-	3,425
Senior Executives									
Roger Bell[5]	467	650	1	(60)	88	-	-	-	1,146
Dharma Chandran (to 20 April 2010)[6]	250	-	-	-	-	-	-	-	250
Anthony Day (from 21 October 2009)[7]	377	460	-	17	10	-	-	-	864
David Foster	683	700	1	16	23	-	16	-	1,439
Mark Milliner	717	750	1	31	22	-	35	-	1,556
John Nesbitt (from 3 May 2010)	132	133	-	10	4	-	-	-	279
Jeff Smith	730	850	1	21	25	-	-	-	1,627
Robert Stribling (from 4 January 2010)	290	300	-	22	7	-	-	-	619
Geoff Summerhayes	579	625	1	(14)	50	-	-	-	1,241

2010	Share-based payments[9] $000	Performance related %
Executive director		
Patrick Snowball (from 1 September 2009)	1,148	52.6
Senior Executives		
Roger Bell[5]	336	66.5
Dharma Chandran (to 20 April 2010)[6]	-	-
Anthony Day (from 21 October 2009)[7]	58	56.2
David Foster	342	59.4
Mark Milliner	354	59.6
John Nesbitt (from 3 May 2010)	103	61.8
Jeff Smith	356	60.8
Robert Stribling (from 4 January 2010)	-	48.5
Geoff Summerhayes	205	57.4

1. Non-monetary benefits costs met by the Suncorp Group for airfares and insurances.
2. Other short-term benefits represent annual leave accrued during the year.
3. The amount of deferred STI awarded to Mr Snowball is discounted and amortised over the vesting period.
4. Other long-term benefits represent long service leave accrued during the year.
5. Mr Bell is remunerated in New Zealand dollars, amounts are disclosed in Australian dollars.
6. Mr Chandran was seconded from Ernst & Young. Remuneration disclosed reflects the fees paid to Ernst & Young.
7. Mr Day became a member of the SLT on 21 October 2009. Remuneration disclosed relates only to his period in office.
8. Equity-settled performance rights issued as LTI to SLT members are expensed to the income statement based on their fair value at grant date over the period from grant date to vesting date. For cash-settled performance rights, the fair value is remeasured at year end with changes in fair value recognised as an expense. The fair value was assessed using a Monte Carlo model and reflects the fact that an individual's entitlement to the shares is dependent on relative TSR performance. The assumptions underpinning these valuations are set out in note 37 to the financial statements.

2.6. Contractual arrangements

Group CEO

Mr Snowball was appointed Managing Director and CEO effective 1 September 2009, with a position title change to Group CEO effective 17 April 2010. Mr Snowball is employed by Suncorp Staff Pty Limited, a wholly-owned subsidiary of Suncorp Group Limited. His contract of employment provides for a four-year term (Term). At the expiry of the Term, the parties can agree to extend the Term for a further 12 months. The Term may be extended in this way on more than one occasion.

The following table summarises the notice periods and payments required upon termination:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination				
In cases other than misconduct or other circumstances justifying summary dismissal	12 months	When notice is required, the Suncorp Group may make a payment in lieu of notice of all or part of any notice period, calculated based on a percentage of the Group CEO's fixed remuneration.	Board discretion*	Board discretion*
Where individual becomes incapacitated, is of unsound mind or health deteriorates to a certain degree	9 months		Board discretion*	Board discretion*
For poor performance	3 months		Deferred STI award forfeited	Unvested awards under Initial Grant forfeited
Misconduct or other circumstances justifying summary dismissal	None		Deferred STI award forfeited	Unvested awards under Initial Grant forfeited
Employee-initiated termination				
Generally	6 months		Deferred STI award forfeited	Unvested awards under Initial Grant forfeited

*Any deferred STI award and any unvested LTI performance rights under the Initial Grant (defined below) will continue until the relevant vesting dates and subject to the performance measures, unless the Board exercises its discretion otherwise. In the case of the Initial Grant of performance rights, the number of performance rights that will continue to be available will depend on when the termination of employment occurs: after one year of service 300,000 will be available, after two years' service 600,000 will be available and after three years' service 900,000 will be available.

Where a change of control occurs, subject to the satisfaction of applicable performance measures:

- deferred STI and a pro-rata award of current year STI may be awarded; and
- unvested LTI may vest pro rata.

STI terms

Of any STI awarded to the Group CEO, 50% will be paid in cash and the balance will be deferred for two years. The deferred component will be subject to reduction or forfeiture in certain circumstances (including where there has been a failure to follow risk management policies and practices).

LTI entitlement

The Group CEO's full LTI entitlement for the 2010, 2011 and 2012 financial years comprises an initial grant of 900,000 performance rights to shares in Suncorp Group Limited (Initial Grant) under the EPSP. The Initial Grant of performance rights was made in three equal tranches. Vesting of the Initial Grant will be subject to the performance conditions outlined in section 2.3 and will be tested over a three to five-year period.

Vesting of the Initial Grant will be subject to the performance conditions outlined in section 2.3 and will be tested over a three to five-year period.

2. Remuneration – audited (continued)
2.6. Contractual arrangements (continued)

The performance period for each LTI tranche is summarised in the table below.

Tranche 1	Tranche 2	Tranche 3
• Performance period began: 1 October 2009 • Performance period ends on either: 30 September 2012 (initial period), 30 September 2013 (second period) or 30 September 2014 (final period) • At the end of the initial period, the Group CEO can elect to accept the performance result or extend the performance period for a further 12 months • If the initial period is extended, the Group CEO can elect to accept the performance result at the end of the second period or extend the performance period for a further 12 months • If the second period is extended, the number of shares to be allocated at the end of the final period will be based on the highest performance measure result recorded at the end of any of the prescribed performance periods for tranche 1	• Performance period began: 1 October 2009 • Performance period ends on either: 30 September 2013 (initial period) or 30 September 2014 (final period) • At the end of the initial period for tranche 2, the Group CEO can elect to accept the performance result or extend the performance period for a further 12 months • If the initial period is extended, the number of shares to be allocated at the end of the final period will be based on the highest performance measure result recorded at the end of any of the performance periods for tranche 2	• Performance period began: 1 October 2009 • Performance period ends: 30 September 2014

Senior Executives

Senior Executives are employed either by Suncorp Staff Pty Limited or Vero Insurance New Zealand Limited, both of which are wholly-owned subsidiaries of Suncorp Group Limited, under a standard employment contract with no fixed term with the exception of Mr Stribling whose contract provides for a two-year term.

Senior Executives' contracts may be terminated at any time provided that the notice period is given or paid out in lieu, based on benefits base (fixed remuneration less superannuation contributions) plus the value of other accrued benefits. Exceptions to this, where payments in lieu of notice are based on a percentage of fixed remuneration, are noted in the table below, which outlines the terms and conditions of Senior Executives' contracts.

Key terms of Senior Executives' contracts

Senior Executive	Notice on resignation (employee-initiated)	Notice on termination (employer-initiated)	Redundancy remuneration (including notice)	STI payment on termination[1]	LTI on termination[2]
Standard terms					
All Senior Executives	3 months	12 months	12 months	Board discretion	Pro-rata if qualifying reason
Exceptions					
Geoff Summerhayes	3 months	12 months	Greater of 12 months or total benefit under the redundancy policy (maximum of 75 weeks including notice)	Board discretion	Pro-rata if qualifying reason
Robert Stribling	3 months	12 months	None	Board discretion	Treatment of LTI entitlement dependent on when contract terminated[3]

1. In the event of resignation, redundancy or retirement, the deferred STI portion will generally vest after the termination date in accordance with the deferral period and will be subject to potential ex-post adjustment at the end of the vesting period.
2. LTI treatment on termination and situations where qualifying reasons may be applicable are outlined in full within section 2.3 of this report.
3. Treatment of LTI on termination for Mr Stribling varies according to when his contract is terminated:
   - if his employment expires at the end of the initial two-year appointment term (i.e. on 3 January 2012), any performance rights that have been granted continue 'on foot' until the relevant vesting date;
   - if his employment is terminated for any other reason prior to the expiry of the initial two-year appointment term, any performance rights that have not yet vested will be forfeited; and
   - if his employment continues after the end of the initial two-year appointment term and is subsequently terminated, any performance rights that have not yet vested will lapse if termination is not for a qualifying reason and if for a qualifying reason, the performance rights would vest on a pro-rata basis.

Notice of termination by the Suncorp Group is not required in the event of serious misconduct by the Senior Executive. Payment on termination will include payment of accrued annual leave and, where appropriate, long service leave.

3. Non-executive director arrangements – audited

3.1. Remuneration structure

Remuneration policy

Remuneration arrangements for non-executive directors are designed to ensure that the Company can attract and retain suitably qualified and experienced directors. Arrangements are based on a number of factors, including requirements of the role, the size and complexity of the Suncorp Group and market practice.

Fee structure

In April 2007, shareholders approved a maximum aggregate total remuneration limit of $3,500,000 for all non-executive directors. The limit includes superannuation contributions but excludes retirement benefits. In addition:

- non-executive directors receive fixed pay only, paid as directors' fees and do not participate in performance-based incentive plans;
- although directors of the Company are also directors of the Suncorp Group's major operating subsidiary companies, no additional fees are paid for membership of those boards; and
- Suncorp Group Limited pays the superannuation guarantee contribution (SGC) on behalf of all eligible non-executive directors. If a director ceases to be eligible for SGC payments, the equivalent amount is paid in fees. The SGC payments for non-executive directors are included in the maximum aggregate total remuneration limit referred to above.

3. Non-executive director arrangements – audited (continued)
3.1. Remuneration structure (continued)

The non-executive director fee structure was reviewed in July 2011 and the approved fee structures for 2011 and 2012 are set out in the table below.

Role	2011 fee p.a.[1] $'000	2012 fee p.a[1] $'000
Chairman	550	570
Non-executive director base fee	200	207
Loading for Audit Committee Chairman	50	50
Loading for Audit Committee member	25	25
Loading for Risk Committee Chairman	40	50
Loading for Risk Committee member	20	25
Loading for Remuneration Committee Chairman	30	40
Loading for Remuneration Committee Member	15	20
Loading for Chairmanship of New Zealand company boards	50	50
Loading for Chairmanship of New Zealand Joint Venture	20	50

1. Fees exclude Superannuation Guarantee Contribution

3.2. Non-Executive Directors' Share Plan (NEDSP)

The NEDSP was established in November 2001, following shareholder approval, to facilitate the purchase of shares by directors by nominating a percentage of their pre-tax remuneration to be used to buy the Suncorp Group Limited's shares on market at pre-determined dates.

The shares are fully vested and if acquired prior to 1 July 2009 can be held in the NEDSP for up to ten years from the date of purchase or until retirement, whichever occurs first. Shares acquired under the NEDSP after 1 July 2009 can be held for up to seven years.

3.3. Non-executive directors' retirement benefits

Shareholders approved a directors' retirement plan (Plan) which entitles directors to be paid a retirement benefit based on the highest total emoluments paid to a director during any consecutive three-year period.

However those retirement benefit arrangements have been phased out in the following manner:

- the Company ceased to offer retirement benefits to non-executive directors appointed after 30 June 2003;
- directors in office at 30 June 2003 (Participating Directors) remained contractually entitled to a retirement benefit. However, those directors agreed to cap their benefit entitlement as at 30 June 2004 and amortise their respective benefits entitlement from that date, over the period they remain in office, at a rate equivalent to 20% of their annual directors' fees;
- Participating Directors remain entitled to receive the greater of:
  - the amortised balance of their retirement benefit at the date they retire from office; or
  - an amount equal to 25% 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 (Minimum Retirement Benefit).

During the course of the financial year ended 30 June 2009, the Minimum Retirement Benefit Limit was reached for all Participating Directors, therefore no further amortisation of retirement benefits occurred during 2011.

Only one Participating Director remains in office at the date of this report and is entitled to receive as a retirement benefit, an amount equal to 25% of the total emoluments he received as a director over the period from the date of his appointment as a director to 30 June 2004.

The amount of retirement benefits paid to retiring directors (if any) during the year under the terms of the Plan and full details of directors' benefits and interests are included in the table in section 3.4.

3.4 Remuneration details

Details of non-executive directors' remuneration for 2011 and 2010 are set out in the table below.

	Short-term benefits		Post-employment benefits		
	Salary and fees $000	Non-monetary benefits[1] $000	Super-annuation benefits $000	Retirement Benefits[2] $000	Total[3] $000
Non-executive directors in office as at 30 June 2011					
John Story (Chairman)					
2011	550	1	50	-	601
2010	550	1	50	-	601
Ilana Atlas (appointed 1 January 2011)					
2011	125	-	11	-	136
2010	-	-	-	-	-
William Bartlett					
2011	244	1	22	-	267
2010	252	1	23	-	276
Paula Dwyer					
2011	263	1	15	-	279
2010	223	1	17	-	241
Stuart Grimshaw					
2011	245	1	22	-	268
2010	98	-	9	-	107
Ewoud Kulk					
2011	261	1	45	-	307
2010	211	1	45	-	257
Geoffrey Ricketts					
2011	250	1	22	-	273
2010	225	1	20	-	246
Dr Zygmunt Switkowski					
2011	250	1	22	-	273
2010	240	1	22	-	263
Non-executive directors retired during 2011					
Dr Ian Blackburne (retired 31 August 2010)					
2011	40	-	4	97	141
2010	240	1	22	-	263

1. The non-executive directors receive a non-monetary benefit in relation to a proportion of the directors' and officers' insurance policy premium pro-rated for time in office. The amounts for both the current and prior year are below $1,000 per individual.
2. The provision of retirement benefits ceased on 1 July 2005, however as at 30 June 2011, only one non-executive director who held office prior to that date retains an entitlement to a retirement benefit. The figure represented within the Retirement Benefits column reflects the value of retirement benefit payments in 2011.
3. None of the remuneration paid to non-executive directors is performance-based, refer to section 3.1.

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

John D Story
Chairman

Patrick J R Snowball
Managing Director

Brisbane
24 August 2011

Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Suncorp-Metway Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Robert S Jones

Partner

Brisbane

24 August 2011

Corporate Governance Statement

Suncorp-Metway Ltd (the Company) became a subsidiary of Suncorp Group Limited following completion of a Non-Operating Holding Company (NOHC) restructure on 7 January 2011, which also resulted in Suncorp Group Limited replacing the Company as the ultimate parent of the Group, comprising Suncorp Group Limited and its subsidiaries (the Suncorp Group).

The Suncorp Group governance model did not change following the NOHC restructure, therefore the governance practices described in this Statement, which have been adopted by Suncorp Group Limited, applied to the Company throughout the 2011 financial year (unless otherwise stated).

Although the Company operates within the Group governance framework, the Board of Directors of the Company is responsible for the corporate governance of the Company and its subsidiaries.

This Statement outlines the principal corporate governance practices and policies that the Board has established to ensure the interests of stakeholders are protected, and the confidence of the investment market in the Company is maintained.

These practices and policies were in place throughout the 2011 financial year (unless otherwise stated).

In establishing the corporate governance framework, the Board has considered various governance standards, including the *Corporate Governance Principles and Recommendations* as published by the Australian Securities Exchange (ASX) (Recommendations). This Statement also reports against the revised recommendations released in June 2010. The Recommendations articulate core principles and practices that the ASX Corporate Governance Council believes underlie good corporate governance and all listed companies are required to disclose the extent to which they depart from these Recommendations. The Company's corporate governance policies, procedures and practices have been developed and implemented by the Board and management over many years and are consistent with the Recommendations.

During the 2010/11 financial year there were no departures from the Recommendations which should be disclosed to shareholders.

The Recommendations, and the relevant sections of this Statement which address each of the Recommendations, are summarised in the table below.

Principles and Recommendations		Relevant section(s)	Comply?
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish and disclose the functions reserved to the Board and those delegated to Senior Executives.	Parts 1.1 and 3.1	Yes
1.2	Disclose the process for evaluating the performance of Senior Executives.	Part 3.2	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Parts 1.2, 3.1 and 3.2	Yes
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	Part 1.5	Yes
2.2	The chairman should be an independent director.	Parts 1.3 and 1.5	Yes
2.3	The roles of chairman and Chief Executive Officer should not be exercised by the same individual.	Part 1.3	Yes
2.4	The Board should establish a Nomination Committee consisting of a minimum of three members, the majority being independent directors.	Part 2	Yes
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Parts 1.9 and 2.2	Yes
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Parts 1.3, 1.5, 1.8, 1.9, 2.2, and 2	Yes
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish a code of conduct to guide the Board and Senior Executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders, and 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Part 5.3	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of the policy.	Part 5.3	Yes
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board.	Part 5.3	Yes
3.4	Disclose the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	Part 5.3	Yes
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Part 5.3	Yes
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an Audit Committee.	Part 2	Yes
4.2	Structure the Audit Committee so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chairman, who is not a chairman of the Board, and • has at least three members.	Part 2	Yes
4.3	The Audit Committee should have a formal charter.	Part 2	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Parts 2 and 4.4	Yes

Principles and Recommendations		Relevant section(s)	Comply?
Principle 5 – Make timely and balanced disclosure			
5.1	Establish and disclose written policies and procedures designed to ensure accountability at a Senior Executive level for compliance with ASX disclosure requirements.	Part 5.4	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	Part 5.4	Yes
Principle 6 – Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Part 5.4	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	Part 5.4	Yes
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Part 4	Yes
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board on whether those risks are being managed effectively.	Parts 3.1, 4.2 and 4.3	Yes
7.3	Disclose whether the Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided under s295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks.	Part 4.2	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Part 4	Yes
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a Remuneration Committee.	Part 2	Yes
8.2	Structure the Remuneration Committee so that it: • consists of a majority of independent directors • is chaired by an independent chairman, and • has at least three members.	Parts 2 and 5.1	Yes
8.3	Distinguish the structure of non-executive directors' remuneration from that of executive directors and Senior Executives.	Part 5.1	Yes
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	Parts 2 and 5.1	Yes

Further information is available on the Suncorp Group website at www.suncorpgroup.com.au under 'Corporate Governance'.

Part 1. Board of Directors

1.1. Role of the Board

The Board is accountable to shareholders for the Company's performance and has overall responsibility for the Company's operations.

The Suncorp Group conducts a diverse and complex range of business including general insurance, banking (Suncorp Bank) and life insurance.

Therefore, directors of the Company also undertake roles as directors of Asteron Life Limited, Australian Associated Motor Insurers Limited, Australian Alliance Insurance Company Limited, Suncorp Group Limited, Suncorp Insurance Holdings Limited, Suncorp Metway Insurance Ltd, GIO General Limited, Suncorp Life & Superannuation Limited and Vero Insurance Limited, which are all subject to APRA regulation.

The Suncorp Group's operations also extend to New Zealand and Mr Geoffrey Ricketts, a director of the Company, was also a director and Chairman of the Suncorp Group's major operating entities in New Zealand over the course of the year.

1.2. Responsibilities of the Board

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

- approve the strategic direction and related objectives for the Company
- approve annual budgets, dividend policy and dividend payments
- monitor the Company's financial performance and executive management performance in the implementation and achievement of strategic and business objectives
- review and as appropriate approve management proposals regarding acquisitions and divestitures of companies, businesses and functions
- review and approve Company capital management policies and plans, having regard for the various liquidity and capital adequacy regulatory requirements applying to the Company
- monitor the process whereby business risks are identified and approve systems and controls to manage those risks and monitor compliance
- approve the appointment and removal of the Suncorp Bank Chief Executive Officer (CEO)
- approve the remuneration arrangements of the Suncorp Bank CEO, including measures of performance, and performance targets
- determine and approve the level of authority to be granted to the Group CEO in respect of operating and capital expenditure and credit facilities
- authorise the further delegation of those authorities to management by the Group CEO, and
- approve major operating and capital expenditure and credit facilities in excess of the limits delegated to management.

1.3. Composition of the Board

The Board Charter contains the following guidelines on Board composition:

- the Board shall comprise no more than 13 directors and no fewer 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 deemed by the Board to be independent.

Part 1. Board of Directors (continued)

1.3. Composition of the Board (continued)

At the date of this Statement, the Board comprises seven non-executive directors and one executive director, the Group CEO, Patrick Snowball. The names of directors, including details of their qualifications and experience, are set out in the Directors' 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 Group CEO, shall retire from office but may stand for re-election.

  Directors offering themselves for re-election are subject to a performance assessment, conducted by the Nomination Committee at the end of the financial year immediately preceding the director's retirement date. That assessment is based largely on the outcomes of the annual Board appraisal which includes assessments of individual director performance.

  Subject to the outcome of that assessment, the Board then confirms to shareholders whether it supports the re-election of each retiring director in a statement that accompanies the Notice of Meeting.

- Board composition is reviewed periodically by the Nomination Committee, either when a vacancy arises, if it is considered that the Board would benefit from the services of a new director given the Board's existing mix of skills and experience, or as part of the ongoing process of board succession planning.

  The Board considers it important to maintain an appropriate mix between long serving directors with first hand knowledge of the Company's businesses and corporate history, and new directors who bring new perspectives to the role. Over the course of the year, Dr Ian Blackburne retired as a director (31 August 2010); Ms Ilana Atlas was appointed a non-executive director (1 January 2011); Mr Stuart Grimshaw resigned as a director (23 August 2011) and Mr John Story announced he will be retiring as a director later this calendar year.

  The period of office held by each of the directors as at the date of this Statement is as follows:

Director	Term in office
Mr John Story (Chairman)	16 years 7 months
Ms Ilana Atlas	7 months
Mr William Bartlett	8 years 2 months
Ms Paula Dwyer	4 years 4 months
Mr Stuart Grimshaw [1]	1 year 7 months
Mr Ewoud Kulk	4 years 5 months
Mr Geoffrey Ricketts	4 years 5 months
Dr Zygmunt Switkowski	5 years 11 months
Mr Patrick Snowball	1 year 11 months

1. Resigned 23 August 2011

- A Board appraisal is conducted annually which includes an assessment of future requirements in relation to Board composition and overall Board performance. The appraisal process for the Board is set out in greater detail later in this section.

Once it has been determined by the Nomination Committee that a new director is to be appointed, a search is undertaken for suitable candidates, based on selection criteria determined by the Board and utilising the services of external consultants. Nominations are subsequently received and reviewed by the Board.

1.4. Meetings of the Board

The Board generally meets monthly to consider matters relevant to the Company's operations and performance; however, additional meetings are also held as required. The Board also meets with Senior Executives at least twice a year to consider matters of strategic importance to the Company.

Prior to each meeting of directors, the non-executive directors meet in the absence of executive directors and any other management representatives. Senior Executives are invited to attend meetings as required.

The number of meetings of directors held over the course of the year and details of directors' attendance at those meetings are provided in the Directors' Report.

1.5. Director independence

As noted in 1.3 above, the Board must comprise a majority of non-executive directors who are independent. In line with the Recommendations, the Board will consider a director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

When assessing whether a director has any relationships that could affect the director's independence, the Board considers a number of factors which are consistent with the Recommendations. The Board takes a qualitative approach to materiality and assesses independence on a case-by-case basis by reference to each director's particular circumstances rather than applying strict quantitative thresholds.

The following factors and relationships are considered by the Board in assessing whether a director is independent:

- being a substantial shareholder of the Company's ultimate parent entity (Suncorp Group Limited) or of a company that has a substantial shareholding in Suncorp Group Limited or being an officer of or being otherwise associated with, either directly or indirectly, a substantial shareholder
- being employed in an executive capacity by the Suncorp Group within the last three years
- being a principal of a material professional adviser or a material consultant to the Suncorp Group, within the last three years
- being, or being associated with, a material supplier or customer of the Suncorp Group
- being in a material contractual relationship with the Suncorp Group other than as a director of the Company; and
- having any other interest or relationship that could materially interfere with the director's ability to act in the best interests of the Company and independently of management.

As at the date of this Statement, the Board considers all of the current non-executive directors to be independent. In reaching this view, the following matters were taken into consideration:

- Mr Geoffrey Ricketts is a director of Spotless Group Limited, the parent entity of a company that provided catering services to the Suncorp Group over the course of the year. The contractual arrangements between the Group and Spotless Services Australia Limited were in place prior to the date Mr Ricketts joined the Company's Board.
- Mr Ricketts also acted as a consultant for Russell McVeagh, Solicitors (NZ), which provided legal services to the Group throughout the year.

The Board does not believe these relationships could affect the 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, is the responsibility of management and such decisions are made in the ordinary course of business, without any reference to any directors or the Board.

Accordingly, the Board has determined that, with respect to the above circumstances, none of the services provided were or are deemed material.

Part 1. Board of Directors (continued)

1.6. Conflicts of interest

Determinations regarding independence do not change a director's obligations in managing any conflict of interest that may arise between their duties as a director of the Company and their other interests and duties.

To ensure that any actual or potential conflict of interest is appropriately managed, the following procedures have been adopted by the Board:

- directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company, and
- where the Board believes a conflict exists, the director concerned is not to take part in any decision associated with the matter, including, as appropriate, not receiving the relevant Board papers, not being present at the meeting when the item is considered and not being informed of the decision taken.

1.7. Induction and education

The Company has an induction process for new directors which includes meeting with the Group CEO, and Senior Executives about the nature of the business, current issues and the corporate strategy.

These meetings are held soon after a director's appointment to the Board.

Ongoing education for directors is provided through regular management presentations on certain key functions or business activities. The external auditors and industry experts also address the Board from time to time on matters relevant to the Company's business or its operating environment.

Most of the topics presented to the Board are determined in advance and form part of the annual meeting schedule.

Also, to ensure directors remain equally informed on all material matters impacting on the Company's businesses, copies of the agendas for Board committee meetings are provided to all directors, and non-executive directors may attend meetings of any committee of which they are not a member, or they can choose to receive copies of particular papers or reports listed for discussion at those meetings.

1.8. Access to information and independent advice

Directors have unrestricted access to Company records and receive regular financial and operational reports from senior management for consideration at meetings of directors. Also, each director has entered into a deed with the Company that provides for access to documents, in certain circumstances, following their retirement as a director.

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.

1.9. Board appraisal

A performance appraisal of the Board is conducted annually. An independent consultant is engaged to facilitate the process, usually every second year, and the Chairman of the Board conducts the appraisal every other year.

However, the same methodology and processes (as summarised below) are followed for both internal and external reviews.

The appraisal includes completion of a questionnaire by, and/or interviews with each director and Senior Executive, the main objectives being to:

- assess the effectiveness of the Board as a whole in meeting the requirements of its charter
- assess the performance and contributions of individual directors, including the Chairman, in assisting the Board to fulfil its role; and
- identify Board processes and structures that require improvement.

The questionnaire results (if applicable) and a summary of the views expressed during the interviews in relation to each of the above matters, or any other matters that directors believe are relevant, are provided to directors in a report prepared by the consultants or the Chairman. The Board as a whole discusses the report and any recommendations for change or improvement are agreed.

Progress against each of the recommendations is assessed in subsequent Board reviews. In the years when the questionnaire is completed by an independent consultant, the results may also be benchmarked against other companies.

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

A review, facilitated by external consultants, was conducted in accordance with the above process for the 2010/11 financial year.

Part 2. Board committees

2.1. Board committees

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

The committees form an important part of the Company's overall governance structure and therefore non-executive directors may attend meetings of any committee of which they are not a member or they can choose to receive copies of particular papers or reports listed for discussion at those meetings. Each committee has its own charter, which is approved by the Board and which defines the relevant committee's roles and responsibilities. Copies of the charters are available on the Suncorp Group website at www.suncorpgroup.com.au under 'Corporate Governance'.

The number of committee meetings held over the year and details of directors' attendance at those meetings are provided in the Directors' Report.

2.2. Board committee appraisals

The performance of the Audit, Risk and Remuneration committees are subject to an annual assessment of their effectiveness in meeting the requirements of their charters. The assessments are based on the results of questionnaires/checklists completed by each committee. The results are collated and a report submitted to the Board for consideration. On the basis of that assessment, committee membership and structure is confirmed or amended.

Assessments of the Audit, Risk and Remuneration Committees were conducted in accordance with the above process for the 2010/11 financial year. The performance of the Nomination Committee is reviewed as part of the Board appraisal, on the basis that all non-executive directors are members of the Nomination Committee.

Part 2. Board committees (continued)
2.2. Board committee appraisals (continued)

Members and composition	Role
Audit Committee	
The members of the Audit Committee are: • Ms I Atlas (appointed 1 February 2011, resigned 30 June 2011) • Mr W Bartlett (Chairman until 31 August 2010) • Ms P Dwyer (Chairman from 1 September 2010) Mr S Grimshaw (resigned 23 August 2011) Mr J Story is an ex-officio member of the Audit Committee. At the date of this Statement, the qualifications of the members of the Audit Committee satisfy the requirements of the ASX guidelines. Details of those qualifications are provided in the Directors' Report. At all times throughout the reporting period, the members of the Audit Committee were all non-executive directors. However, the Group CEO, the Group CFO (the Group Chief Financial Officer), and the internal and external auditor are invited to meetings at the Audit Committee's discretion. The Audit Committee also holds discussions with the auditors in the absence of management on a regular basis.	The primary role of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of the Company's financial and operational control environment. Specific issues addressed by the Audit Committee throughout the year, in accordance with its charter, included: • reviewing statutory reports and returns for lodgement with APRA • reviewing half-year and annual financial statements and reports prior to consideration by the Board • reviewing and assessing reports from management, and the external auditors in relation to matters impacting on the half-year and annual financial statements • audit planning – reviewing and approving audit plans as submitted by both internal and external auditors and agreeing areas of audit emphasis and audit approach • reviewing the provision of non-audit services by the external auditor to assess whether there is any potential impact on the auditor's independence; and • reviewing internal and external audit reports and where weaknesses in controls or procedures have been identified, assessing whether remedial action taken by management is adequate and appropriate.
Risk Committee	
The members of the Risk Committee are: • Ms I Atlas (appointed 1 February 2011) • Mr E Kulk (Chairman from 1 September 2010) • Dr Z Switkowski Mr J Story is an ex-officio member of the Risk Committee. Dr I Blackburne (retired 31 August 2010) Mr S Grimshaw (resigned 23 August 2011)	The role of the Risk Committee is to provide the Board with oversight for all categories of risk, through the identification, assessment and management of risk and monitoring adherence to internal risk management policies and procedures. Specific issues addressed and activities undertaken by the Risk Committee throughout the year, in accordance with its charter, included: • review and approve the Company's risk management framework • review and confirm the Company's risk appetite • review business risk reports and assess performance against risk appetite • review and approve stress test scenarios • oversight of the risk appetite, business planning and capital management development process • review and approve a policy framework and policy suite; and • review and approve risk management strategies as required by APRA.

Members and composition	Role
Remuneration Committee	
The members of the Remuneration Committee are: • Ms I Atlas (appointed 1 February 2011) • Dr Z Switkowski (Chairman)[1] • Mr W Bartlett • Mr E Kulk Mr J Story is an ex-officio member of the Remuneration Committee.	The Remuneration Committee is responsible for making recommendations to the Board on: • the individual remuneration arrangements of the Suncorp Bank CEO, executives and person(s) or category of persons that may be specified by APRA • the size of the annual bonus/incentive pools • the remuneration of non-executive directors; and • the remuneration structure of the categories of persons covered by the Company's remuneration policy. During the year, the Remuneration Committee conducted a review of the Company's remuneration framework, processes and policies, to identify and monitor implementation of any changes that may be required to comply with new prudential requirements on remuneration, issued by APRA on 30 November 2009, and which became effective 1 April 2010.
Nomination Committee	
The Nomination Committee comprises all the non-executive directors. Mr J Story is the Chairman of the Committee.	The Nomination Committee is responsible for: • reviewing Board composition • recommending the appointment of directors • approving appointments to Board committees • planning Board succession; and • approving the Board performance evaluation process.

1. Dr Switkowski is currently Chairman of the Remuneration Committee and is also Board Chairman elect. In accordance with the Committee charter, Dr Switkowski will resign as Chairman of the Committee on or before the date of his appointment as Board Chairman. Ms I Atlas will be appointed Chairman of the Remuneration Committee following Dr Switkowski's resignation.

Part 3. Senior Executives

3.1. Functions delegated to management

The Board has delegated the following functions to management:

- development of corporate strategies and business plans in consultation with directors and implementing the corporate strategies approved by the Board
- making recommendations to the Board on significant strategic and business initiatives
- making recommendations to the Board or relevant Board committee on appointments to senior management roles
- development and maintenance of succession plans for senior management roles
- development of an annual budget for consideration by the Board and then to conduct the Company's business activities within the approved budget limits
- development and maintenance of risk management systems and frameworks as approved by the Board or relevant Board committee, and
- managing the business in accordance with regulatory and legislative requirements and within the Company's approved policy and procedures framework.

Part 3. Senior Executives (continued)

3.2. Senior Executive performance assessment

A system of balanced scorecards is used to establish performance measures and to monitor the performance of the Suncorp Bank CEO and other banking Senior Executives, against those measures.

The performance measures contained in the scorecards are a mixture of financial and non-financial indicators and risk-related measures that align with the Group and Company business plans approved by the Board, and reflect the individual executive's overall accountabilities and responsibilities.

The Company's performance management system also requires leaders to balance the scorecard result with the manner in which the results were obtained, as the overall performance of each Senior Executive is assessed having regard to the corporate values and the general manner in which the Senior Executive is seen to be supporting the desired corporate culture.

At the end of the financial year, the Suncorp Group CEO conducts an assessment of the performance of the Suncorp Bank CEO (and other Senior Executives), relative to the balanced scorecard measures and peer group performance, in the context of industry and market conditions. Those assessments are submitted to the Remuneration Committee for review prior to submission to the Board as part of the remuneration review process.

The Senior Executive performance assessments for year ended 30 June 2011 were conducted in accordance with the arrangements described above.

3.3. Senior Executive induction and education processes

When a new employee is appointed to a Senior Executive role within the Company, they receive information and training on the Group's key policies, practices and procedures as well as information relevant to the role they will be performing and the management and business structure within which they will be operating.

Persons appointed to Senior Executive roles, whether they are new or existing employees, are expected to have the qualifications and industry experience necessary to perform properly the particular duties and responsibilities of their role and to maintain those qualifications and expertise while they remain in that role. This is also a requirement under the APRA prudential standards.

Under the APRA *Fit and Proper Prudential Standard*, the Company must maintain a Fitness and Propriety Policy, designed to assist in managing risks associated with the appointment of persons to roles that have a significant impact on the sound and prudent management of the Company.

Under the Group's Fitness and Propriety Policy, all Senior Executives and directors are subject to a formal assessment process at the time of appointment and on an annual basis thereafter, to confirm they possess and have maintained the necessary skills, knowledge and expertise to undertake and fulfil the particular duties and responsibilities of the position they hold within the APRA-regulated entity.

The Company supports Senior Executives and other employees in maintaining and enhancing their industry and business knowledge and expertise and associated professional qualifications.

Part 4. Risk management

4.1. Enterprise Risk Management Framework

Risk within the Company is defined as any threat to the achievement of the Company's objectives. The Company has a structured risk management framework in place in respect of all key risks.

The Company's Risk Management Framework incorporates the risk governance frameworks, policies, processes and practices which govern the monitoring, management, control and reporting of risks inherent within the business operations. The Risk Management Framework is approved by the Risk Committee, and reviewed and updated on an annual basis.

4.1.1. Regulators

The Company is part of a diversified financial services conglomerate, operating within the general insurance, banking and wealth management sectors and is therefore subject to APRA's prudential regulation framework. Accordingly, prudential requirements such as maintaining Board approved risk management strategies form part of the Risk Management Framework. Also, many of the Group's legal entities hold an Australian Financial Services Licence regulated by the Australian Securities & Investments Commission (ASIC) as part of the authorisation required for the provision of financial products or services.

4.1.2. Risk appetite

Risk appetite represents the nature and level of risk that the Board is willing to accept in the pursuit of strategic objectives.

The Board recognises the importance of risk appetite as a key component of setting the strategic direction of the Company, however it is also acknowledged that risk appetite is not something fixed and rigid. Rather, it is dynamic, evolving through time, and responding to a number of different drivers. These drivers include: capital strength; underlying performance of the business; staff capability and capacity; culture; systems capability; competitor behaviour; and exogenous macro-economic forces.

Critically linked to capital management, risk appetite is set at both the Suncorp Group and Company levels, with risk articulated in the form of:

- quantitative measures: such as appetite and tolerance for volatility in capital and earnings, which are measures that relate directly to business plans, risk limits and stress test scenarios
- qualitative considerations: which underpin the way risk is managed across the Suncorp Group, and
- zero tolerance: areas where the Board has no appetite for risk.

When approving the Company's risk appetite, the Board considers:

- the competing requirements and constraints imposed by key stakeholders and the current risk profile of the Company
- the strategic direction of the Company and the future capital needs based on these strategies, and
- the potential impact of significant and plausible stress scenarios to the Company's overall financial position.

An activity was conducted during the year to refine the Company's risk appetite. This activity elicited preferences of the Board when making business decisions to help inform the Group's risk appetite. The Company has a risk appetite statement which is aligned with the parameters set at the Suncorp Group level. In conjunction with capital plans and business plans, the Company's risk appetite statement and the Group risk appetite statement are reviewed and evaluated by the Group CRO (the Group Chief Risk Officer), Group CFO and Risk Committee and approved by the Board.

Part 4. Risk management (continued)

4.1.3. Risk categorisation and policy setting

The universe of risks managed by the Company includes strategic, compliance, credit, market, balance sheet, liquidity, and operational risk. Policies, procedures, limits and other controls are in place to manage these risks and align them with the Group's risk appetite, as depicted in the table below.

Risk		Policies
Counterparty risk	The risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms. Counterparty risk arises in Banking through lending and trading counterparties.	Group Counterparty Risk Policy Bank Credit Risk Policy
Market risk	The risk of unfavourable changes in interest rates, foreign exchange rates, equity prices, credit spreads, market volatilities and liquidity. Market risk arises from exposures to interest rates and foreign exchange rates in trading and non-trading activities in Banking.	Traded Market Risk Policy
Asset and Liability risk	The risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term. Asset and Liability risk arises at a Suncorp Group level from the structure and characteristics of assets and liabilities and in the mismatch of their repricing dates.	Non-Traded Market Risk Policy
Liquidity risk	The risk that the Company will be unable to service its cash flow obligations today or in the future. In Banking, liquidity risk arises from mismatches in the cash flows of financial transactions or the inability of financial markets to absorb the transactions of the Bank.	Group Liquidity Policy Bank Liquidity Policy
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. These include internal and external fraud, system failure, natural disasters, business interruption, risks associated with business practices, vendors, suppliers, service providers, employment practices and workplace safety.	Operational Risk Policy Procurement Policy Procurement Policy Expenditure Delegations of Authority Policy Business Continuity Policy Outsourcing Policy Product Approval Policy Health & Safety Policies Financial Crimes Policy Human Resource Policies
Compliance risk	The risk of legal or regulatory sanctions, financial loss or reputational damage the Company may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and good practice standards.	Compliance Policy Privacy Policy Breach and Regulatory Management Policy Conflicts of Interest Policy Whistleblower Policy
Strategic risk	The risk of loss arising from uncertainty about future operating environment, including reputation, industry, economic and regulatory environment, branding, crisis management, alliances and suppliers. Strategic risks relate to the Company's business strategy and tactical initiatives that are articulated in business plans.	Strategic Investments Assessments Policy Strategic risk assessments within Business Plans Risk Appetite Statements

4.1.4. Risk committee structures

Within the Enterprise Risk Management Framework, an accountabilities model clearly establishes roles and responsibilities for managing risk. The Management Risk Committees are an important part of the accountabilities model with a number of committees in place. These committees comprise executive representation from both Suncorp Group and the Company as appropriate. A subset of these committees operate with Board Risk Committee-approved Charters, delegations and limits. The Company's current key management committees include:

- Bank Credit Risk Committee
- Bank Asset & Liability Committee
- Bank Operational Risk Committee
- Crisis Management Team

4.2. Internal control framework

As part of the Risk Management Framework, internal controls have been implemented across the Company to ensure appropriate risk identification, assessment, control, management, monitoring and reporting. This section outlines some of the key elements of those internal controls.

4.2.1. Compliance

The Company's Compliance Policy mandates the Company will conduct its business in compliance with all laws, rules, regulations, standards and codes, internal policies and procedures. To ensure this occurs, senior management completes a monthly automated due diligence questionnaire to report the Company's regulatory and operational compliance status, including both actual and potential breaches. All matters identified within the due diligence report are retained on each subsequent monthly report until the matter is resolved to the satisfaction of management, a Board committee, or the Board itself, depending on the circumstances.

Policies and procedures have been developed to also ensure open communications occur between the Company and its primary regulators in a timely manner, namely:

- that all material correspondence between the Company and regulators is referred to the Board or relevant Board committee; and
- that the Company notify ASIC and APRA of any reportable breaches.

4.2.2. Risk committee reporting

The Risk Committee engages in a quarterly conversation with management to assess current and emerging risks, identified through the risk reporting process. Management also reports to the Risk Committee on the performance of its business against target dimensions, as contained in the risk appetite statement, and updated stress testing scenario results are provided to the Risk Committee on a six-monthly basis. Matters are referred to the Board by the Risk Committee from time to time for consideration and approval in accordance with delegated authorities and regulatory requirements.

4.2.3. Financial reporting

The Board receives reports on a monthly basis from management on the financial performance of the Company, including details of all key financial and business results reported against budget, with regular updates on yearly forecasts.

When the Board considers the statutory financial statements and reports for the Company in February and August each year, written certifications regarding the integrity of those financial statements and the Company's risk management and internal compliance and control systems are provided by the Group CEO, Group CFO and Group CRO.

Part 4. Risk management (continued)
4.2.3. Financial reporting (continued)

For the financial year ended 30 June 2011, the Group CEO, Group CFO and Group CRO have provided:

- a declaration regarding the integrity of the financial statements of the Company; and
- assurance that the Company's risk management and internal compliance and control systems are operating effectively in all material respects.

These certifications meet the requirements of s 295A of the *Corporations Act 2001* (Cth) and are based on responses provided by Senior Executives and management representatives to a management certification questionnaire, which is designed to provide an assurance to directors on matters that may impact the Company's financial statements.

4.2.4. APRA declarations

In accordance with APRA regulations, the Company is required to submit to APRA on an annual basis a risk management declaration, confirming the adequacy of the Company's risk management systems.

The risk management declarations, approved by the Board, are based on reports considered and reviews conducted by the Risk Committee during the course of the year and on the representations provided to the Board by management in regard to the adequacy of the Company's risk management systems for each category of risk.

4.3. Risk management accountabilities

4.3.1. Three lines of defence

Accountabilities for Risk Management within the Company are based upon the Three Lines of Defence model.

4.3.2. Specific accountabilities

The role of the **Risk Committee** is to oversee the adequacy and effectiveness of the risk management frameworks and processes within the Group and the Company. The Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk. At its discretion, the Risk Committee may make recommendations to the Board, including recommendations on the Company's risk appetite.

Group Chief Executive Officer – the Board has delegated to the Group CEO authorities and limits for key risks facing the Company and the authority to commit and make operational and capital expenditures. The Group CEO has discretion to delegate these authorities and limits to management.

The **Senior Leadership Team**, comprising the Group CEO, Line of Business CEOs and Senior Executives, provides executive oversight and direction-setting across the Group, taking risk considerations into account.

The **Group Chief Risk Officer**, a member of the Senior Leadership Team, is responsible for promoting and supporting risk considerations with the Senior Leadership Team. The Group CRO is charged with overall accountability for the Risk Management Framework and the overall risk management capability. The Group CRO reports to the Group CEO.

Management – Line of Business CEOs and Group Executives have a mandate and an obligation to manage risk in accordance with the Board-approved risk appetite statements and more broadly in accordance with the Group's risk policies. A **Chief Risk Officer**, with a formal line of accountability to both the Suncorp Bank CEO and the Group CRO creates greater ownership, understanding and awareness of risk.

Internal Audit provides independent testing and verification of the efficacy of corporate standards and business unit compliance, validates the overall risk framework and provides assurance that the risk management process is functioning as designed. Internal Audit provides reports to both the Audit Committee and Risk Committee and under the Internal Audit Charter adopted by the Audit Committee, members of the internal audit department have full, free and unrestricted access to all Company activities, records, property and personnel. The internal audit function is independent of the external auditor.

4.4. External audit

External auditor engagement

The Audit Committee is responsible for recommending to the Board the appointment and removal of the external auditor and for determining the terms of engagement. The Company's external audit engagements were last put to tender in April 2002 and the Audit, Business Risk & Compliance Committee (as the Audit Committee was called at the time) was responsible for the oversight and administration of the tender process including:

- determining the tender/selection process to be followed and identifying key issues to be addressed
- selecting the firms invited to tender
- making presentations to the tendering firms
- receiving and assessing presentations from the tendering firms, and
- making a recommendation to the Board.

At the date of this report, the Company's auditor is KPMG. KPMG have a partner rotation policy that requires the signing and engagement partner to change every five years in accordance with the requirements of the *Corporations Act 2001*. The Board has endorsed that rotation policy.

External Auditor Independence

The external auditor provides a written report to each Audit Committee meeting, on audit and non-audit services provided to the Company over the period since the last report to the committee and the fees charged for those services.

These reports also confirm that the auditor has maintained their independence in relation to the Company having regard to relevant policies, professional rules and statutory requirements.

Attendance at Annual General Meetings

The Company's external auditor is required to attend the Company's Annual General Meetings (AGMs) and shareholders are made aware at each AGM that the auditor is available to address questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

Part 5. Policies

Governance policies of general application throughout the Group

5.1. Remuneration

The remuneration policies and structures in place for employees, management and directors over the reporting period, including full details of directors' and executives' benefits and interests, are explained in the Remuneration Report (part of the Directors' Report).

Part 5. Policies (continued)

5.2. Dealings in Company securities

The Company's Constitution permits directors to acquire securities in the Company; however the Board has adopted the Suncorp Group securities dealing policy that prohibits directors and senior management from dealing in Suncorp securities at any time while in possession of price-sensitive information and for a 30-day period prior to:

- the release of the Company's half-year and annual results to the ASX
- the AGM, and
- any major announcements.

Directors or employees of the Suncorp Group or their Associates:

(a) must not engage in short-term trading of Suncorp securities

(b) must not use Suncorp securities as collateral in any financial transaction; including

- entering into a margin lending arrangement in respect of Suncorp securities, and
- transferring Suncorp securities into an existing margin loan account,

unless a waiver has been granted by the Chairman or Managing Director upon such terms and conditions as the person granting the waiver sees fit.

(c) must not enter into a transaction that is designed to limit the economic risk of a holding in unvested Suncorp securities (i.e. a hedging transaction).

The following approvals must be obtained before a director or officer may deal in Suncorp securities:

- all directors (including the executive director) must advise the Chairman of the Board
- the Chairman must advise the Chairman of the Audit Committee; and
- senior managers must advise the Group CEO.

The granting of approval to deal in Suncorp securities is coordinated by the Company Secretary who is also responsible for reporting all transactions by directors and Senior Executives to the Board.

In accordance with the provisions of the *Corporations Act 2001* and the ASX Listing Rules, the Company advises the ASX of any transaction conducted by directors in the securities of the Company.

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

A copy of the Suncorp Group securities dealing policy, as amended in December 2010 following amendments to the ASX Listing Rules, is available on the Suncorp Group website at www.suncorpgroup.com.au under 'Corporate Governance'.

5.3. Code of conduct

A code of conduct has been adopted by the Company and is available on the Suncorp Group website at www.suncorpgroup.com.au under 'Corporate Governance'.

The *Suncorp Code of Conduct* outlines the standards of behaviour that are expected of all directors, executives, management and employees and describes the values that underpin the way we conduct our business.

In addition to the *Suncorp Code of Conduct*, the Company is also subject to *the Banking Code of Conduct*.

There are also a number of internal policies in place as part of a compliance framework to monitor and encourage adherence with the Suncorp Code of Conduct and industry codes. The key related policies are:

- Conflicts of Interest Policy
- Whistleblower Policy, and
- Securities Dealing Policy.

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

5.4. Diversity

The Company has adopted the Suncorp Group policy on diversity which is contained within the Group Equal Employment Opportunity and Diversity Policy, a summary of which is available on the Suncorp Group website at www.suncorpgroup.com.au under 'Corporate Governance'.

In support of the above Policy, the Board has approved a Diversity Strategy for 2011/14, with the objective of achieving a workforce that is representative of the macro-employment base, the customers with whom we interact, and the communities within which we operate.

Central to the Suncorp Group diversity policy are the following concepts:

- Suncorp considers diversity in our workforce to be inclusive of age, gender, family responsibilities, marital status, cultural background, ethnicity, religion, sexual orientation, socio-economic background, women in senior leadership roles, Aboriginal and Torres Strait Islanders, people with physical or mental disability and those with English as a second language
- Promoting the principles of equality of opportunity throughout the Suncorp Group
- Recruitment, selection or promotion will be based on merit, aptitude and ability; and
- Creating a workforce that reflects the diversity of the communities in which we operate.

The Diversity Strategy 2011/14 outlines a range of initiatives to achieve greater diversity within the organisation, including measurable objectives to attain gender diversity in leadership positions. The implementation of the policy is overseen by a Diversity Council, led by the Group CEO.

Consistent with the key concepts of our diversity policy, the Board has set an objective to increase the proportion of women in senior leadership (a combination of strategic leader and business leader roles) from the current level of 31% to 33% by the end of financial year 2014.

The Board will continue to review progress against this target and report to shareholders annually.

For the year ended 30 June 2011, the proportion of women employed by the Suncorp Group was as follows:

Board of Directors	22%
Senior Leader	31%
Workforce	58%

Part 5. Policies (continued)

5.5. Continuous disclosure and shareholder communication

Continuous disclosure – the Company has policies and procedures in place 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 2001* and the ASX Listing Rules.

The Executive General Manager Group Corporate Affairs & Investor Relations has primary responsibility for all communications with the ASX and all Company announcements are available via the Suncorp Group website following release to the ASX. A copy of the Group disclosure policy is available on the Suncorp Group website at www.suncorpgroup.com.au under 'Corporate Governance'.

Shareholder communication – the Company is committed to:

- keeping its shareholders and the investment market fully informed on all matters that are relevant or material to its financial performance, and
- avoiding the disclosure of material information to anyone on a selective basis.

Information is disseminated primarily through timely announcements to the ASX. Those announcements are published on our website immediately following release by the ASX, enabling access to the broader investment community.

Direct communication with shareholders regarding the Suncorp Group's performance also occurs on a regular basis through the distribution of annual reports (on request) in September each year, and also through letters from the Chairman and Group CEO following the release of the full year and half-year results in August and February respectively, and following the AGM.

Shareholders can elect to receive all such communications through the post or in electronic format.

Full details of the Suncorp Group Disclosure Policy and the Shareholder Communications Strategy, which governs how we communicate with our shareholders, are available on the Suncorp Group website at www.suncorpgroup.com.au.

Statements of comprehensive income

For the year ended 30 June 2011

		Consolidated		Company	
		2011	2010 (Restated)	2011	2010 (Restated)
	Note	$m	$m	$m	$m
Interest income	6	4,404	4,023	4,339	3,914
Interest expense	6	(3,494)	(3,095)	(3,269)	(2,836)
Net interest income		910	928	1,070	1,078
Other operating income	6	132	233	694	1,033
Total net operating income		1,042	1,161	1,764	2,111
Operating expenses	7	(577)	(551)	(1,077)	(1,137)
Profit before impairment losses on loans and advances and tax and discontinued operations		465	610	687	974
Impairment losses on loans and advances	15	(325)	(479)	(318)	(463)
Profit before income tax		140	131	369	511
Income tax (expense) benefit	8.1	(60)	(50)	(34)	1
Profit from continuing operations		80	81	335	512
Discontinued operations					
Profit from discontinued operations, net of income tax	5.1	227	708	-	-
Profit for the financial year		307	789	335	512
Other comprehensive income					
Net change in hedging reserve	26	59	204	76	187
Net change in available-for-sale reserve	26	32	13	31	13
Exchange differences on translation of foreign operations	26	(51)	9	-	-
Actuarial gains (losses) on defined benefit plans	40	-	5	-	-
Other movements		-	6	-	-
Income tax (expense) benefit on other comprehensive income	8.4	(24)	(60)	(29)	(56)
Other comprehensive income net of income tax		16	177	78	144
Total comprehensive income for the financial year		323	966	413	656
Profit for the financial year attributable to:					
Owners of the Company		303	780	335	512
Non-controlling interests		4	9	-	-
Profit for the financial year		307	789	335	512
Total comprehensive income for the financial year attributable to:					
Owners of the Company		319	957	413	656
Non-controlling interests		4	9	-	-
Total comprehensive income for the financial year		323	966	413	656

The statements of comprehensive income are to be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 June 2011

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Assets					
Cash and cash equivalents	10	345	883	342	329
Receivables due from other banks	10	226	232	226	232
Trading securities	11	4,952	8,233	4,952	8,233
Derivatives	51	233	833	233	785
Investment securities	52	5,742	21,091	5,783	13,769
Loans, advances and other receivables	14	49,064	51,146	48,459	50,150
General Insurance and Life assets	45	-	5,204	-	-
Due from subsidiaries		-	-	500	1,883
Property, plant and equipment	16	69	358	-	37
Other assets	17	265	631	224	309
Deferred tax assets	8	182	101	182	230
Goodwill and intangible assets	18	29	6,627	-	-
Total assets		61,107	95,339	60,901	75,957
Liabilities					
Payables due to other banks	10	31	28	31	28
Deposits and short-term borrowings	19	39,247	33,958	39,316	34,138
Derivatives	51	2,583	2,461	2,441	2,278
Payables and other liabilities	20	880	2,295	863	879
Due to subsidiaries		-	-	3,560	5,585
General Insurance and Life liabilities	46,47	-	17,687	-	-
Managed funds units on issue		-	437	-	-
Securitisation liabilities	21	3,634	4,710	-	-
Debt issues	22	10,151	16,759	10,161	17,053
Total liabilities excluding loan capital		56,526	78,335	56,372	59,961
Loan capital					
Subordinated notes	53	846	2,182	846	1,492
Preference shares	24	830	869	830	869
Total loan capital		1,676	3,051	1,676	2,361
Total liabilities		58,202	81,386	58,048	62,322
Net assets		2,905	13,953	2,853	13,635
Equity					
Share capital	25	1,789	12,618	1,789	12,728
Reserves	26	(243)	74	126	117
Retained profits		1,359	1,241	938	790
Total equity attributable to owners of the Company		2,905	13,933	2,853	13,635
Non-controlling interests		-	20	-	-
Total equity		2,905	13,953	2,853	13,635

The statements of financial position are to be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 30 June 2011

Consolidated	Share capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 July 2009	**12,425**	**(123)**	**921**	**13,223**	**6**	**13,229**
Profit for the financial year	-	-	780	780	9	789
Other comprehensive income	-	166	11	177	-	177
Total comprehensive income	-	166	791	957	9	966
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	195	-	-	195	-	195
Dividends declared and paid	-	-	(440)	(440)	(3)	(443)
Share-based payments	2	-	-	2	-	2
Treasury share movements	(4)	-	-	(4)	-	(4)
Transfers	-	31	(31)	-	-	-
Other movements	-	-	-	-	8	8
Balance as at 30 June 2010	**12,618**	**74**	**1,241**	**13,933**	**20**	**13,953**
Profit for the financial year	-	-	303	303	4	307
Other comprehensive income	-	16	-	16	-	16
Total comprehensive income	-	16	303	319	4	323
Transactions with owners, recorded directly in equity						
Share buyback	(10,886)	-	-	(10,886)	-	(10,886)
Dividends declared and paid	-	-	(254)	(254)	(2)	(256)
Share-based payments	5	-	-	5	-	5
Treasury share movements	(9)	-	-	(9)	-	(9)
Transfers	-	(69)	69	-	-	-
Transfer to ultimate parent entity	(58)	-	-	(58)	-	(58)
Disposal of subsidiaries	119	(264)	-	(145)	(22)	(167)
Balance as at 30 June 2011	**1,789**	**(243)**	**1,359**	**2,905**	**-**	**2,905**

Company	Share capital $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 July 2009	**12,529**	**(58)**	**752**	**13,223**	**-**	**13,223**
Profit for the financial year	-	-	512	512	-	512
Other comprehensive income	-	144	-	144	-	144
Total comprehensive income	-	144	512	656	-	656
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	195	-	-	195	-	195
Dividends declared and paid	-	-	(443)	(443)	-	(443)
Share-based payments	4	-	-	4	-	4
Transfers	-	31	(31)	-	-	-
Balance as at 30 June 2010	**12,728**	**117**	**790**	**13,635**	**-**	**13,635**
Profit for the financial year	-	-	335	335	-	335
Other comprehensive income	-	78	-	78	-	78
Total comprehensive income	-	78	335	413	-	413
Transactions with owners, recorded directly in equity						
Share buy back	(10,886)	-	-	(10,886)	-	(10,886)
Dividends declared and paid	-	-	(256)	(256)	-	(256)
Share-based payments	5	-	-	5	-	5
Transfers	-	(69)	69	-	-	-
Transfer to ultimate parent entity	(58)	-	-	(58)	-	(58)
Balance as at 30 June 2011	**1,789**	**126**	**938**	**2,853**	**-**	**2,853**

The statements of changes in equity are to be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June 2011

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Cash flows from operating activities					
Interest received		4,445	3,991	4,351	3,974
Interest paid		(3,544)	(3,095)	(3,334)	(2,850)
Other operating income received		192	236	447	485
Dividends received		-	-	315	543
Operating expenses paid		(611)	(588)	(1,111)	(1,320)
Income tax paid		(162)	(150)	(17)	(148)
Discontinued operations	**5.1**	259	116	-	-
Net (increase) decrease in operating assets					
Trading securities		3,278	(1,550)	3,278	(1,550)
Loans, advances and other receivables		1,943	2,999	1,398	2,360
Net increase (decrease) in operating liabilities					
Deposits and short-term borrowings, payables and other liabilities		5,168	(3,621)	4,415	(4,414)
Net cash (used in) from operating activities	**32**	10,968	(1,662)	9,742	(2,920)
Cash flows from investing activities					
Proceeds from sale of investment in subsidiary		-	48	-	62
Proceeds (payments) for sales (purchase) of investment securities		(2,500)	848	(2,634)	843
Payments for plant and equipment and intangibles		(28)	(64)	-	(2)
Discontinued operations	**5.1**	121	(1,070)	-	-
Net cash (used in) from investing activities		(2,407)	(238)	(2,634)	903
Cash flows from financing activities					
Net increase (decrease) in debt issues and securitisation liabilities		(7,084)	766	(6,282)	1,663
Payment on maturity of subordinated notes		(524)	(321)	(524)	(321)
Dividends paid on ordinary shares		(255)	(245)	(256)	(248)
Payments for reset preference share redemption		(42)	-	(42)	-
Payments other financing activities		(13)	(19)	-	-
Discontinued operations	**5.1**	(478)	361	-	-
Net cash (used in) from financing activities		(8,396)	542	(7,104)	1,094
Net (decrease) increase in cash and cash equivalents		165	(1,358)	4	(923)
Cash and cash equivalents at the beginning of the financial year		1,087	2,445	533	1,456
Cash balances disposed during the financial year		(708)	-	-	-
Effect of exchange rate fluctuations on cash held		(4)	-	-	-
Cash and cash equivalents at end of the financial year	**10**	540	1,087	537	533

The statements of cash flows are to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the year ended 30 June 2011

1. Suncorp Group restructure

On 7 January 2011, the **Suncorp Group**, being Suncorp Group Limited and its subsidiaries, completed a restructure which resulted in a non-operating holding company, Suncorp Group Limited (**SGL**) replacing Suncorp-Metway Ltd (**SML** or the **Company**) as the ultimate parent of the Group. Following the restructure, the Suncorp Group is comprised of three separate lines of business, **General Insurance, Banking,** and **Life**, each with their own non-operating holding companies. The three lines of business and corporate entities (**Corporate**) collectively form the four business areas of the Suncorp Group. SML became a subsidiary of SGL following the restructure and is included in the Banking business area.

The restructure was effected by a scheme of arrangement which was approved by SML shareholders on 15 December 2010. Approval was also obtained from the Federal Treasurer, the Australian Prudential Regulation Authority (**APRA**) and the Supreme Court of Queensland. On restructure, ordinary shareholders of SML , with the exception of a small number of ineligible foreign shareholders, obtained one ordinary share in SGL for each ordinary share they held in SML prior to the implementation of the restructure.

Following SML becoming a subsidiary of SGL, SML sold all non-banking subsidiaries to SGL for the carrying amount of investment in these subsidiaries at the restructure date. The entities representing major lines of businesses (General Insurance and Life) are disclosed as discontinued operations within SML's consolidated results and details of the disposal are included in note 5.

As a result of this restructure, SML's consolidated results for the current year consist of:

- for the period 1 July 2010 to 6 January 2011 – the results of the former Suncorp Group;
- for the period 7 January 2011 to 30 June 2011 – the results of the Group consisting of Suncorp-Metway Ltd and its subsidiaries.

2. Basis of preparation

The Company is a public company domiciled in Australia and the address of the Company's registered office is Level 18, 36 Wickham Terrace, Brisbane, QLD, 4000.

The consolidated financial statements for the year ended 30 June 2011 comprise the Company and its subsidiaries (the **Group**). The financial statements were authorised for issue by the Board on 24 August 2011.

The consolidated financial statements have been prepared on the historical cost basis unless the application of fair value measurements is required by relevant accounting standards. An exception exists regarding the measurement of defined benefit superannuation scheme surplus (deficit) which is described in note 40.

Except as otherwise stated in note 3, all accounting policies have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by all Group entities.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year. Comparatives may also be adjusted if material prior period errors are identified. In addition, the comparative consolidated statement of comprehensive income has been re-presented as if operations discontinued during the current year had been discontinued from the start of the comparative year (refer note 5).

These financial statements are presented in Australian dollars which is the Company's functional and presentation currency and the functional currency of the majority of the Group's subsidiaries.

2. Basis of preparation (continued)

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and all financial information presented in Australian dollars has been rounded to the nearest one million dollars unless otherwise stated.

2.1. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

2.2. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and the application of policies. The estimates determined and associated accounting assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgements and assumptions are discussed as follows:

- Specific and collective provisions for impairment (refer note 15)
- Impairment of goodwill and other intangible assets (refer note 18)
- Valuation of financial instruments and fair value hierarchy disclosures (refer note 28)
- General Insurance - outstanding claims liabilities, assets arising from reinsurance contracts and other recoveries (refer note 46)
- Life policy liabilities (refer note 47)

3. Significant accounting policies

The Group's significant accounting policies set out below have been consistently applied by all Group entities to all periods presented in these consolidated financial statements except for the following change in accounting policy:

The Group has applied AASB 2010-4 *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Project for amendments to AASB 101 *Presentation of Financial Statements* which removed the requirement to show each item of other comprehensive income in the statement of changes in equity and rather permit such analysis and disclosure to be shown in the notes. This change has been retrospectively applied and the comparatives have been represented to reflect this change.

3.1. Significant accounting policies applicable to all Group entities

The following significant accounting policies are applicable to all Group entities.

3.1.1. Basis of consolidation

The Group's consolidated financial statements are financial statements of the Company and all its subsidiaries presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

(a) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of during the financial year. When an operation is classified as discontinued, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group including companies, managed funds and trusts. Subsidiaries are consolidated from the date that control commences until the date that control ceases. Control is the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(c) Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

(d) Associates and joint venture entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint venture entities are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

These investments are accounted for using the equity method. Interests are initially recognised at cost and adjusted to recognise the Group's share of the profit or loss after the date of acquisition. For investments in associates, if the Group's share of losses exceeds its investment, the carrying amount is reduced to nil and recognition of further losses is discontinued.

Investments in equity accounted investees are assessed for impairment each reporting date and are carried at the lower of the equity-accounted amount and recoverable amount.

(e) Jointly controlled assets

Jointly controlled assets are those assets in which the Group has joint control. The Group's interests are accounted for by including the Group's share of the jointly controlled assets (classified according to the nature of the assets rather than as an investment), liabilities and expenses incurred, and income from the sale or use of jointly controlled assets.

(f) Joint venture operations

Joint venture operations are those operations in which the Group has joint control. They are brought to account by recognising the assets the Group controls, the liabilities that it incurs, the expenses it incurs and its share of income that is earned by the joint venture operations.

(g) Managed funds

Subsidiaries within the Group's General Insurance business were licensed to maintain statutory insurance funds for external clients. The application of the statutory funds by the subsidiaries was restricted to the collection of premiums and the payment of claims, related expenses and other payments authorised under the relevant Acts. The subsidiaries are not liable for any deficiency in the funds, or entitled to any surplus. For these reasons, the directors are of the opinion that the subsidiaries do not have control nor have the capacity to control the statutory funds. Therefore, the statutory funds are not consolidated into the Group's financial statements.

(h) Securitisation

The company conducts a loan securitisation program whereby housing mortgage loans are packaged and sold as securities to the Apollo Trusts (Trusts).

3. Significant accounting policies (continued)

3.1.1. Basis of consolidation (continued)

Group

Securitised loans are recognised in the Group's financial statements as the Group 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 Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. These are represented as securitisation liabilities of the Group. However the Group does not stand behind the capital value or the performance of the securities or the assets of the Trusts. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the Trusts. The Group is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support.

Company

The Company receives the residual income of the Trusts and interest rate risk from the Trusts is transferred back to the Company by way of interest rate and basis swaps. Accordingly, the original sale of the mortgages from the Company to the Trusts fails the de-recognition criteria set out in AASB 139. The Company continues to reflect the securitised loans in their entirety and also recognises a financial liability to the Trusts. The Trusts then recognise a financial asset due from the Company and a financial liability to the holders of the debt securities issued by the Trusts. The interest payable on the intercompany financial asset/liability represents the return on an imputed loan between the Company and the Trusts and is based on the interest income under the mortgages, the fees payable by the Trusts and the net interest income/expense not separately recognised under interest rate and basis swaps transacted between the Company and the Trusts.

All transactions between the Trusts and the Company are eliminated on consolidation.

3.1.2. Business combinations

The acquisition method of accounting is used to account for business combinations by the Group.

The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Group at the acquisition date. Acquisition related costs are expensed in the period in which they are incurred. Where equity instruments are issued in an acquisition, their value is the published market price at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The acquiree's identifiable assets acquired, liabilities assumed, contingent liabilities, and any non-controlling interests are measured at their fair values at the acquisition date. If the consideration transferred and any non-controlling interest in the acquiree is greater than the fair value of the net amounts of the identifiable assets acquired and liabilities assumed, the excess is recorded as goodwill; otherwise, the difference is recognised immediately in profit or loss after a reassessment of the identification and measurement of the net assets acquired.

In a business combination arising from transfers of interests in entities that are under the control of the ultimately parent entity, the assets and liabilities are acquired at the carrying amounts recognised previously in the Group's consolidated financial statements.

3.1.3. Foreign currency translation

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency of the operation using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at balance date are translated into the functional currency using the spot rates of exchange current on that date. The resulting differences on monetary items are recognised as exchange gains or losses in the financial year in which the exchange rates difference arises. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the date of the transaction. Foreign currency non-monetary assets and liabilities that are stated at fair value are translated using exchange rates at the dates the fair value was determined. Where a non-monetary asset is classified as an available-for-sale financial asset, the gain or loss is recognised in other comprehensive income.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the hedge accounting rules set out in note 3.1.10.

(b) Financial reports of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve.

3.1.4. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Receivables, payables and the provision for outstanding claims are stated with the amount of GST included.

3.1.5. Revenue recognition

(a) Dividends and distribution income

Dividends and distribution income are recognised when the right to receive income is established.

(b) Fair value gains and losses

Fair value gains and losses from financial assets and liabilities at fair value through profit and loss are recognised as they occur.

(c) Interest income and expense

Interest income and expense are recognised for all interest-bearing instruments measured at amortised cost using the effective interest method. These instruments include loans, advances and other receivables, deposits and short-term borrowings and debt issues.

The effective interest rate method calculates the amortised cost of the financial asset or liability and allocates the interest income or expense over its expected life so as to achieve a constant yield. The calculation takes into account certain fees, transaction costs such as commissions paid to mortgage loan originators and discounts that are an integral part of the effective interest rate.

3. Significant accounting policies (continued)

3.1.5. Revenue recognition (continued)

(d) Banking fee and commission income

Fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Banking non-yield related application and activation lending fee revenue is recognised when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing service, for example maintaining and administering existing facilities, insurance portfolio fund management services income, and asset management services, are recognised on an accrual basis when the service is provided.

3.1.6. Income tax

Income tax expense comprises current and deferred tax and is recognised in the profit or loss except to the extent it relates to items recognised in equity or in other comprehensive income.

Current tax payable consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years, and based on the applicable tax law that has been enacted or substantially enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. The tax effect of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

For presentation purposes, deferred tax assets and deferred tax liabilities have been offset if there is a legally enforceable right to offset current tax assets and liabilities and where they relate to income taxes levied by the same taxation authority on the same taxable entity or entities within the Group.

Tax consolidation

As at 30 June 2011, the Company is a wholly-owned entity in a tax consolidated group, with Suncorp Group Limited as the head entity. As at 30 June 2010, the Company was the head entity of the tax consolidated group.

The Company and each of its wholly-owned subsidiaries recognise the current and deferred tax amounts applicable to the transactions undertaken by it, reasonably adjusted for certain intra group transactions, as if it continued to be a separate tax payer. The head entity recognises the entire tax-consolidated group's current tax liability. Any differences, per subsidiary, between the current tax liability and any tax funding arrangement amounts (see below) are recognised by the head entity as an equity contribution to or distribution from the subsidiary.

The head entity in conjunction with members of the tax-consolidated group, has entered into a tax sharing agreement and a tax funding agreement. The tax funding agreement requires wholly-owned subsidiaries to make contributions to the head entity for current tax liabilities arising from external transactions. The contributions are calculated as if the subsidiary was a separate tax payer, reasonably adjusted for certain intra group transactions. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

Members of the tax consolidated group have also, via the tax sharing agreement, provided for the determination of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in respect of this component of the agreement as this outcome is considered remote.

3.1.7. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the Reserve Bank of Australia (RBA), highly liquid short-term investments and money at short call.

Receivables due from other banks are classified as cash equivalents for cash flow purposes. They are measured at face value or the gross value of the outstanding balance which is considered a reasonable approximation of fair value. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

3.1.8. Receivables due from and payables due to other banks

Receivable due from and payables due to other banks include nostro balances and settlement account balances. They are carried at the gross value of the outstanding balance.

3.1.9. Financial assets

Upon initial recognition, financial assets of the Group are classified into one of the following categories:

(a) Financial assets at fair value through profit or loss

These assets are classified as either trading or those that are designated upon initial recognition. Trading securities are government, bank and other debt securities that are acquired without the intention of being held to maturity. Derivatives that are not specifically designated as being part of an effective hedge relationship are classified as trading securities.

Assets are initially recognised with direct transaction costs such as brokerage and commission expensed through the profit or loss. Recognition date is at trade date, being the date on which the Group commits to purchase or sell the asset.

The assets are measured at fair value each reporting date based on the quoted market price where available. Where quoted prices are not available, alternative valuations technique are used. Movements in the fair value are taken immediately to the profit or loss. Interest income on Trading securities is recorded in Net Interest Income and the fair value movement on trading securities is recorded in net profits on derivative and other financial instruments.

(b) Loans and other receivables

Loans and other receivables include all forms of lending and direct finance provided to Banking customers. They are initially recognised at fair value plus direct transaction costs. Recognition date is at settlement date being the date on which cash is advanced to the customers.

Loans and receivables are measured at each reporting date at amortised cost using the effective interest method less any impairment losses. Interest income is recorded in the profit or loss.

(c) Available-for-sale

Available-for-sale investments consist of debt and equity securities which are intended to be held for an indefinite period of time, but which may be sold in response to a need for liquidity or changes in interest rates or exchange rates. They are initially recognised at trade date at fair value plus direct transaction costs and are measured at fair value at each reporting date.

Fair value gains and losses, other than foreign exchange gains and losses on debt securities, are recognised directly into equity until impaired or derecognised, whereupon the cumulative gains and losses previously recognised in equity are reclassified to the profit or loss as a reclassification adjustment. Foreign exchange gains and losses on debt securities, interest income and dividend income are recognised in the profit or loss. The Group's available-for-sale financial assets include investment securities.

3. Significant accounting policies (continued)

3.1.10. Derivative financial instruments

The Group uses derivative financial instruments to hedge the Group's assets and liabilities or as part of the Group's trading and investment activities. Derivates used include foreign exchange contracts, forward rate agreements and interest rate, currency and equity swaps.

Recognition is based on fair value at trade date with ongoing measurement at fair value throughout the life of the contract. Fair values are determined from quoted market prices where available, or else by using discounted cash flow models, broker and dealer price quotations or option pricing models as appropriate.

All derivatives are classified as Trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Changes in the fair values of trading derivatives are immediately recognised in the profit or loss.

Hedging derivatives are those that satisfy the criteria specified in AASB 139 *Financial Instruments: Recognition and Measurement* relating to hedging. On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. The Group also documents on an ongoing basis whether such hedges are highly effective in achieving offsetting changes in fair values or cash flows of hedged items.

The treatment of the fair value gain or loss on a hedging derivative depends on the nature of the hedge relationship.

(a) Cash flow hedges

Changes in the fair value associated with the effective portion of a derivative designated as a cash flow hedge are recognised in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the derivative and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

Amounts accumulated within the hedging reserve are released to the profit or loss in the same periods during which the hedged transaction takes place.

When a hedging derivative expires or is sold, terminated or exercised, the hedge relationship is revoked or no longer meets the criteria for hedge accounting and the forecast hedged transaction is still expected to occur, amounts accumulated in equity to that point are recognised in the profit or loss in the same period or periods during which the hedged forecast transaction affects the profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to the profit or loss immediately.

(b) Fair value hedges

Where an effective hedge relationship is established, fair value gains or losses on the derivative are recognised in the profit or loss as are any changes in the fair value of the hedged items that are attributable to the hedged risk. The hedged item is recognised at fair value, for the risk being hedged, in the statement of financial position.

When a hedge relationship no longer meets the criteria for hedge accounting, the hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to the profit or loss over the period to when the hedged item will mature.

3.1.11. Property, plant and equipment

(a) Recognition and initial measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are derecognised upon disposal with the resulting gain or loss recognised and calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds.

(b) Depreciation

The depreciable value of the asset is depreciated over the asset's useful life. The straight-line method of depreciation is used with assets being depreciated from the date they become available for use.
Useful lives and depreciation methods are reviewed at each annual reporting period. Residual values, if significant, are reassessed annually. The depreciation rates used for the current and comparative periods are as follows:

Class	Buildings	Leasehold improvements	Plant and equipment
Depreciation rate	2.5%	10% to 20%	10% to 50%

3.1.12. Intangible assets

(a) Initial recognition and measurement

Intangible assets are recognised at cost less any accumulated amortisation or any accumulated impairment losses. Where an intangible asset is deemed to have an indefinite useful life, it is not amortised but tested for impairment at least on an annual basis.

Goodwill is recognised as the fair value of the consideration transferred (including the recognised amount of any non-controlling interest in the acquiree) less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill on acquisitions of joint venture entities and associates is included in the carrying value of the investment. Other intangible assets acquired under business combinations are initially valued at cost, which is the asset's fair value at acquisition date.

Internally generated intangible assets such as software are recorded at cost, which comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management.

All other expenditure, including expenditure on software maintenance, research costs and brands is recognised as an expense as incurred.

(b) Amortisation

Amortisation is recognised on a straight line basis over the estimated useful lives of the finite intangible assets, calculated from the date the assets are available for use. The amortisation method and useful lives are reviewed annually. The estimated useful lives of intangible assets are as follows:

Category	Useful life	Maximum remaining useful life	
		2011	2010
Brands	1-50 years	n/a	47 years
Customer contracts & other relationships	1-30 years	n/a	27 years
Outstanding claims liabilities intangible	20 years	n/a	17 years
Software	3-7 years	n/a	5 years

3. Significant accounting policies (continued)

3.1.13. Impairment

(a) Financial assets

Financial assets, other than those measured at fair value through profit and loss, are assessed each reporting date to determine whether there is any objective evidence of impairment. If impairment has occurred, the carrying amount of the asset is written down to its estimated recoverable amount.

(b) Loans and receivables

An impairment loss is recognised in respect of financial assets measured at amortised cost when the carrying amount of the asset exceeds the present value of its estimated discounted future cash flows calculated based on the asset's original effective interest rate. When impairment losses are recognised, the carrying amount of the relevant asset or group of assets is reduced by the balance of the provision for impairment. If a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

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

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

In relation to provision for impairment of Banking loans and advances, two categories of provisions are recognised: specific provisions and collective provisions. Specific impairment provisions are recognised for all loans where there is objective evidence that an individual loan is impaired. Specific impairment provisions are based on the carrying amount of the loan and the present value of expected future cash flows. Where loans are not assessed as individually impaired, they are classified into groups of loans with similar credit risk characteristics and collectively assessed for impairment. Collective impairment provisions are based on historical loss experience adjusted, where appropriate, for current observable data.

The difference between the Group’s specific and collective provisions for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA is recognised in the general reserve for credit losses.

(c) Available-for-sale financial assets

An impairment loss is recognised in respect of available-for-sale financial assets where there is evidence of a decrease in fair value below cost. Cumulative losses are transferred from the available-for-sale reserve in equity to the profit or loss. When subsequent events cause the amount of the impairment loss to decrease, a reversal of the impairment is recognised in profit or loss for debt securities if the decrease can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, and in equity for equity securities and other debt security recoveries.

(d) Goodwill and other non-financial assets

Non-financial assets are assessed for indicators of impairment at each reporting date. Indicators include both internal and external factors. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated each year at 30 June 2011.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) – this may be an individual asset or a group of assets. For the purpose of assessing impairment of goodwill, goodwill is allocated to cash-generating units representing the Group's investment in each of its business lines, which are its operating segments.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Impairment losses, if any, recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

3.1.14. Financial liabilities

Upon initial recognition, financial liabilities of the Group are classified into one of the categories listed below.

(a) Financial liabilities at fair value through profit or loss

These liabilities are classified as either Trading or those that are designated upon initial recognition. Liabilities are initially recognised at fair value with direct transaction costs such as brokerage and commission expensed through the profit or loss. Recognition date is at trade date, being the date on which the Group commits to purchase or sell the liability.

Fair value is determined using the offer price where available. Movements in the fair value are recognised in the profit or loss.

The Group designates certain short-term offshore borrowings as being at fair value through profit or loss. This designation is made on the basis that the program is hedged by a portfolio of foreign exchange swaps which are accounted for at fair value through profit or loss due to their classification as a derivative.

(b) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss and financial liabilities designated as part of effective fair value hedging relationships, are initially measured at fair value plus direct acquisition costs and subsequently measured at amortised cost using the effective interest method. This includes bank acceptances, payables due to other financial institutions and deposits and other borrowings such as debt issues.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date (repurchase agreement), the financial assets sold under such agreements continue to be recognised in the statement of financial position and the obligation to repurchase is recognised as deposits and short-term borrowings.

(c) Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the instruments on their relative carrying amounts at the date of issue.

3. Significant accounting policies (continued)

3.1.15. Employee entitlements

Following the NOHC restructure, all staff are employed under a central employee company which is now a subsidiary of the ultimate parent entity, Suncorp Group Limited.

(a) Superannuation

The Group contributes to both defined contribution and defined benefit superannuation schemes. Contributions made to defined contribution superannuation schemes are charged to the profit or loss as the obligation to pay is incurred. The defined contribution plans receive fixed contributions and the Group’s legal or constructive obligation is limited to these contributions.

A net defined benefit liability is recognised in the consolidated statement of financial position as a net total of the present value of the defined benefit obligation at the balance date less the fair value of plan assets.

If the net defined benefit liability resulted in negative balance, a net defined benefit asset is recognised as the lower of the net defined benefit asset and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. All plans are now with the central employee company.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised directly to equity. Past service costs are recognised immediately in profit or loss (refer Note 40).

(b) Long service leave (LSL)

A liability for long service leave is recognised 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 Commonwealth Government bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as workers compensation and payroll tax are also included in the liability.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts a voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Share-based payments

The Group operates several share-based payment transactions with its non-executive directors and employees which may be equity settled or equity settled with cash alternative (Company’s choice).

For equity settled transactions, the fair value is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated as the fair value of each share granted multiplied by the expected number of shares to eventually vest. The fair value of each share granted is measured on grant date and does not change throughout the vesting period unless the terms and conditions of the grant are modified. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (eg performance criteria) upon which the shares were granted. Non-market vesting conditions (eg service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

Cash settled transactions are recognised as a liability at fair value. Until the liability is settled, the fair value of the liability is remeasured at each reporting date, and at the date of settlement, with the changes in fair value recognised in profit or loss for the period.

Equity settled transactions with cash alternative (Company's choice) are accounted for as a cash settled share-based payment transaction to the extent that the Company has a present obligation to settle in cash. Otherwise, the transaction is accounted for as an equity-settled arrangement.

3.1.16. Loan capital

Loan capital is debt which has terms and conditions, such as being undated or subordinated, which qualify it for inclusion as capital under APRA Prudential Standards but as a liability under accounting standards.

(a) Subordinated notes

Subordinated notes are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest payments and accruals in relation to subordinated notes are classified as a finance cost. Gains or losses on derecognition are recognised in the profit or loss.

(b) Preference shares

Reset preference shares are recognised as a liability as they are exchangeable on a specific date at the option of the holder. While the convertible preference shares have no specified maturity date, subject to certain conditions being met, conversion to SGL ordinary shares will occur on the mandatory conversion date and hence these exhibit characteristics of a liability. The capital is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. Dividends are charged as interest expense on an accruals basis.

3.1.17. Share capital

(a) Repurchase of share capital

When share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

(b) Treasury shares

Ordinary shares of the Company that are acquired by subsidiaries including share-based remuneration trusts and controlled unit trusts are referred to as treasury shares. They are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.

(c) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Transaction costs in excess of the proceeds of the equity instruments issued, or where no proceeds are raised, are recognised as an expense.

3.1.18. Contingent liabilities and contingent assets

Contingent liabilities are not recognised but are disclosed in the financial report, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

Contingent assets are not recognised but are disclosed in the financial report when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

3. Significant accounting policies (continued)

3.2. Significant accounting policies applicable to discontinued operations – General Insurance

3.2.1. General Insurance revenue and expense recognition

(a) Premium revenue

Premium revenue comprises amounts charged to policyowners and includes applicable levies and charges such as fire service levies but excludes stamp duty and taxes collected on behalf of third parties such as GST.

Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the financial report.

(b) Managed funds income

The Group manages statutory insurance funds for external clients and earns income from the provision of services such as premium collection and claims processing (base fee) as well as an incentive fee based on performance results. Income for the base fee is recognised as the service is provided and for the incentive fee, as the income is earned.

Fee receivables are based on management's best estimate of the likely fee at balance date. There is a significant amount of judgement involved in the estimation process of the fees receivable which may not finalised for a number of years.

The statutory authorities allocate the base fee to each authorised agent based on factors such as market share and service capability. The performance fee is allocated to each authorised agent based on performance components set by each statutory authority.

(c) Claims expense

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyowner on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in the profit or loss as losses are incurred which is usually the point in time when the event giving rise to the claim occurs.

(d) Outwards reinsurance expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

3.2.2. Financial assets backing General Insurance liabilities

The Group has designated financial assets held in portfolios that match the average duration of a corresponding insurance liability as assets backing General Insurance liabilities. These financial assets are designated as fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy. These financial assets include investment securities and receivables from policyowners, intermediaries and reinsurers; and investment settlement receivables.

Receivables are valued at fair value which is approximated by taking the initially recognised amount and reducing it for credit risk and time value of money as appropriate. Short duration receivables with no stated interest rate are normally measured at original invoice amount which approximates fair value.

Financial assets that do not back General Insurance liabilities include investment securities and receivables. Investment securities have been designated as fair value through profit or loss as they are managed and their performance evaluated on a fair value basis.

3.2.3. Reinsurance and other recoveries receivables

Reinsurance and other recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

3.2.4. Deferred insurance assets

(a) Deferred acquisition costs

Acquisition costs are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Deferred acquisition costs are recognised as assets to the extent that the related unearned premiums exceed the sum of the deferred acquisition costs and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the deferred acquisition cost asset is written down and if insufficient, an unexpired risk liability is recognised.

(b) Deferred reinsurance premiums

Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums. The amortisation of deferred reinsurance premiums is in accordance with the pattern of reinsurance service received.

3.2.5. Unearned premium liability

Premium revenue received and receivable but not earned is recognised as an unearned premium liability.

The carrying value of the unearned premium liability is assessed at each reporting date by carrying out a liability adequacy test (LAT). This test assesses whether the net unearned premium liability less any deferred acquisition costs is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and includes a risk margin to reflect the inherent uncertainty in the central estimate. The assessment is carried out on a portfolio of contracts basis. If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write down of related deferred acquisition costs. Any remaining balance would be recognised as an unexpired risk liability on the statement of financial position.

The LAT test is based on prospective information and so is heavily dependent on assumptions and judgements which are explained in note 46.

3.2.6. Outstanding claims liabilities

The liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty of the central estimate. Standard actuarial methods are applied to determine the net central estimate of outstanding claims liabilities. Outstanding claims liability is heavily dependent on assumptions and judgements. The details of actuarial assumptions and the process for determining the risk margins are set out in note 46.

3. Significant accounting policies (continued)

3.3. Significant accounting policies applicable to discontinued operations - Life

Under the *Life Insurance Act* 1995 (Life Act), Life business is conducted within one or more separate statutory funds, which are distinguished from each other and from the shareholder funds. The financial reports of the Australian life insurers prepared in accordance with AASB 1038 *Life Insurance Contracts* (and which are lodged with the relevant Australian regulators) show all major components of the financial statements disaggregated between the various life insurance statutory funds and their shareholder funds, as well as between investment-linked business and those relating to non-investment-linked businesses. The assets of the Life business are allocated between the policyowner and shareholder funds with all assets, liabilities, revenues and expenses recognised in the consolidated financial statements, irrespective of whether they are policyowner or shareholder owned.

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 Act and the relevant company's constitution. 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 policyowners can receive a distribution when solvency requirements are met, while shareholders can only receive a distribution when the higher level of capital adequacy requirements are met. Participating policyowners and shareholders in Asteron Life Ltd (New Zealand) can only receive a distribution when the prudential reserving requirement is met.

3.3.1. Life revenue and expense recognition

(a) Premium revenue

Premium recorded as revenue relates to risk bearing life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as a movement in policy liabilities. Life insurance premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised on an accruals basis.

(b) Fees and other revenue

Fee revenue is recognised as services are provided. The entry fee in relation to life investment contracts is deferred and recognised over the average expected life of the investment contract. The revenue that can be attributed to the origination service is recognised at inception.

(c) Claims expense

Insurance claims are recognised when the liability to the policyowner under the policy contract has been established or upon notification of the insured event, depending on the type of claim.

The component of a life insurance contract claim that relates to the bearing of risks is treated as a claim expense. Other life insurance claim amounts and all life investment contract amounts paid to policyowners are in the nature of withdrawals and are recognised as a decrease in policy liabilities.

(d) Outwards reinsurance expense

Premium ceded to reinsurers is recognised by the Group as outwards reinsurance premium expense in profit or loss from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. A portion of outwards reinsurance premium is recognised as a deferred reinsurance asset and presented as deferred insurance assets on the statement of financial position at reporting date.

(e) Basis of expense apportionment

Life insurance expenditure has been apportioned to the different classes of business in accordance with Division 2 of Part 6 of the Life Act. The expense apportionment basis is in line with the principles set out in LPS 1.04 *Valuation of Policy Liabilities* and New Zealand Society of Actuaries Professional Standard Number 3 *Determination of Life Insurance Policy Liabilities*.

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 profit or loss are equitably apportioned to each class of business.

Statistics such as policy counts, annual premiums, funds under management and claims payments are used to apportion the expenses to individual life insurance and life investment products.

3.3.2. Financial assets backing life insurance and life investment liabilities

The Group has determined that all financial assets within its statutory funds are assets backing policy liabilities. These financial assets are designated as fair value through profit or loss as they are measured on a basis that is consistent with the measurement of the liabilities. These financial assets include investment securities and receivables.

3.3.3. Financial assets not backing life insurance and life investment liabilities

Financial assets held within the shareholder funds do not back life insurance liabilities or life investment liabilities and include investment securities and receivables. Investment securities are designated as fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy. Receivables are measured at amortised cost less accumulated impairment losses.

3.3.4. Deferred acquisition costs

Life insurance contracts – deferred acquisition costs include the fixed and variable costs of acquiring new business and include commissions, certain advertising and underwriting costs. These costs are implicitly deferred through Margin on Service accounting. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

Life investment contracts – deferred acquisition costs include the variable costs of acquiring new business and include commission costs. They are amortised in accordance with the expected earning pattern of the associated revenue. All other acquisition costs are expensed as incurred.

3.3.5. Policy liabilities

(a) Life insurance contracts

Life insurance contract liabilities are calculated using the Margin on Services (MoS) methodology. Under MoS, the excess of premium received over expected claims and expenses is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyowner. The projection method is generally used to determine life insurance contract liabilities. The net present value of projected cash flows is calculated using best estimate assumptions about the future. When the benefits under the life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Otherwise, a risk-free discount rate is used. An accumulation method has been used for some Group risk business, where the liability is based on an unearned premium reserve, less an explicit allowance for deferred acquisition costs, and a reserve for incurred but not reported claims. Participating policies are entitled to share in the profits that arise from participating business. This profit sharing is governed by the Life Act and the Life Companies constitutions. The participating policyowner profit sharing entitlement is treated as an expense in the profit or loss. The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyowners by applying the MoS principles in accordance with the Life Act and the New Zealand Society of Actuaries Professional Standard Number 3 *Determination of Life Insurance Policy Liabilities*.

3. Significant accounting policies (continued)

3.3.5. Policy liabilities (continued)

Profit allocated to participating policyowners is recognised as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyowners (i.e. unvested) and that which has been allocated to specific policyowners by way of bonus distributions (i.e. vested) are included within life insurance contract liabilities.

(b) Life investment contracts

A life investment contract involves both the origination of a financial instrument and the provision of investment management services. Policy liabilities are measured at the fair value of the financial instrument component of the contract (designated as fair value through profit or loss) plus the liability in respect of the management services element. The management services element, including associated acquisition costs, is recognised as revenue as services are performed. For investment linked products, the life investment contract liability is directly linked to the performance and value of the assets that back them and is determined as the fair value of those assets after tax. For fixed income policies, the liability is determined as the net present value of expected cash flows, subject to a minimum of current surrender value.

(c) Liability adequacy test

The adequacy of the life insurance liabilities is evaluated each year. The liability adequacy test considers current estimates of all contractual and related cash flows. If it is determined, using best estimate assumptions that a shortfall exists, the shortfall is immediately recognised in the profit or loss.

3.4. New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

- AASB 9 *Financial Instruments* was issued and will eventually replace AASB 139 *Financial Instruments: Recognition and Measurements*. It introduced changes in the classification and measurement of financial assets and financial liabilities. This standard becomes mandatory for the Group's 30 June 2014 financial statements. The Group has not yet determined the potential effect of the new standard.

- IFRS 10 *Consolidated Financial Statements*, when it becomes mandatory for the Group's 30 June 2014 financial statements, will supersede AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purposes Entities*. It introduces a new single control model to assess whether to consolidate an investee. The Group has not yet determined the potential effect of the new standard.

- IFRS 13 *Fair Value Measurement* provides a definition of the term, fair value, and introduces additional disclosure requirements. This is applicable for all assets and liabilities measured at fair value, including non-financial assets and liabilities. This standard becomes mandatory for the Group's 30 June 2014 financial statements. The Group has not yet determined the potential effect of the new standard.

- AASB 119 Amendments – *Employee Benefits* is amended for changes in accounting and disclosures on defined benefit superannuation plans; definitions of short-term and other long-term employee benefits affecting the measurement of the obligations; and the timing for recognition of termination benefits. The amendments become mandatory for the Group's 30 June 2014 financial statements with specific transitional requirements. The potential effects on adoption of the amendments are yet to be determined.

Other new standards, amendments to standards effective for annual reporting periods after 1 July 2011 that have not yet been early adopted, are not expected to have a significant impact to the Group.

4. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and his immediate executive team (representing the Group's Chief Operating Decision Maker) in assessing performance and determining the allocation of resources. The Group's operating segments are based on the types of products and services provided to customers.

Segment results presented are measured on a consistent basis to how they are reported to the Chief Operating Decision Maker:

- Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
- Inter-segment transactions which are eliminated on consolidation are reported on a gross basis except for operating expenses incurred by one segment on behalf of another which are recharged on a cost-recovery basis are presented on a net basis (post allocation basis).
- Intra-group dividends are presented net of eliminations.
- Depreciation and amortisation expense relating to the property, plant and equipment and non business combination acquired intangible assets are allocated to each segment based on their utilisation.

4.1. Operating segments

Prior to the restructure, the Group was comprised of the following operating segments. Subsequent to the restructure, only the Banking segment remains.

Segment	Business area	Business activities
Banking	Banking	Provision of personal and commercial banking, agribusiness, property and equipment finance, home, personal and small business loans, savings and transaction accounts, foreign exchange and treasury products and services in Australia.
Personal Insurance (Personal)	General Insurance	Provision of personal insurance products to customers in Australia including home and contents insurance, motor insurance and travel insurance.
Commercial Insurance (Commercial)	General Insurance	Provision of commercial insurance products to customers in Australia including commercial motor insurance, commercial property insurance, marine insurance, industrial special risks insurance, public liability and professional indemnity insurance, workers' compensation insurance and compulsory third party insurance.
Vero New Zealand (Vero NZ)	General Insurance	Provision of general insurance products to customers in New Zealand including home and contents insurance, marine insurance, business insurance, rural insurance, construction and engineering insurance, travel insurance, public liability and professional indemnity, and directors' and officers' liability.
Life	Life	Provision of life insurance products, superannuation administration services, financial planning and funds administration services in Australia and New Zealand.

4. Segment reporting (continued)
4.1. Operating segments (continued)

	Discontinued segments					Banking	Total Segment
	Personal	Commercial	Vero NZ	Life	Total		
2011	$m	$m	$m	$m	$m	$m	$m
Operating revenue from external customers	2,244	1,414	765	1,082	5,505	4,549	10,054
Inter-segment revenue	29	19	-	-	48	65	113
Total revenue	2,273	1,433	765	1,082	5,553	4,614	10,167
Segment profit before income tax	125	316	(9)	110	542	145	687
Segment income tax expense	(37)	(95)	4	(49)	(177)	(61)	(238)
Segment profit after income tax	88	221	(5)	61	365	84	449
Other segment disclosures							
Interest revenue	122	183	10	-	315	4,404	4,719
Interest expense	-	-	-	(2)	(2)	(3,494)	(3,496)
Depreciation and amortisation expense	(16)	(18)	(8)	(7)	(49)	(44)	(93)
Impairment losses on loans and advances	-	-	-	-	-	(325)	(325)
2010							
Operating revenue from external customers	4,638	3,574	580	1,935	10,727	4,261	14,988
Inter-segment revenue	8	27	-	22	57	16	73
Total revenue	4,646	3,601	580	1,957	10,784	4,277	15,061
Profit before income tax	234	488	68	310	1,100	78	1,178
Income tax expense	(67)	(141)	(13)	(88)	(309)	(34)	(343)
Profit after income tax	167	347	55	222	791	44	835
Other segment disclosures							
Interest revenue	134	467	16	205	822	4,023	4,845
Interest expense	-	-	-	(6)	(6)	(3,095)	(3,101)
Depreciation and amortisation expense	(33)	(46)	(7)	(11)	(97)	(51)	(148)
Impairment losses on loans and advances	-	-	-	-	-	(479)	(479)

	Consolidated 2011 $m	Consolidated 2010 $m
Segment profit after income tax - continuing operations	84	44
Consolidation eliminations	(4)	-
Contribution from Hooker Corporation Limited	-	3
Gain on sale of subsidiaries	-	50
Income tax (expense) benefit	-	(16)
Profit from continuing operations	80	81
Segment profit after income tax - discontinued operations	365	791
General insurance corporate costs and joint venture income	(17)	(16)
Amortisation of acquisition intangible assets	(76)	(210)
Integration costs	-	(59)
Fair value remeasurement of assets and liabilities classified as held for sale	(106)	-
Gain on sale of investments in joint ventures	-	165
Consolidation eliminations	8	9
Income tax (expense) benefit	53	28
Profit from discontinued operations	227	708
Profit for the financial year	**307**	**789**

4.2. Geographical segments

Whilst some general insurance and life business activities take place in New Zealand, the Group operates predominantly in one geographical segment being Australia. Revenue from external customers and non-current assets in New Zealand are not material to the Group.

4.3. Major customers

The Group is not reliant on any external individual customer for 10 per cent or more of the Group's income.

5. Changes in the composition of the Group

5.1. Discontinued operations

On 7 January 2011, the Suncorp Group, being Suncorp Group Limited and its subsidiaries, completed a restructure which resulted in a non-operating holding company, Suncorp Group Limited (SGL) replacing Suncorp-Metway Ltd (SML or the Company) as the ultimate parent of the Group.

As a result of this restructure, the General Insurance and Life businesses of the Suncorp Group were acquired by SGL. The Company now represents the parent entity of the Suncorp Group's Banking business.

		2011 $m	2010 $m
Results of discontinued operations			
Income		5,747	11,352
Expenditure		(5,396)	(10,365)
Results from operating activities before tax		351	987
Income tax	8.1	(124)	(279)
Profit (loss) for the period		227	708

The profit from discontinued operations of $227 million (2010: $708 million) is attributable entirely to the owners of the Company.

	2011 $m	2010 $m
Cash flows from (used in) discontinued operations		
Net cash (used in) from operating activities	259	116
Net cash (used in) from investing activities	121	(1,070)
Net cash (used in) from financing activities	(478)	361
Net cash flows for the year	(98)	(593)

Effect of disposal on the financial position of the Group	2011 $m
Cash and cash equivalents	(708)
Derivatives	(26)
Investment securities	(18,830)
General Insurance and Life assets	(5,049)
Property, plant and equipment	(43)
Other assets	(181)
Goodwill and intangible assets	(6,280)
Total assets	(31,117)
Deposits and short-term borrowings	59
Derivatives	107
Payables and other liabilities	716
General Insurance liabilities and Life liabilities	18,135
Managed funds units on issue	566
Subordinated notes	655
Total liabilities	20,238
Net assets	(10,879)
Consideration received, satisfied in cash	-
Cash and cash equivalents disposed of	(708)
Net cash flow	(708)

5.2. Subsidiaries

Acquisitions

The Group did not acquire any material subsidiaries during the current and prior financial years.

Disposals

On 7 January 2011, the Group sold its investment in Suncorp Staff Pty Ltd, Suncorp Corporate Services Pty Ltd and the Suncorp-Metway Executive Share Plan Trust to SGL. The loss on disposal of $2 million has been recognised in the common control reserve.

On 15 October 2009, the Group sold its investment in Hooker Corporation Limited and its subsidiaries, resulting in a profit before tax of $50 million.

5.3. Associates and joint venture entities

Acquisitions

The Group did not acquire any interests in joint ventures or associates in the current or prior financial year.

Disposals

On 28 February 2010, the Group sold its 50% shares in RACQ Insurance Limited and RAA Insurance Holdings Limited for $280 million and $51 million respectively, resulting in a profit of $165 million.

6. Income

	Consolidated 2011 $m	Consolidated 2010 (Restated) $m	Company 2011 $m	Company 2010 (Restated) $m
Interest Income				
Cash and cash equivalents	28	19	28	19
Trading securities [1]	296	158	296	158
Investment securities	306	294	306	294
Loans, advances and other receivables	3,774	3,552	3,709	3,443
	4,404	4,023	4,339	3,914
Interest Expense				
Deposits and short-term borrowings [1]	(1,929)	(1,574)	(1,947)	(1,537)
Derivatives	(597)	(607)	(597)	(607)
Securitisation liabilities	(243)	(222)	-	-
Debt issues	(593)	(601)	(593)	(601)
Subordinated notes	(82)	(46)	(82)	(46)
Preference shares	(50)	(45)	(50)	(45)
	(3,494)	(3,095)	(3,269)	(2,836)
Net interest income	910	928	1,070	1,078
Other operating income				
Banking fee and commission income	196	234	192	224
Banking fee and commission expense	(78)	(79)	(78)	(79)
Net banking fee and commission expense	118	155	114	145
Dividends	-	-	315	543
Gain on sale of subsidiary and investment in joint ventures	-	50	-	64
Net profits on derivative and other financial instruments: [2]				
realised	-	3	-	3
unrealised	10	17	10	17
Other fees and commissions	-	-	255	261
Other revenue	4	8	-	-
	14	78	580	888
Total other operating income	132	233	694	1,033
	1,042	1,161	1,764	2,111

Notes

1. The components of interest income and expense that relate to financial assets or liabilities carried at fair value through profit and loss are those related to trading assets of $296 million (2010: $158 million) and liabilities designated at fair value through profit and loss of $21 million (2010: $21 million) respectively for both Company and Consolidated.
2. Included within net profits on derivatives and other financial instruments are gains (losses) of ($36 million) (2010: $80 million) for the Group and ($36 million) (2010: $86 million) for the Company on derivatives held in qualifying fair value hedging relationships, and gains (losses) of $35 million (2010: ($87 million)) for the Group and $35 million (2010: ($79 million)) for the Company representing changes in the fair value of the hedged items attributable to the hedged risk.

7. Expenses

	Consolidated		Company	
	2011	2010 (Restated)	2011	2010 (Restated)
	$m	$m	$m	$m
Operating expenses				
Staff expenses				
Wages, salaries and other staff costs	324	316	324	316
	324	316	324	316
Occupancy and equipment expenses				
Operating lease rentals	59	49	62	47
Other	3	4	3	18
	62	53	65	65
Information technology and communication	31	33	31	30
Depreciation and amortisation				
Depreciation	44	42	44	42
	44	42	44	42
Other expenses				
Advertising and promotion expenses	37	30	37	30
Inter-group expenses	-	-	516	579
Financial expenses	12	12	12	47
Other	67	65	48	28
	116	107	613	684
Total operating expenses	577	551	1,077	1,137

8. Income tax

8.1. Income tax expense

	Consolidated		Company	
	2011	2010	2011	2010
	$m	$m	$m	$m
Profit before tax	491	1,118	369	511
Income tax using the domestic corporation tax rate of 30% (2010: 30%)	147	335	111	153
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses	18	15	18	14
Imputation gross up on dividends received	1	12	-	-
Statutory funds	-	(1)	-	-
Income tax offsets and credits	(2)	(39)	-	-
Intercompany dividend elimination	-	-	(94)	(163)
Amortisation of intangible assets on acquisition	4	7	-	-
Other	19	13	-	(3)
(Over) provision in prior years	(3)	(13)	(1)	(2)
Income tax expense (benefit) on profit before tax	184	329	34	(1)
Income tax expense (benefit) recognised in profit or loss consists of:				
Income tax from continuing operations	52	(11)	27	(51)
Temporary differences from deferred tax expense	2	61	10	42
Adjustment for prior years	6	-	(3)	8
Total income tax expense (benefit) attributable to continuing operations	60	50	34	(1)
Income tax from discontinued operations	204	250	-	-
Temporary differences from deferred tax expense	(61)	35	-	-
Adjustment for prior years	(19)	(6)	-	-
Total income tax expense (benefit) attributable to discontinuing operations	124	279	-	-
Total income tax expense (benefit) recognised in the profit or loss	184	329	34	(1)

8.2. Current tax liabilities

In accordance with the tax consolidation legislation, the head entity of the tax consolidated group has assumed the current tax liability recognised by the Company. Hence the current tax liability for the current year of the Company has been assumed by Suncorp Group Limited and there is no current tax liability in the Company.

In the prior year, the Company was the head entity of the tax consolidated group. The current tax receivable for the Company and the Group in 2010 of $2 million receivable referred to the total current tax receivable in respect of prior financial periods for the Suncorp Group.

The prior year current tax liability of $1 million liability is recorded in payables and other liabilities and refers to the total current tax liability in respect of New Zealand subsidiaries that are not part of the consolidated tax group.

8.3. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	$m	$m	$m	$m	$m	$m
Consolidated						
Property, plant and equipment	-	17	-	-	-	17
Intangible assets	-	-	-	(143)	-	(143)
Other investments	12	12	-	-	12	12
Employee benefits	-	47	-	-	-	47
Provisions	170	312	-	(18)	170	294
Other items	17	59	(17)	(185)	-	(126)
Tax assets (liabilities)	199	447	(17)	(346)	182	101
Set-off of tax	(17)	(346)	17	346	-	-
Net tax assets	182	101	-	-	182	101

	Assets		Liabilities	
	2011	2010	2011	2010
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	447	643	(346)	(383)
(Charged) credited to profit or loss	(54)	(193)	113	97
Credited (charged) to equity	-	-	(24)	(60)
Acquisition/disposal of subsidiaries	(194)	(3)	240	-
Balance at the end of the financial year	199	447	(17)	(346)

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	$m	$m	$m	$m	$m	$m
Company						
Property, plant and equipment	-	2	-	-	-	2
Other investments	18	19	-	-	18	19
Provisions	169	202	-	-	169	202
Other items	10	29	(15)	(22)	(5)	7
Tax assets (liabilities)	197	252	(15)	(22)	182	230
Set-off of tax	(15)	(22)	15	22	-	-
Net tax assets (liabilities)	182	230	-	-	182	230

	Assets		Liabilities	
	2011	2010	2011	2010
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	252	358	(22)	(30)
(Charged) credited to profit or loss	(46)	(106)	36	64
Credited (charged) to equity	-	-	(29)	(56)
Transfer to ultimate parent entity	(9)	-	-	-
Balance at the end of the financial year	197	252	(15)	(22)

There are no unrecognised deferred tax assets and liabilities.

8. Income tax (continued)

8.4. Deferred tax recognised directly in equity

	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Deferred tax recognised directly in equity				
Relating to available-for-sale financial assets	9	4	9	4
Relating to cash flow hedges	15	56	20	52
	24	60	29	56

8.5. Tax consolidation

Suncorp Group Limited and its wholly-owned Australian entities have elected to form part of a tax-consolidated group. The accounting policy in relation to tax consolidation legislation and its application to the Company is set out in note 3.1.6.

The entities in the tax-consolidation group have entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and severable liability of the wholly-owned subsidiaries in the case of default by head company of the tax consolidated group. Under the tax sharing agreement, the wholly-owned entities fully compensate the Company for any current tax payable assumed. The amounts receivable/payable under the agreement are at call.

Prior to the restructure, the Company was the head company of a tax consolidated group.

8.6. The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* (TOFA legislation)

Compliance with the TOFA legislation is mandatory for the tax consolidated group for tax years beginning on or after 1 July 2010. The Group has accepted the default method of accruals or realisation and has not made any elections regarding transitional financial arrangements or other elective timing methods. As a result, there have been no material impacts on the Group's financial statements upon adoption of the TOFA legislation.

9. Dividends

	Company 2011 Cents per share	2011 $m	2011 Date paid	2010 Cents per share	2010 $m	2010 Date paid
Dividend payments on ordinary shares						
Final dividend	20	256	1 October 2010	20	252	1 October 2009
Interim dividend		-		15	191	1 April 2010
Total dividends on ordinary shares		256			443	
Dividends not recognised in the statement of financial position						
In addition to the above dividends, since financial year end the directors have proposed the following:						
Final dividend		-		20	256	1 October 2010
Total dividends not recognised in the statement of financial position		-			256	

All dividends have been fully franked at 30% (2010: fully franked at 30%).The franked portion of the proposed 2010 dividends were franked out of existing franking credits. Franking credits available for use in subsequent financial years amount to $nil (2010: $637 million) due to the transfer of the franking credits to SGL, the head entity of the tax consolidated group. The franking account in 2010 was expected to be reduced by $111 million due to the impact of the proposed dividends.

10. Cash and cash equivalents

	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Cash and balances with the central bank	125	536	122	118
Other money market placements	220	347	220	211
Total cash and cash equivalents	345	883	342	329
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Cash and cash equivalents	345	883	342	329
Add: Receivables due from other banks	226	232	226	232
Less: Payables due to other banks	(31)	(28)	(31)	(28)
	540	1,087	537	533

11. Trading securities

	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Trading securities at fair value through profit and loss				
Interest-bearing securities				
Bank bills, certificates of deposits and other negotiable securities	4,952	8,233	4,952	8,233

12. Derivatives

		Banking Consolidated					
		2011			2010		
	Note	Notional value $m	Fair value Asset $m	Fair value Liability $m	Notional value $m	Fair value Asset $m	Fair value Liability $m
Exchange rate related contracts							
Forward foreign exchange contracts		5,117	19	(58)	3,256	66	(31)
Cross currency swaps		8,853	88	(2,306)	15,255	287	(1,817)
Currency options		27	-	-	44	1	-
		13,997	107	(2,364)	18,555	354	(1,848)
Interest rate related contracts							
Forward rate agreements		1,000	-	-	7,050	-	(1)
Interest rate swaps		45,607	124	(218)	48,729	425	(557)
Interest rate futures		2,905	2	(1)	2,868	2	-
Interest rate options		240	-	-	532	4	(3)
		49,752	126	(219)	59,179	431	(561)
Total derivative exposures	51	63,749	233	(2,583)	77,734	785	(2,409)

		Company					
		2011			2010		
		Notional value	Fair value		Notional value	Fair value	
			Asset	Liability		Asset	Liability
	Note	$m	$m	$m	$m	$m	$m
Exchange rate related contracts							
Forward foreign exchange contracts		5,117	19	(58)	3,256	66	(29)
Cross currency swaps		8,089	88	(2,164)	14,185	287	(1,688)
Currency options		27	-	-	44	1	-
		13,233	107	(2,222)	17,485	354	(1,717)
Interest rate related contracts							
Forward rate agreements		1,000	-	-	7,050	-	(1)
Interest rate swaps		45,607	124	(218)	48,729	425	(557)
Interest rate futures		2,905	2	(1)	2,868	2	-
Interest rate options		240	-	-	532	4	(3)
		49,752	126	(219)	59,179	431	(561)
Total derivative exposures	51	62,985	233	(2,441)	76,664	785	(2,278)

13. Investment securities

		Banking Consolidated		Company	
		2011	2010	2011	2010
	Note	$m	$m	$m	$m
Investments at cost					
Shares in subsidiaries		-	-	52	10,651
Investments designated as at fair value through profit and loss					
Available-for-sale investment securities					
Interest-bearing securities					
Negotiable securities		5,731	3,117	5,731	3,117
Unit trusts		11	-	-	-
Equity securities		-	1	-	1
Total investment securities		5,742	3,118	5,783	13,769
Current		212	322	253	10,973
Non-current		5,530	2,796	5,530	2,796
Total investment securities	52	5,742	3,118	5,783	13,769

14. Loans, advances and other receivables

		Consolidated		Company	
		2011	2010	2011	2010
Financial assets at amortised cost	Note	$m	$m	$m	$m
Housing loans [1]		30,994	29,107	30,994	29,107
Consumer loans		558	569	558	569
Business loans		15,373	20,042	14,758	19,037
Other lending [2]		2,333	2,100	2,332	2,094
Loans to related parties		370	-	370	-
		49,628	51,818	49,012	50,807
Provision for impairment	15	(564)	(672)	(553)	(657)
Total loans, advances and other receivables		49,064	51,146	48,459	50,150
Current		9,587	10,823	9,391	10,619
Non-current		39,477	40,323	39,068	39,531
Total loans, advances and other receivables		49,064	51,146	48,459	50,150

Notes

1. Includes securitised housing loan balances of $3.9 billion (2010: $5.2 billion) which has an associated securitised liability of $3.9 billion (2010: $5.2 billion).
2. Includes $2.2 billion (2010: $2.0 billion) pledged as collateral for derivative liabilities.

(a) Credit quality

The credit quality of loans, advances and other receivables is managed by the Group using internal classifications based on an assessment of the probability of default.

Items of risk are classified into one of two groups:

Non performing loans – impaired

These are assets for which the Group has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. This includes loans that are individually impaired and those forming the group of homogeneous assets in respect of which a collective impairment provision has been calculated.

Non performing loans – not impaired, which includes:

(i) Past due – assets are classified as past due when any payment under the strict contractual terms has been missed or received late. The amount included as past due is the entire contractual balance, not just the overdue portion.

(ii) All other assets with all payments under the strict contractual terms received on time that is being specially monitored.

The following table provides information regarding the credit quality of the loans, advances and receivables of the consolidated Banking group.

	Consolidated		Company	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Performing loans				
Loans, advances and other receivables	43,908	46,505	43,332	45,558
Includes amounts with renegotiated terms	3	1	3	1
Collective allowance for impairment	(55)	(63)	(56)	(63)
	43,856	46,443	43,279	45,496
Non performing loans - not impaired				
Non performing - not impaired	3,336	3,190	3,316	3,161
Collective allowance for impairment	(122)	(138)	(116)	(131)
	3,214	3,052	3,200	3,030
Non performing loans - impaired				
Individually impaired	2,381	2,122	2,361	2,087
Specific allowance for impairment	(387)	(471)	(381)	(463)
	1,994	1,651	1,980	1,624
Total Loans, advances and other receivables	49,064	51,146	48,459	50,150

14. Loans, advances and other receivables (continued)

Ageing analysis of loans, advances and other receivables which are past due but not impaired

Ageing of past due but not impaired financial assets is used by the Group to measure and manage emerging credit risks. A summary of the ageing of past due but not impaired loans, advances and other receivables is noted below. The balances of financial assets other than loans, advances and other receivables are all neither past due nor impaired.

	Consolidated						Company					
	Past due but not impaired						Past due but not impaired					
	0-30 days	30-60 days	60-90 days	90-180 days	> 180 days	Total	0-30 days	30-60 days	60-90 days	90-180 days	> 180 days	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
2011												
Loans, advances and other receivables												
Retail banking	886	301	143	180	119	**1,629**	886	301	143	180	119	**1,629**
Business banking	134	109	45	201	11	**500**	134	103	42	198	11	**488**
	1,020	410	188	381	130	**2,129**	1,020	404	185	378	130	**2,117**
2010												
Loans, advances and other receivables												
Retail banking	860	230	109	111	67	**1,377**	860	230	109	111	67	**1,377**
Business banking	158	142	58	153	13	**524**	158	133	54	148	13	**506**
	1,018	372	167	264	80	**1,901**	1,018	363	163	259	80	**1,883**

(b) Finance lease receivables

Included in business loans are the following finance lease receivables:

	Consolidated		Company	
	2011 $m	2010 $m	2011 $m	2010 $m
Gross investment in finance lease receivables:				
Less than one year	403	564	-	1
Between one and five years	392	667	-	-
More than five years	3	4	-	-
	798	1,235	-	1
Unearned future income on finance leases	(83)	(137)	-	-
Net investment in finance lease receivables	715	1,098	-	1
Net investment in finance lease receivables:				
Less than one year	387	541	-	1
Between one and five years	327	555	-	-
More than five years	1	2	-	-
	715	1,098	-	1

15. Provision for impairment

A specific provision for impairment is recognised where there is objective evidence of the impairment for an individual loan and full recovery of the principal is considered doubtful. Where loans are not assessed as individually impaired, they are classified into groups of loans with similar credit risk characteristics and collectively assessed for impairment. Collective impairment provisions are based on historical loss experience adjusted, where appropriate, for current observable data.

	Consolidated		Company	
	2011	2010	2011	2010
	$m	$m	$m	$m
Loans and advances, and other receivables				
Collective provision				
Balance at the beginning of the financial year	201	282	194	269
(Credit) charge against impairment losses	(24)	(81)	(22)	(75)
Balance at the end of the financial year	177	201	172	194
Specific provision				
Balance at the beginning of the financial year	471	477	463	471
Charge against impairment losses	329	506	326	494
Impaired assets written off	(252)	(407)	(248)	(399)
Increase in specific provision for impairment	77	99	78	95
Unwind of discount	(161)	(105)	(160)	(103)
Balance at the end of the financial year	387	471	381	463
Total provision for impairment - loans, advances and other receivables	564	672	553	657

	Consolidated		Company	
	2011	2010	2011	2010
	$m	$m	$m	$m
Impairment expense on loans and advances and other receivables				
(Decrease) increase in collective provision for impairment	(24)	(81)	(22)	(75)
Increase in specific provision for impairment	329	506	326	494
Bad debts written off	25	57	19	47
Bad debts recovered	(5)	(3)	(5)	(3)
Total impairment expense - loans, advances and other receivables	325	479	318	463

16. Property, plant and equipment

Consolidated	Land & buildings 2011 $m	Leasehold Improve-ments 2011 $m	Plant & Equipment 2011 $m	Total 2011 $m	Land & buildings 2010 $m	Leasehold Improve-ments 2010 $m	Plant & Equipment 2010 $m	Total 2010 $m
Gross carrying amount	69	-	-	69	120	280	534	934
Less: accumulated depreciation and impairment losses	-	-	-	-	(20)	(168)	(388)	(576)
Balance at the end of the financial year	69	-	-	69	100	112	146	358
Movements								
Balance at the beginning of the financial year	100	112	146	358	104	127	176	407
Additions	-	-	37	37	-	14	67	81
Disposals	-	(1)	(12)	(13)	(3)	(5)	(17)	(25)
Depreciation	(1)	(13)	(30)	(44)	(1)	(28)	(75)	(104)
Transfers between categories	-	5	(5)	-	-	4	(4)	-
Foreign currency exchange differences	-	-	-	-	-	-	(1)	(1)
Disposal of subsidiaries	(30)	(103)	(136)	(269)	-	-	-	-
Balance at the end of the financial year	69	-	-	69	100	112	146	358

The Company's property, plant and equipment comprises: land and buildings $nil (2010: $33 million) and leasehold improvements $nil (2010: $4 million). The Company's plant and equipment was transferred to the ultimate parent entity during the year as a result of the restructure.

17. Other assets

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Deferred expenditure - lease brokerage		3	6	-	-
Current tax receivable		-	2	16	2
Accrued income		130	273	127	139
Prepayments		18	41	18	24
Sundry assets		77	50	63	144
Surplus on defined benefit funds	**40**	-	9	-	-
Development property		37	44	-	-
Investment property carried at fair value		-	144	-	-
Investments in joint ventures [1]		-	50	-	-
Investments in associates [1]		-	12	-	-
Total other assets		265	631	224	309
Current		228	372	224	309
Non-current		37	259	-	-
Total other assets		265	631	224	309

Note

1. The Group had investments in certain Joint Ventures and Associates which have a nil carrying amount.

18. Goodwill and intangible assets

Consolidated 2011	Goodwill $m	Brands $m	Customer contracts & other relationships $m	Outstanding claims liability intangible $m	Software $m	Total $m
Gross carrying amount	42	-	-	-	-	42
Less: accumulated amortisation and impairment losses	(13)	-	-	-	-	(13)
Balance at the end of the financial year	29	-	-	-	-	29
Movements in intangible assets						
Balance at the beginning of the financial year	5,147	568	736	83	93	6,627
Acquisitions through business combinations	7	-	-	-	-	7
Other acquisitions	-	-	-	-	20	20
Amortisation	-	(11)	(49)	(9)	(25)	(94)
Foreign currency exchange movement	(11)	-	-	-	1	(10)
Transfers to assets held for sale	(35)	(5)	(26)	-	(6)	(72)
Fair value write down for assets and liabilities held for sale	(106)	-	-	-	-	(106)
Disposal of subsidiaries [1]	(4,973)	(552)	(661)	(74)	(82)	(6,342)
Other Disposals / write-offs	-	-	-	-	(1)	(1)
Balance at the end of the financial year	29	-	-	-	-	29
Maximum remaining useful life	Indefinite	nil	nil	nil	nil	

Note

1. Goodwill was transferred to SGL following the restructure.

Consolidated 2010	Goodwill $m	Brands $m	Customer contracts & other relationships $m	Outstanding claims liability intangible $m	Software $m	Total $m
Gross carrying amount	5,407	661	1,285	187	551	8,091
Less: accumulated amortisation and impairment losses	(260)	(93)	(549)	(104)	(458)	(1,464)
Balance at the end of the financial year	5,147	568	736	83	93	6,627
Movements in intangible assets						
Balance at the beginning of the financial year	5,135	593	843	106	159	6,836
Acquisitions through business combina	1	-	-	-	-	1
Other acquisitions	9	-	1	-	39	49
Amortisation	-	(25)	(108)	(23)	(98)	(254)
Foreign currency exchange movement	2	-	-	-	-	2
Write-offs	-	-	-	-	(7)	(7)
Balance at the end of the financial year	5,147	568	736	83	93	6,627
Maximum remaining useful life	Indefinite	47 years	27 years	17 years	5 years	

All intangible assets except goodwill have finite useful lives.

18. Goodwill and intangible assets (continued)

18.1. Impairment tests for cash generating units containing goodwill

For the purpose of the annual impairment test, goodwill is allocated to significant cash generating units (CGUs) which represent the Group's operating segments. The carrying amounts of goodwill allocated to each CGU is then compared to its recoverable amount and if the recoverable amount is lower, the asset is written down. For the year ended 30 June 2011, no impairment loss has been recognised (2010: nil).

Goodwill allocated to each CGU has not changed during the current financial year as a result of the Group's restructure.

	Consolidated	
	2011	2010
The following CGUs have significant carrying amount of goodwill	$m	$m
Banking unit	29	250
General Insurance - Commercial unit	-	1,759
General Insurance - Personal unit	-	2,373
Life unit	-	515
Vero New Zealand unit	-	250
	29	5,147

The recoverable amount of each CGU is based on its value in use. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

Value in use for the Banking and General Insurance CGU's was determined by discounting the future cash flows generated from the continuing use of units and was based on the following key assumptions, for which the values have been obtained on the basis of past experience:

- Cash flows being projected from the financial forecasts prepared by the business units covering a five year period from 1 July 2011 (2010: five year period from 1 July 2010). Cash flows beyond the next five years (2010: five years) are extrapolated using a constant growth rate of 3.0% (2010: 3.0%), which does not exceed the long-term average growth rate for the industry.

- Post-tax discount rates ranging from 10.5% to 11.5% (2010: 10.5% to 11.5%), representing each CGU's cost of capital based on a weighted average of risk based capital. This is equivalent to 14.1% to 15.5% (2010: 14.1% to 15.5%) on a pre-tax basis.

(a) Banking and General Insurance CGUs

The following table summarises the key assumptions used in the value in use calculations and, where relevant, shows the values the assumptions would need to move to (trigger points) before the carrying value for the CGU would exceed its recoverable value.

2010	Discount rate		Terminal growth rate		Return on GI Technical Reserves		Investment returns 2010/11 to 2015/16		Average growth in net earned premium	
Cash generating unit	Assumed	Trigger point	Assumed	Trigger point	Assumed	Trigger point	Assumed	Trigger point	Assumed	Trigger point
	%	%	%	%	%	%	%	%	%	%
Personal Insurance	10.5	17.1	3.0	n/a	5.7	< 0	6.8	< 0	7.0	< 0
Commercial Insurance	10.5	12.5	3.0	n/a	5.7	2.0	6.8	0.0	7.5	< 0
Vero New Zealand	10.5	15.3	3.0	n/a	5.5	< 0	5.8	< 0	7.6	< 0
Banking	11.5	14.6	3.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a

n/a = assumption not relevant to this CGU or trigger point unlikely to be reached.

(b) Life CGU

The recoverable amount of the Life CGU has been determined by reference to an appraisal value which consists of a traditional embedded value of the Life portfolios and other relevant businesses and adding a component for the value of future new business. The embedded value of the Life Companies (and the value of one year's new business) were assessed as at 30 June 2010 using discounted cash flow techniques. The value of the businesses other than the Life Companies within the Life CGU was also assessed as at 30 June 2010. Key assumptions in the value in use calculations include the effective risk-adjusted discount rates and the multiple applied to the value of one year's sales.

The following table summarises the key economic assumptions used for valuing in-force business and the value of one year's new business which are based on long-term best estimate assumptions.

	2010	
	Australia %	New Zealand %
Investment return for underlying asset classes		
Risk-free rate (at 10 years)	5.2	5.4
Cash	5.7	5.5
Fixed interest	5.8	5.8
Australian equities (includes allowance for franking credits)	10.3	10.0
International equities	9.2	9.9
Property	7.7	8.0
Investment returns (net of tax)	5.2	5.2
Inflation		
Benefit indexation	3.0	2.5
Expenses inflation	3.0	2.5
Risk discount rate	9.2	9.4

Applying the value in use amount and a multiple of three times one year's new sales, exceeds the current carrying value of the Life CGU. An increase in the assumptions applied to the discount rate by more than 0.1%, an increase in the discontinuance rates assumptions by 1.0%, or an increase in renewal expense assumptions by 1.0% would result in the carrying value exceeding the recoverable amount applying the traditional embedded value of the Life CGU.

The Embedded Value differs from what is known as an Appraisal Value, as it does not consider the value of future new business that the Life CGU is expected to write.

19. Deposits and short-term borrowings

	Consolidated		Company	
	2011 $m	2010 $m	2011 $m	2010 $m
Unsecured				
Financial liabilities at amortised cost				
Call deposits	9,520	8,773	9,589	8,953
Term deposits	18,393	17,519	18,393	17,519
Short-term securities issued	7,296	6,455	7,296	6,455
Offshore borrowings at amortised cost	198	182	198	182
Designated as at fair value through profit and loss				
Offshore borrowings	3,840	1,029	3,840	1,029
Total deposits and short-term borrowings - current	39,247	33,958	39,316	34,138

Deposits and short-term borrowings outstanding at 30 June 2011 of $301 million (2010: $280 million) have been obtained under repurchase agreements with the Reserve Bank of Australia.

20. Payables and other liabilities

		Consolidated		Company	
		2011	2010	2011	2010
	Note	$m	$m	$m	$m
Current tax liability	8	-	1	-	-
Accrued interest payable		506	627	496	479
Amounts due to reinsurers		-	137	-	-
Trade creditors and accrued expenses		117	916	110	358
Investment settlements		-	125	-	-
Deficit of plan assets over defined benefit obligations	40	-	25	-	-
Employee benefits and related on-costs liabilities		-	255	-	-
Drawdown facility		-	75	-	-
Payables due to related parties		211	-	211	-
Other liabilities		46	134	46	42
Total payables and other liabilities		880	2,295	863	879
Current		880	2,149	863	879
Non-current		-	146	-	-
Total payables and other liabilities		880	2,295	863	879

The following assumptions were adopted in measuring present values of long service leave employee benefits which is included under employee benefits and related on-costs liabilities above:

	Consolidated
	2010
Weighted average rate of increases in annual employee benefits to settlement of the liabilities	3.0%
Weighted average discount rate	4.50% - 4.67%
Weighted average term to settlement of liabilities	3 - 4 years

21. Securitisation liabilities

		Consolidated		Company	
		2011	2010	2011	2010
	Note	$m	$m	$m	$m
Secured					
Class A1 Notes AUD		1,772	2,365	-	-
Class A1 Notes EUR		-	52	-	-
Class A2 Notes AUD		299	523	-	-
Class A2 Notes EUR		620	826	-	-
Class A2 Notes USD		-	44	-	-
Class A3 Notes AUD		820	727	-	-
Class B Notes AUD		123	173	-	-
Total securitisation liabilities		3,634	4,710	-	-
Current		951	1,261	-	-
Non-current		2,683	3,449	-	-
Total securitisation liabilities		3,634	4,710	-	-

22. Debt issues

	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Unsecured				
Offshore borrowings	5,333	12,011	5,343	12,020
Domestic borrowings	4,818	4,748	4,818	5,033
Total debt issues	10,151	16,759	10,161	17,053
Current	2,522	7,284	2,522	7,284
Non-current	7,629	9,475	7,639	9,769
Total debt issues	10,151	16,759	10,161	17,053

23. Subordinated notes

Unsecured	**Due date**	**First call**	**Note**	Banking Consolidated and Company 2011 $m	Banking Consolidated and Company 2010 $m
Fixed rate notes (USD)	June 2013			99	124
Fixed rate notes	June 2016	June 2011		-	203
	October 2017	October 2012		400	486
Floating rate notes	September 2015	September 2010		-	220
	June 2016	June 2011		-	100
	October 2016	October 2011		177	188
Perpetual floating rate notes				170	171
Total subordinated notes				846	1,492
Current				177	220
Non-current				669	1,272
Total subordinated notes			**53**	846	1,492

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.

24. Preference shares

	Consolidated and Company 2011 No. of shares	2010 No. of shares	2011 $m	2010 $m
Reset preference shares each fully paid	1,022,582	1,440,628	102	144
Convertible preference shares each fully paid	7,350,000	7,350,000	728	725
Total preference shares	8,372,582	8,790,628	830	869
Current			102	-
Non-current			728	869
Total preference shares			830	869

Holders of preference shares are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as ordinary shareholders with one vote per preference share. The limited circumstances are set out in the Information Memorandum/Prospectus. In the event of the winding-up of the Company, preference shareholders rank above ordinary shareholders but after depositors, creditors and subordinated note holders and are entitled to the proceeds of liquidation only to the extent of the issue price of the shares.

24. Preference shares (continued)

24.1. Reset preference shares

The reset preference shares (RPS) issued by the Company are perpetual, paying fixed non-cumulative dividends with certain terms periodically reset. The next reset date is 14 September 2011. Holders have an option on each reset date to request the preference shares be exchanged. Once a holders' exchange request is received, the Company will exchange for cash of approximately equal value to the original issue price of the preference shares, or to have the preference shares acquired by a third party with proceeds delivered to the holder. It is the Company's current intention to exchange the relevant RPS for cash consideration rather than exchanging the RPS for Company ordinary shares).

Holders of the RPS are entitled to receive a dividend as calculated by the formula set out in the Information Memorandum dated 16 August 2001. Such dividends are at the discretion of the directors and only payable if the restrictions as set out in the Information Memorandum are complied with. The dividends are expected to be fully franked.

The Group's restructure was a Control Event as defined in the RPS terms. It triggered an option for holders to request exchange. Exchange requests for 418,046 RPS were received. Exchange consideration of $42 million was settled in cash on 23 March 2011 and the exchanged RPS were cancelled on this date. The next reset date is 14 September 2011.

24.2. Convertible preference shares (CPS)

The CPS are fully paid preference shares issued by the Company which will mandatorily convert into a variable number of ordinary SGL shares on 14 June 2013 (subject to certain requirements being met). In addition, the Company must convert the CPS into a variable number of SGL ordinary shares or redeem the CPS for cash within 35 days of the occurrence of an Acquisition Event (subject to certain conditions being met). The CPS Prospectus dated 14 May 2008 is amended for the Company being substituted by SGL as the issuer of ordinary shares upon conversion of the CPS as a result of the execution of the CPS Deed Poll from the NOHC Restructure.

Holders of the CPS are entitled to receive floating rate quarterly non-cumulative preferred dividends calculated by the formula set out in the Prospectus which are subject to payment tests also documented in the Prospectus. Such dividends are at the discretion of the directors and only payable if the restrictions, as set out in the Prospectus, are complied with. The dividends are expected to be fully franked.

24.3. Preference shares dividends paid

	Consolidated and Company					
	2011			2010		
	Cents per share	$m	Date paid	Cents per share	$m	Date paid
Dividend payments on reset preference shares recognised as interest expense						
Half-yearly dividend	255	4	14 September 2010	255	4	14 September 2009
Half-yearly dividend	251	4	14 March 2011	251	4	15 March 2010
Total dividends on reset preference shares		8			8	
Dividend payments on convertible preference shares recognised as interest expense						
Quarterly dividend	142	10	14 September 2010	113	8	14 September 2009
Quarterly dividend	140	10	14 December 2010	116	9	14 December 2009
Quarterly dividend	143	11	14 March 2011	130	10	15 March 2010
Quarterly dividend	144	11	14 June 2011	135	10	15 June 2010
Total dividends on convertible preference shares		42			37	

25. Share capital

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
Issued capital					
Balance at the beginning of the financial year		12,675	12,480	12,675	12,480
Shares issued		-	195	-	195
Share buy back		(10,886)	-	(10,886)	-
Balance at the end of the financial year		1,789	12,675	1,789	12,675
Share-based payments	37				
Balance at the beginning of the financial year		53	51	53	49
Share-based remuneration		5	2	5	4
Transfer arising from restructure		(58)	-	(58)	-
Balance at the end of the financial year		-	53	-	53
Treasury shares					
Balance at the beginning of the financial year		(110)	(106)	-	-
Treasury shares movements		(9)	(4)	-	-
Disposal of subsidiaries		119	-	-	-
Balance at the end of the financial year		-	(110)	-	-
Total share capital		1,789	12,618	1,789	12,728

	Consolidated and Company 2011 Number	Consolidated and Company 2010 Number
Ordinary Shares		
Balance at the beginning of the financial year	1,281,390,524	1,257,377,460
Dividend reinvestment plan issues:		
Final dividend allotted at $8.97 (2010: $7.92)	-	13,519,822
Interim dividend fully paid at $nil (2010: $8.33)	-	10,493,242
Share buyback	(1,095,755,952)	-
Balance at end of financial year	185,634,572	1,281,390,524

On 1 October 2010, 5,944,385 ordinary shares allotted at the issue price of $8.97 per share under the Dividend Reinvestment Plan in respect of the 30 June 2010 final dividend were acquired on market for delivery to shareholders. This resulted in no issue of new shares.

The Company does not have authorised capital in respect of its issued shares. All issued shares are fully paid.

Ordinary shares

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.

Share-based payments

Share-based payments represent the grant date fair value of share-based remuneration provided to employees.

Dividend reinvestment plan

All eligible shareholders can elect to participate in the dividend reinvestment plan to reinvest all or part of their dividends, with no brokerage or transaction costs.

26. Reserves

	Note	Consolidated 2011 $m	Consolidated 2010 $m	Company 2011 $m	Company 2010 $m
General reserve for credit losses					
Balance at the beginning of the financial year		226	195	226	195
Transfer from (to) retained profits		(69)	31	(69)	31
Balance at the end of the financial year		157	226	157	226
Hedging reserve					
Balance at the beginning of the financial year		(106)	(254)	(124)	(259)
Amount recognised in equity		45	191	62	174
Amount transferred from equity to profit or loss		14	13	14	13
Disposal of subsidiaries		(4)	-	-	-
Income tax (expense) benefit	**8.4**	(15)	(56)	(20)	(52)
Balance at the end of the financial year		(66)	(106)	(68)	(124)
Assets available-for-sale reserve					
Balance at the beginning of the financial year		15	6	15	6
Change in fair value recognised in equity		51	23	50	23
Change in fair value transferred from equity to profit or loss		(19)	(10)	(19)	(10)
Income tax (expense) benefit	**8.4**	(9)	(4)	(9)	(4)
Balance at the end of the financial year		38	15	37	15
Foreign currency translation reserve					
Balance at the beginning of the financial year		(61)	(70)	-	-
Exchange differences on translation of foreign operations		(51)	9	-	-
Disposal of subsidiaries		112	-	-	-
Balance at the end of the financial year		-	(61)	-	-
Common control reserve					
Balance at the beginning of the financial year		-	-	-	-
Disposal of subsidiaries		(372)	-	-	-
Balance at the end of the financial year		(372)	-	-	-
Total reserves		(243)	74	126	117

General reserves for credit losses

The general reserve for credit losses represents the difference between the Group's collective provisions for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Assets available-for-sale reserve

The assets available-for-sale reserve represents the cumulative net change in the fair value of available-for-sale assets until the asset is derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve consists of all foreign exchange differences arising from the translation of the financial statements of foreign operations that have a functional currency other than Australian dollars.

Common control reserve

The common control reserve represents the balance of the loss on disposal of subsidiaries following the restructure on 7 January 2011.

27. Capital

27.1. Capital adequacy

APRA's risk-based approach requires eligible capital held by banks to be divided by total risk-weighted assets, with the resultant ratio being used as a measure of a bank's capital adequacy.

Tier 1 capital comprises the highest quality components of capital and can be split into Fundamental Tier 1 capital and Residual Tier 1 capital. Fundamental Tier 1 capital is the strongest form of capital such as ordinary share capital, reserves and retained profits. Residual Tier 1 capital is divided into Non-innovative Residual Tier 1 capital and Innovative Residual Tier 1 capital. Non-innovative Residual Tier 1 capital comprises instruments such as perpetual non-cumulative preference shares and Innovative Residual Tier 1 capital consists of all other Residual Tier 1 capital instruments that can include features such as fixed terms, and step-ups in dividends or interest.

Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of a bank as a going concern. Upper Tier 2 capital comprises components of capital that are permanent in nature and include some forms of hybrid instruments. Lower Tier 2 capital comprises hybrid instruments that are not permanent.

For capital adequacy purposes, the capital base is defined as the sum of Tier 1 and Tier 2 capital after all specified deductions and adjustments. Eligible Tier 2 capital cannot exceed the level of Tier 1 capital. Lower Tier 2 capital after all specified deductions and adjustments cannot exceed 50% of net Tier 1 capital.

The measurement of risk-weighted exposures is based on:

- Credit risk associated with on-balance sheet and off-balance sheet assets, and securitisation exposures
- Market risk arising from trading activities
- Operational risk associated with the banking activities.

For calculation of minimum prudential capital requirements, the Group has adopted the Standardised Approach.

27. Capital (continued)
27.1. Capital adequacy (continued)

The consolidated Banking capital adequacy position is set out below:

	Consolidated Banking 2011 $m	Consolidated Banking 2010 $m
Tier 1		
Fundamental Tier 1		
Ordinary share capital	1,789	12,783
Retained profits	902	847
	2,691	13,630
Residual Tier 1		
Reset preference shares	87	144
Convertible preference shares	736	735
Residual Tier 1 transferred to Upper Tier 2	823	879
Tier 1 deductions [1]	(223)	(9,584)
Total Tier 1 capital	3,291	4,925
Tier 2		
APRA general reserve for credit losses	248	346
Perpetual subordinated notes	170	170
Asset revaluation reserves	17	7
Residual Tier 1 transferred to Upper Tier 2	15	-
	450	523
Lower Tier 2		
Subordinated notes	883	1,458
	883	1,458
Tier 2 deductions for investments in subsidiaries, capital support	(18)	(1,428)
Total Tier 2 capital	1,315	553
Capital base	4,606	5,478
Market risk capital charge	363	572
Operational risk capital charge	3,010	3,094
Total off balance sheet positions	1,079	1,419
Total risk weighted assets	29,914	32,149
Total assessed risk	34,366	37,234
Risk weighted capital ratios	%	%
Tier 1	9.57	13.23
Tier 2	3.83	1.48
Total risk weighted capital ratio	13.40	14.71

Note

1. Includes goodwill and other intangibles arising on acquisition of $29 million (2010: $7,089 million).

Risk-weighted assets

	Consolidated			
	Carrying value		Risk weighted balance	
	2011	2010	2011	2010
	$m	$m	$m	$m
Assets				
Cash items	210	210	20	21
Claims on Australian and foreign governments	448	691	5	3
Claims on central banks, international banking agencies, regional development banks, ADIs	6,338	4,031	1,268	806
Claims secured against eligible residential mortgages	29,756	26,594	12,087	10,674
Past due claims	2,540	2,712	3,409	3,124
Other assets and claims	14,666	18,118	13,125	17,521
Total banking assets	53,958	52,356	29,914	32,149

	Notional value	Credit equiv-alent	Risk weighted balance	
	2011	2011	2011	2010
	$m	$m	$m	$m
Off balance sheet positions				
Guarantees entered into in the normal course of business	165	164	144	165
Commitments to provide loans and advances	6,062	1,252	729	956
Capital commitments	-	-	-	23
Foreign exchange contracts	13,233	390	112	139
Interest rate contracts	51,375	113	94	136
	70,835	1,919	1,079	1,419
Market risk capital charge			363	572
Operational risk capital charge			3,010	3,094
Total off balance sheet positions			1,079	1,419
Total risk weighted assets			29,914	32,149
Total assessed risk			34,366	37,234

27. Capital (continued)

27.2. Capital management

The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The main objectives are to support the Suncorp Group's credit rating, ensure sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure the Suncorp Group's ability to continue as a going concern. The Suncorp Group's capital policy is to hold all surplus capital in Suncorp Group Limited as it is the holding company of the Suncorp Group.

The Group's capital management strategy forms part of the Suncorp Group plan that uses both internal and external measures of capital. The Group is subject to capital adequacy requirements imposed by APRA.

SML is an Authorised Deposit-taking Institution ("ADI') and is subject to APRA prudential standards which set out the basis for calculating its prudential capital and its risk-weighted assets ("RWA"). The ratio of eligible capital to RWA is the ADI's capital adequacy ratio and APRA set a prudential capital ratio ("PCR") below which the ADI's capital adequacy ratio must not fall. The PCR is the minimum level of capital that the regulator deems must be held to meet deposit holder obligations. An ADI's capital base is expected to be adequate for its size, business mix, complexity and the risk profile of its business and therefore applies a risk-based approach to capital adequacy. Suncorp-Metway Ltd and its subsidiaries use the standardised framework for calculating RWA in accordance with the relevant prudential standards.

For capital adequacy purposes, an ADI's capital base is the sum of its Tier 1 and Tier 2 capital after all specified deductions and adjustments. Goodwill and other intangible assets are required to be deducted from Tier 1 capital.

An ADI's residual Tier 1 capital cannot be greater than 25% of net Tier 1 capital, any excess amount is included as Upper Tier 2 capital.

The RWA for the Group is calculated by assessing the risks inherent in the business, which comprise:

- Credit risk – the risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms, applies to both on-balance sheet and off-balance sheet exposures.
- Market risk – the risk of unfavourable changes in interest rates, foreign exchange rates, equity prices, credit spreads, market volatilities and liquidity.
- Operational risk – the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

These risks are quantified and then aggregated to determine the RWA under the prudential standards. This RWA is compared with the eligible capital held in the Group to determine the capital adequacy ratio.

The capital adequacy ratio of the Group calculated strictly in accordance with APRA guidelines was 13.40% (2010: 14.71%).

The Group satisfied all externally imposed capital requirements which it is subject to during the current financial year and the prior financial year.

During the financial year, the Suncorp Group completed a restructure which resulted in a non-operating holding company structure, Suncorp Group Limited replacing Suncorp-Metway Ltd as the ultimate parent of the Suncorp Group. There were no other changes in the Group's approach to capital management during the year.

28. Fair values of financial instruments

28.1. Comparison of fair value to carrying amounts

The following financial assets and liabilities are recognised and measured at fair value and therefore their carrying value equates to their fair value. The basis for determining their fair values is described in note 3.1.9(a).

- Trading securities
- Investment securities
- Certain short-term offshore borrowings designated as financial liabilities at fair value through profit or loss
- Managed funds units on issue, and
- Derivatives.

The table below discloses the fair value of financial assets and liabilities that are not recognised and measured at fair value, together with the carrying amounts shown in the consolidated financial statements.

	Consolidated				Company			
	2011		2010		2011		2010	
	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m
Financial assets								
Loans, advances and other receivables	49,064	49,225	51,146	51,319	48,459	48,629	50,150	50,640
Financial liabilities								
Deposits and short-term borrowings	39,247	39,277	33,958	34,207	39,316	39,277	34,138	34,176
Securitisation liabilities	3,634	3,784	4,710	5,149	-	-	-	-
Debt issues	10,151	10,199	16,759	17,045	10,161	10,209	17,053	17,330
Subordinated notes	846	846	2,182	2,231	846	846	1,492	1,492
Preference shares	830	850	869	845	830	850	869	845

Significant assumptions and estimates used to determine the fair values:

Financial assets

As cash and cash equivalents and receivables due from other banks are short-term in nature or are receivable on demand, their carrying value approximates their fair value. The carrying value of loans, advances and other receivables is net of specific and collective provisions for impairment. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The 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 (amortised cost) is considered to be a reasonable estimate of 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 fair value. Discounted cash flow models are used to calculate the fair value of other term deposits based upon deposit type and related maturities. As the payables due to other banks are short-term in nature, their carrying value approximates fair value.

28. Fair values of financial instruments (continued)
28.1. Comparison of fair value to carrying amounts (continued)

The fair value of debt issues, subordinated notes and preference shares 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 (amortised cost) is considered to be a reasonable estimate of fair value. For longer term liabilities, fair values have been estimated using the rates currently offered by the Bank for similar liabilities with similar remaining maturities.

28.2. Fair value hierarchy

Financial assets and liabilities that are measured at fair value are categorised by a hierarchy which identifies the most significant input used in the valuation methodology as:

- Level 1 – derived from quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2 – derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly; or
- Level 3 – fair value measurement is not based on observable market data.

	Note	Level 1 2011 $m	Level 2 2011 $m	Level 3 2011 $m	Total 2011 $m	Level 1 2010 $m	Level 2 2010 $m	Level 3 2010 $m	Total 2010 $m
Consolidated									
Financial assets									
Trading securities		-	4,952	-	4,952	-	8,233	-	8,233
Investment securities		-	5,731	11	5,742	3,108	17,916	67	21,091
Derivatives		2	196	35	233	2	783	48	833
		2	10,879	46	10,927	3,110	26,932	115	30,157
Financial liabilities									
Deposits and short-term borrowings		-	(3,840)	-	(3,840)	-	(1,029)	-	(1,029)
Derivatives		(1)	(2,419)	(164)	(2,583)	(1)	(2,292)	(168)	(2,461)
Managed funds units on issue		-	-	-	-	(213)	(209)	(15)	(437)
		(1)	(6,259)	(164)	(6,423)	(214)	(3,530)	(183)	(3,927)
Company									
Financial assets									
Trading securities		-	4,952	-	4,952	-	8,233	-	8,233
Investment securities		-	5,731	-	5,731	1	3,117	-	3,118
Derivatives		2	196	35	233	2	735	48	785
		2	10,879	35	10,916	3	12,085	48	12,136
Financial liabilities									
Deposits and short-term borrowings		-	(3,840)	-	(3,840)	-	(1,029)	-	(1,029)
Derivatives		(1)	(2,419)	(22)	(2,441)	-	(2,239)	(39)	(2,278)
		(1)	(6,259)	(22)	(6,281)	-	(3,268)	(39)	(3,307)

There have been no significant transfers between Level 1 and Level 2 during the financial year (2010: nil).

Level 3 investment securities for both financial years consist of interest-bearing securities and holdings in unlisted unit trusts which have suspended daily redemptions. The valuation methodology used for these Level 3 investment securities is based on the discount rate determined by the relative trading value to face value and the latest available redemption price published by the external manager for the unlisted unit trusts.

Level 3 managed funds on issue in the prior year consist of a property trust with the significant input being the valuation of property.

Level 3 derivatives relate to long dated interest rate swaps and cross currency swaps in relation to the Apollo securitisation trusts where a significant input is the amortisation profile of the mortgage portfolio. The valuation methodology for derivative financial instruments classified within Level 3 of the fair value hierarchy is based on market data using observable quoted rights for actively traded tenor points. Where interpolation is used to value an instrument for the correct time period observable inputs such as BBSW, yield curve and swap curve rates are used.

The Group's exposure to Level 3 financial instruments is restricted to an insignificant component of the portfolios to which they belong, such that any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance or the Group's results.

	Consolidated							
	Asset		Liability		Asset		Liability	
Financial instruments classified as Level 3 in the fair value hierarchy	**Invest-ment securities 2011 $m**	**Derivatives 2011 $m**	**Managed funds units on issue 2011 $m**	**Derivatives 2011 $m**	**Invest-ment securities 2010 $m**	**Derivatives 2010 $m**	**Managed funds units on issue 2010 $m**	**Derivatives 2010 $m**
Balance at the beginning of the financial year	67	48	(15)	(168)	262	97	(16)	(46)
Total gains or losses included in profit or loss for the financial year[1]								
General insurance investment income								
- insurance funds	(3)	-	-	-	(2)	-	-	-
- shareholder funds	(3)	-	-	-	(2)	-	-	-
Life insurance investment income	1	-	-	-	1	-	-	-
Outside beneficial interests in managed funds	-	-	-	-	-	-	1	-
Other revenue	-	-	8	-	-	-	-	-
Change in fair value recognised in equity	-	-	-	(13)	-	(72)	-	(10)
Transfer out to level 2	4	-	-	-	(17)	-	-	-
Purchases	-	-	-	-	75	-	-	-
Sales	(3)	-	-	-	(224)	-	-	-
Issues	(1)	-	-	-	14	-	-	-
Settlements	(19)	-	-	-	(40)	-	-	-
Disposal of subsidiaries	(43)	-	7	-	-	-	-	-
Other movements	11	(13)	-	17	-	23	-	(112)
Balance at the end of the financial year	11	35	-	(164)	67	48	(15)	(168)

Note

1. All transactions other than General Insurance and Life relate to assets/liabilities held at year end.

	Company			
	Asset	**Liability**	**Asset**	**Liability**
Financial instruments classified as Level 3 in the fair value hierarchy	**Derivatives 2011 $m**	**Derivatives 2011 $m**	**Derivatives 2010 $m**	**Derivatives 2010 $m**
Balance at the beginning of the financial year	48	(39)	25	(28)
Other movements	(13)	17	23	(11)
Balance at the end of the financial year	35	(22)	48	(39)

29. Commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the probability of default. They are not sold or traded. They are not recorded in the statement of financial position but are disclosed in the financial statements. The Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

29.1. Credit commitments

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	
	2011 $m	2010 $m	2011 $m	2010 $m
Notional amounts				
Guarantees entered into in the normal course of business	165	287	162	284
Commitments to provide loans and advances	6,062	6,046	6,062	6,046
	6,227	6,333	6,224	6,330
Credit equivalent amounts				
Guarantees entered into in the normal course of business	164	184	160	181
Commitments to provide loans and advances	1,252	1,457	1,252	1,457
	1,416	1,641	1,412	1,638

29.2. Operating lease expenditure commitments

	Consolidated		Company	
	2011 $m	2010 $m	2011 $m	2010 $m
Aggregate non-cancellable operating lease rental payable but not provided in the financial statements:				
Less than one year	97	156	97	92
Between one and five years	257	359	257	216
More than five years	93	166	93	140
	447	681	447	448
Total future minimum rental receivable under non-cancellable sub-leases not provided in financial statements:	-	2	-	2

The Group leases property under operating leases expiring from 1-12 years. Leases generally provide the Group 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. Some of the leased properties are sub-let by the Group.

29.3. Capital expenditure commitments

	Consolidated		Company	
	2011 $m	2010 $m	2011 $m	2010 $m
Expenditure for the acquisition of plant and equipment contracted for but not provided in the financial statements:				
Less than one year	-	37	-	2
	-	37	-	2

30. Contingent assets and liabilities

30.1. Contingent assets

There are claims and possible claims made by the Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group 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 virtually certain that future economic benefits will eventuate or the amount is not capable of reliable measurement.

30.2. Contingent liabilities

There are outstanding court proceedings, potential fines, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has obtained. The Group 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 Group has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 29 sets out details of these guarantees.

31. Risk management

31.1. Banking

31.1.1. Group risk management objectives and structure

As the Company and its subsidiaries are entities within the Suncorp Group, the Group follows the Suncorp Group risk management objectives and structure as described below.

The Suncorp Group Limited Board (SGL Board) and management recognise that effective risk management is considered to be critical to the achievement of the Suncorp Group's objectives. The Board Risk Committee has delegated authority from the SGL Board to carry out the oversight of the adequacy and effectiveness of the risk management frameworks and processes within the Suncorp Group.

An Enterprise Risk Management Framework (ERMF) is in place for the Suncorp Group. It is subject to an annual review, updated for material changes as they occur and is approved by the Board Risk Committee. The ERMF comprises:

- the Suncorp Group's risk appetite framework and its link to strategic business and capital plan
- accountabilities and governance arrangements for the management of risk within the Three Lines of Defence model
- the Suncorp Group's Policy and Compliance Frameworks
- the risk management process.

31. Risk management (continued)

31.1.1. Group risk management objectives and structure (continued)

The Three Lines of Defence model of accountability involves:

Line of Defence	Responsibility of	Accountable for
First – Manage risk and comply with Group frameworks, policies and risk appetite	All business functions and staff	For identifying and managing the risks inherent in their operations; ensuring compliance with all legal and regulatory requirements and Group policies; and promptly escalating any significant actual and emerging risks for management attention.
Second – Independent functions own and monitor the application of risk frameworks, and measure and report on risk performance and compliance	Group Chief Risk Officer, Line of Business Chief Risk Officers, risk management staff, and risk policy owners	To design, implement and manage the ongoing maintenance of Group risk frameworks & related Policies; advise and partner with the business in design and execution of risk frameworks and practices; develop, apply and execute Line of Business risk frameworks that are consistent with Group for the respective business areas; and facilitate the reporting of the appropriateness and quality of risk management.
Third – Independent assurance over internal controls and risk management practices	Board Audit Committee and internal auditors	Internal audit, along with the Board Audit Committee decides the level and extent of independent testing required to verify the efficacy of internal controls; validates the overall risk framework; and provides assurance that the risk management practices are functioning as intended.

In addition to the accountabilities as described above, the Senior Leadership Team, consisting of the Group Chief Executive Officer and all Senior Executives, provide executive oversight and direction-setting across the Group's internal control environment and the Group's risk management frameworks. Within risk parameters set by the Board, the Senior Leadership Team approves principles, policies, limits, frameworks and processes used by the Group to identify, assess, monitor and control/mitigate risk.

The Company also has an Asset and Liability Committee (ALCO). The ALCO has responsibility for establishing, managing and enforcing an effective asset and liability risk framework which optimises the long-term returns achieved by the asset portfolios within any risk appetite or parameters established by the relevant Board.

The key risks addressed by the ERMF are defined below:

Key risks	Definition
Credit risk	The risk that a counterparty will not meet its obligations in accordance with agreed terms.
Liquidity risk	The risk that the Group will be unable to service its cash flow obligations today or in the future.
Market risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities.
Asset & liability risk	The risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Compliance risk	The risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.
Strategic risk	The risk of loss arising from uncertainty about the future operating environment, including reputation, industry, economic and regulatory environment, branding, crisis management, and partners and suppliers.

The Group is exposed to mainly the following categories of market risks:

Categories of market risk	Definition
Foreign exchange (FX) risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss in current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss in current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

31. Risk management (continued)

31.1.1. Group risk management objectives and structure (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group due to a borrower or counterparty not meeting its obligations in accordance with agreed terms. The Group's maximum exposure to credit risk is reflected in the carrying value of the assets listed in the General Insurance and Life business and Banking credit rating tables within this section, except for derivatives which represent the current risk exposure (refer note 43).

Credit risk in Banking arises not only from traditional lending to customers, but also from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The acceptance and management of credit risk is performed independently as is setting and maintaining of detailed credit policies and standards. The Bank Credit Risk Committee and the Banking Chief Risk Officer have responsibility for the independent management of credit functions to monitor trends impacting the credit quality of lending portfolios, develop and maintain risk grading and automated risk assessment systems and manage troublesome and impaired assets.

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio and risk-graded portfolio.

The statistically managed portfolio covers consumer business (personal loans and housing loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank's end to end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

The risk-graded portfolio includes business and corporate exposures. Within this portfolio, exposures are individually assessed and an internal risk grade assigned depending on discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are generally subject to annual (or more frequent) review, including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the client manager including regular performance monitoring, reporting and, if required, transfer to a central intensive management or Credit Recovery Unit.

A credit inspection process is in place to review the acceptance and management of credit risk in accordance with the approved risk management framework.

The Group restricts its exposure to credit losses on derivative contracts by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. The ISDA Master Agreement provides a contractual framework for derivatives dealing across a full range of over the counter products. This agreement contractually binds both parties to apply close out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-agreed termination events occur.

The Banking Group's maximum exposure to credit risk is detailed by asset class in the concentration of credit risk table. The exposure to credit risk is shown prior to any adjustment made for any collateral held and for financial assets recognised on the statement of financial position, is generally equal to the carrying value. Differences may occur if the financial asset is subject to risks other than credit risk such as market risk.

Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in case the counterparty cannot meet their contractual repayment commitments.

The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on management's credit evaluation of the counterparty.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. With more than 50% of the Bank's lending consumer in nature and 98% of that secured by residential property the Group's exposures are ultimately linked to factors impacting employment and residential property values. The greatest risk in credit quality is in commercial property markets and deterioration in this sector may lead to increased defaults and write offs.

An estimate of the fair value of collateral and other security enhancements held by the consolidated Banking group against Non-performing loans – Impaired is $2,305 million (2010: $2,001 million). It has not been practicable to determine the fair value of collateral held as security against non-performing loans – not impaired or performing loans.

Provision for impairment – specific and collective provisions

The Group, subject to APRA regulation, prepares Risk Management Strategies (RMS) approved by the Board and submitted to APRA annually. The RMSs describe the strategy adopted by the Board and management for managing risk within APRA-regulated entities, including risk appetite, policies, procedures, management responsibilities and controls.

The credit provisions raised (specific and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date. The independent Credit Recovery Unit provides the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability. Impaired loans are reviewed by the Bank Credit Risk Committee to ensure judgements are appropriate and provisions for impairment are adequate.

A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of the principal is considered doubtful. All factors that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgements can change as new information becomes available and work-out strategies evolve.

A collective provision is established for loan portfolios which are not specifically provisioned. Collective provisions are held for potential credit losses which have been incurred but not yet specifically identified, and can be in the performing or non-performing portfolios. For business banking exposures, a ratings based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.

Group policy requires the level of impairment allowances on individual facilities that are above internal thresholds to be reviewed at least half yearly, and more regularly as circumstances require.

A collective provision for impairment is established against loan portfolios when events have occurred that have historically resulted in loan losses, but for which at balance date individual loans have not yet become impaired requiring individual (specific) provisioning. The collective provision is determined by identifying groups of loans with similar credit risk characteristics and loss events, and estimating the adverse impact of these events on future cash flows on the loans and subsequent potential losses that could arise.

The Group has determined its groups of loans with similar credit risk characteristics as follows:

- Retail loans, small business and non-credit risk rated business loans are grouped by product
- Credit risk rated business loans are grouped by the industry types, being agribusiness, commercial, development finance and property investment.

The key loss event identified for retail, small business and non-credit risk rated business loans is borrower in monetary default. The key loss events for credit risk rated business loans substantially align with existing credit review and management procedures to identify loans where deterioration has occurred in the underlying credit quality but which are currently not individually provisioned.

The Group has developed models to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics. These models estimate impairment losses by applying probability of default and loss given default statistical factors derived from prior experience.

31. Risk management (continued)

(a) Credit risk (continued)

Each model determines an impairment loss based on the Group's historical experience, with adjustment made for current economic conditions as deemed necessary by the Bank Risk Committee. It is possible that the estimated impairment loss will differ from the actual losses to be incurred from the groups of identified impaired loans.

Concentration of credit risk

Concentration of credit risk is managed by client/counterparty and industry sector. Portfolios are actively monitored and frequently reviewed to identify, assess and guard against unacceptable risk concentrations.

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

	Consolidated Banking	
	2011 Number	2010 Number
25 percent and greater	3	2
15 percent to less than 20 percent	2	3
5 percent to less than 10 percent	4	5

A structure of industry concentration limits has been developed to monitor exposure levels within the risk-graded portfolio. These are tactical limits upon which business planning and developmental activity is based but also act as guidelines for portfolio concentration purposes.

The following table discloses Bank financial assets by industry credit concentration and impairment status:

Consolidated Banking

2011	Receivables due from other banks $m	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments [1] $m	Derivative instruments [1] $m	Total risk $m	Individually provisioned impaired assets $m	Past due $m	Total not past due or impaired $m
Agribusiness	-	-	-	3,387	15	-	3,402	216	42	3,144
Construction and development	-	-	-	3,123	126	-	3,249	1,421	139	1,689
Financial services	226	4,952	5,742	5,002	30	503	16,455	-	-	16,455
Hospitality	-	-	-	1,143	-	-	1,143	49	15	1,079
Manufacturing	-	-	-	568	-	-	568	15	6	547
Professional services	-	-	-	363	-	-	363	5	4	354
Property investment	-	-	-	4,003	-	-	4,003	538	74	3,391
Real estate - Mortgage	-	-	-	29,332	1,150	-	30,482	21	1,591	28,870
Personal	-	-	-	354	-	-	354	-	38	316
Government and public authorities	-	-	-	3	-	-	3	-	-	3
Other commercial and industrial	-	-	-	2,350	95	-	2,445	116	220	2,109
Total gross credit risk	226	4,952	5,742	49,628	1,416	503	62,467	2,381	2,129	57,957
Impairment provisions							(564)	(387)	(122)	(55)
							61,903	1,994	2,007	57,902

2010	Receivables due from other banks $m	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments [1] $m	Derivative instruments [1] $m	Total risk $m	Individually provisioned impaired assets $m	Past due $m	Total not past due or impaired $m
Agribusiness	-	-	-	3,249	18	-	3,267	205	33	3,029
Construction and development	-	-	-	4,356	127	-	4,483	1,304	144	3,035
Financial services	232	8,233	3,118	2,663	163	886	15,295	-	-	15,295
Hospitality	-	-	-	1,151	-	-	1,151	89	4	1,058
Manufacturing	-	-	-	711	-	-	711	13	14	684
Professional services	-	-	-	440	-	-	440	11	6	423
Property investment	-	-	-	6,279	-	-	6,279	410	80	5,789
Real estate - Mortgage	-	-	-	29,311	1,116	-	30,427	19	1,338	29,070
Personal	-	-	-	569	-	-	569	-	39	530
Government and public authorities	-	-	-	6	-	-	6	-	-	6
Other commercial and industrial	-	-	-	3,083	217	-	3,300	71	243	2,986
Total gross credit risk	232	8,233	3,118	51,818	1,641	886	65,928	2,122	1,901	61,905
Impairment provisions							(672)	(471)	(138)	(63)
							65,256	1,651	1,763	61,842

Note

1. Credit equivalent amount of off-balance sheet exposures.

31. Risk management (continued)

(a) Credit risk (continued)

	Company									
2011	Receivables due from other banks $m	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments [1] $m	Derivative instruments [1] $m	Total risk $m	Individually provisioned impaired assets $m	Past due $m	Total not past due or impaired $m
Agribusiness	-	-	-	3,387	15	-	3,402	214	40	3,148
Construction and development	-	-	-	3,135	123	-	3,258	1,416	137	1,705
Financial services	226	4,952	5,731	3,154	30	503	14,596	-	-	14,596
Hospitality	-	-	-	1,143	-	-	1,143	49	15	1,079
Manufacturing	-	-	-	568	-	-	568	12	6	550
Professional services	-	-	-	363	-	-	363	2	1	360
Property investment	-	-	-	4,070	-	-	4,070	538	74	3,458
Real estate - Mortgage	-	-	-	31,180	1,150	-	32,330	21	1,591	30,718
Personal	-	-	-	354	-	-	354	-	38	316
Government and public authorities	-	-	-	3	-	-	3	-	-	3
Other commercial and industrial	-	-	-	1,655	95	-	1,750	109	215	1,426
Total gross credit risk	226	4,952	5,731	49,012	1,413	503	61,837	2,361	2,117	57,359
Impairment provisions							(553)	(381)	(116)	(56)
							61,284	1,980	2,001	57,303
2010										
Agribusiness	-	-	-	3,249	18	-	3,267	203	30	3,034
Construction and development	-	-	-	4,356	124	-	4,480	1,298	138	3,044
Financial services	232	8,233	3,118	2,663	163	886	15,295	-	-	15,295
Hospitality	-	-	-	1,151	-	-	1,151	87	4	1,060
Manufacturing	-	-	-	711	-	-	711	9	13	689
Professional services	-	-	-	440	-	-	440	4	3	433
Property investment	-	-	-	6,279	-	-	6,279	409	80	5,790
Real estate - Mortgage	-	-	-	29,311	1,140	-	30,451	19	1,338	29,094
Personal	-	-	-	569	-	-	569	-	39	530
Government and public authorities	-	-	-	6	-	-	6	-	-	6
Other commercial and industrial	-	-	-	2,072	193	-	2,265	58	238	1,969
Total gross credit risk	232	8,233	3,118	50,807	1,638	886	64,914	2,087	1,883	60,944
Impairment provisions							(657)	(463)	(131)	(63)
							64,257	1,624	1,752	60,881

Note

1. Credit equivalent amount of off-balance sheet exposures.

Impaired - assets for which the Group has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. This includes loans that are individually impaired and those forming the group of homogeneous assets in respect of which a collective impairment provision has been calculated.

Past due – assets are classified as past due when any payment under the strict contractual terms has been missed or received late. The amount included as past due is the entire contractual balance, not just the overdue portion.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads will affect the Group's financial position. The Suncorp Group Board Risk Committee has responsibility for the oversight of market risk, approving all interest and foreign exchange risk policies and reviewing relevant risk measures.

Executive management of interest rate and foreign exchange risk is delegated to the Bank ALCO who review risk measures and limits, provide guidance, endorse and monitor non-traded market risk strategy. Operational management of market risk is delegated to the Bank Treasury with the Trading section managing Trading risk and the Balance Sheet Management section managing non-traded risk.

All market risk is independently monitored against approved policies on a daily basis by the Market Risk division and reported to the Bank Chief Risk Officer.

Non-traded foreign exchange risk

Non-traded foreign exchange risk arises where investments in non-Australian operations expose current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of derivative financial instruments (refer note 31.1.1(d)).

Traded market rate risk

The Banking group trades a range of on-balance sheet interest, foreign exchange and derivative products. Income is earned from spreads achieved through market making and effective trading within the established risk management framework.

Traded interest rate risk and foreign exchange risk is managed using a framework that includes value at risk (VaR) limits, sensitivity limits and stop loss limits. VaR is a statistical estimate of potential loss using historically observed market volatility and correlation between different markets and is predominantly calculated using historical simulation. VaR is calculated daily and monitored against approved limits.

The VaR model, based on a Monte Carlo simulation methodology, takes into account correlations between different positions and the potential for movements to offset one another within the individual portfolios. This method involves multiple revaluations of the trading books using the most recent two years of historical pricing shifts. The Group measures VaR at a 99% confidence level which implies that for every 100 days, the loss should not exceed the VaR on 99 of those days. The model assumes a one day holding period for all positions.

The major limitation of this methodology is that the historical market data used to forecast parameters of the model might not be an appropriate proxy of those parameters. As a result of this limitation, the Group uses a number of other risk measures and risk sensitivity limits to measure and manage market risk.

The VaR for the Bank's total interest rate and foreign exchange trading activities for the year was as follows

	Company and Consolidated Banking					
	2011			2010		
Traded market risks	Interest rate risk $m	FX Risk $m	Combined risk [1] $m	Interest rate risk $m	FX Risk $m	Combined risk [1] $m
VaR at end of the financial year	0.597	0.448	0.822	1.480	0.460	1.530
Maximum VaR during the financial year	1.469	0.800	1.595	2.260	0.850	2.460
Minimun VaR during the financial year	0.414	0.043	0.430	0.580	0.080	0.740
VaR during the financial year	0.752	0.331	0.909	1.590	0.320	1.690

Note

1. VaR for combined risk is the total trading interest rate and foreign exchange risks, taking into account correlation between different positions in both the interest rate and foreign exchange trading portfolios.

31. Risk management (continued)

(b) Market risk (continued)

Non-traded interest rate risk

The principal objective of non-traded interest rate risk management is to maximise and stabilise net interest income, providing secure and sustainable net interest income in the long-term. Derivative financial instruments are used for the purposes of managing existing or anticipated interest rate risk from non-trading activities.

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 new business and expected repricing behaviour to calculate the Banking group's net interest income at risk. The analysis is generally based on contractual repricing information.

Scenario analysis

A scenario analysis using a 1% parallel shock in the yield curve is used to determine the potential adverse change in net interest income in the ensuing 12 month period. The results of this scenario are detailed in the following table with the change expressed as a percentage of expected net interest earnings.

	Consolidated Banking	
	2011	2010
Non-traded interest rate risk exposure scenario analysis based on 1% parallel shock in the yield curve	Change in net interest earnings p.a. %	
Exposure at end on financial year	1.34	0.32
Average monthly exposure during the financial year	1.60	1.04
High month exposure during the financial year	2.13	2.28
Low month exposure during the financial year	0.92	-

Present value sensitivity

As a measure of longer-term sensitivity, the Banking group measures the present value sensitivity of its statement of financial position which represents the present value of the net interest income at risk of all known cash flows in the future. A pre-defined adverse interest rate shock is applied to the market curve and the statement of financial position is revalued. The difference between the present value of the statement of financial position using the market curve and the shocked curve shows the sensitivity of the present value of the statement of financial position to the pre-defined shock.

The following table indicates the potential adverse change in present value sensitivity of the Bank's statement of financial position. The change is based on an adverse 1% shock.

	Consolidated Banking	
	2011	2010
Non-traded interest rate risk exposure - sensitivity of present value of the net interest income from statement of financial position based on adverse 1% shock	Change in net interest earnings p.a. %	
Exposure at end on financial year	10	22
Average monthly exposure during the financial year	9	27
High month exposure during the financial year	13	60
Low month exposure during the financial year	2	3

VaR

The Banking group also periodically prepares a value at risk type analysis to value asset, liability and off-balance sheet positions under a range of possible interest rate scenarios. Value at risk provides information on the potential adverse change that could occur to the present value of assets and liabilities under a range of possible interest rate scenarios where repricing dates do not match. The interest rate scenarios are derived from actual interest rate movements that have occurred over discrete three month and two year historical observation periods. A 97.5% confidence level and a one month holding period are used for the simulation. The information is based on contractual repricing information.

	Consolidated Banking	
	2011	2010
Non-traded interest rate risk exposure - VaR analysis for sensitivity of net interest income from asset, liability and off-sheet positions based on 97.5% confidence interval	Change in net interest earnings p.a. %	
Exposure at end on financial year	6	29
Average monthly exposure during the financial year	8	32
High month exposure during the financial year	16	56
Low month exposure during the financial year	-	10

(c) Liquidity risk

Liquidity risk is the risk that the Bank has insufficient funds available to meet all its known and potential commitments on a going concern basis and in a name crisis situation.

Banking liquidity risk is managed using a framework that includes going concern and name crisis scenario analysis, minimum high quality liquid asset ratios, minimum liquid asset ratios, liquidity concentration limits and other supplementary management trigger limits.

The Board Risk Committee approves liquidity policies and reviews relevant risk limits. Liquidity and funding policies are also subject to APRA review. Executive management of liquidity risk is delegated to the Bank ALCO, which reviews risk measures and limits, endorses and monitors the overall Bank funding and liquidity strategy. Operational management of liquidity risk is delegated to the Balance Sheet Management section of the Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Market Risk division and reported to the Bank Chief Risk Officer.

31. Risk management (continued)
(c) Liquidity risk (continued)

Concentrations of deposits and borrowings

Details of the concentration of financial liabilities used by the consolidated Banking group to raise funds are as follows:

	Company and Consolidated Banking	
	2011	2010
	$m	$m
Australian funding sources		
Retail deposits	27,699	26,375
Wholesale funding	8,341	7,485
AUD domestic programme	4,988	5,725
Securitisation [1]	3,014	3,981
	44,042	43,566
Overseas wholesale funding sources		
FX Retail Deposits	198	182
European commercial paper and medium term note market	7,049	6,916
Subordinated note programme	676	800
United States 144a medium term note market	2,124	5,953
Japanese yen bond programme	-	172
Securitisation[1]	620	924
	10,667	14,947
	54,709	58,513
Comprised of the following:		
Deposits from other banks	301	280
Other money market deposits	3,752	3,385
Amounts owed to other depositors	24,293	23,239
Certificates of deposits	6,995	6,175
Promissory notes and other liabilities evidenced by paper	3,840	1,029
Bonds, notes and long term borrowings	10,152	17,044
Other borrowed funds	5,376	7,361
	54,709	58,513

Note

1. Funds raised from securitisation through the Apollo trusts are on-lent to the Company through intercompany loan arrangements.

The following table summarises the maturity profile of the consolidated Banking group's financial liabilities based on the remaining undiscounted contractual obligations.

The cash flows for subordinated notes have been included at their next call date. The total cash flows include both principal and associated future interest payments. Interest is calculated based on liabilities held at balance date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the balance date.

Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the less than three months column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short-term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

The Banking group does not use this contractual maturity information as presented in the liquidity risk management of its liabilities. Additional factors as described above are considered when managing the maturity profiles of the business.

	Consolidated Banking						
2011	**Carrying amount $m**	**At call $m**	**0 to 3 months $m**	**3 to 12 months $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total Cash flows $m**
Deposits and short-term borrowings	39,247	10,134	22,097	7,116	1,401	1	40,749
Payables due to other banks	31	31	-	-	-	-	31
Payables and other liabilities	880	-	880	-	-	-	880
Derivative financial instruments (trading)	174	-	174	-	-	-	174
Securitisation liabilities	3,634	-	352	772	2,564	466	4,154
Debt issues	10,151	-	580	2,384	8,141	-	11,105
Subordinated notes	846	-	180	37	700	-	917
Preference shares	830	-	115	31	774	-	920
	55,793	10,165	24,378	10,340	13,580	467	58,930
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	292	654	651	-	1,597
Contractual amounts receivable		-	(150)	(409)	(362)	-	(921)
	2,409	-	142	245	289	-	676
Off balance sheet positions							
Guarantees entered into in the normal course of business	-	165	-	-	-	-	165
Commitments to provide loans and advances	-	6,062	-	-	-	-	6,062
	-	6,227	-	-	-	-	6,227
2010							
Deposits and short-term borrowings	33,961	9,615	15,582	7,120	3,038	1	35,356
Payables due to other banks	28	28	-	-	-	-	28
Payables and other liabilities	2,291	-	2,291	-	-	-	2,291
Derivative financial instruments (trading)	364	-	364	-	-	-	364
Securitisation liabilities	4,905	-	380	1,149	3,412	687	5,628
Debt issues	17,044	-	155	7,836	10,663	-	18,654
Subordinated notes	1,492	-	227	361	1,018	-	1,606
Preference shares	869	-	14	35	957	-	1,006
	60,954	9,643	19,013	16,501	19,088	688	64,933
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	412	1,022	1,489	-	2,923
Contractual amounts receivable		-	(185)	(610)	(898)	-	(1,693)
	2,044	-	227	412	591	-	1,230
Off balance sheet positions							
Guarantees entered into in the normal course of business	-	287	-	-	-	-	287
Commitments to provide loans and advances	-	6,046	-	-	-	-	6,046
	-	6,333	-	-	-	-	6,333

31. Risk management (continued)

(c) Liquidity risk (continued)

	Company						
2011	**Carrying amount $m**	**At call $m**	**0 to 3 months $m**	**3 to 12 months $m**	**1 to 5 years $m**	**Over 5 years $m**	**Total Cash flows $m**
Deposits and short-term borrowings	39,316	10,204	22,097	7,116	1,401	1	40,819
Payables due to other banks	31	31	-	-	-	-	31
Payables and other liabilities	863	-	863	-	-	-	863
Derivative financial instruments (trading)	174	-	174	-	-	-	174
Payables to subsidiaries [1]	3,560	-	490	772	2,564	466	4,292
Debt issues	10,161	-	580	2,384	8,141	-	11,105
Subordinated notes	846	-	180	37	700	-	917
Preference shares	830	-	115	31	774	-	920
	55,781	10,235	24,499	10,340	13,580	467	59,121
							-
Derivative financial instruments (hedging relationship)							-
Contractual amounts payable		-	292	654	651	-	1,597
Contractual amounts receivable		-	(150)	(409)	(362)	-	(921)
	2,267	-	142	245	289	-	676
Off balance sheet positions							
Guarantees entered into in the normal course of business	-	162	-	-	-	-	162
Commitments to provide loans and advances	-	6,062	-	-	-	-	6,062
	-	6,224	-	-	-	-	6,224
2010							
Deposits and short-term borrowings	34,138	9,549	15,582	7,120	3,038	1	35,290
Payables due to other banks	28	28	-	-	-	-	28
Payables and other liabilities	879	-	879	-	-	-	879
Derivative financial instruments (trading)	364	-	364	-	-	-	364
Payables to subsidiaries [1]	5,585	-	1,060	1,149	3,412	687	6,308
Debt issues	17,053	-	155	7,836	10,663	-	18,654
Subordinated notes	1,492	-	227	361	1,018	-	1,606
Preference shares	869	-	14	35	957	-	1,006
	60,408	9,577	18,281	16,501	19,088	688	64,135
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	412	1,022	1,489	-	2,923
Contractual amounts receivable		-	(185)	(610)	(898)	-	(1,693)
	1,915	-	227	412	591	-	1,230
Off balance sheet positions							
Guarantees entered into in the normal course of business	-	284	-	-	-	-	284
Commitments to provide loans and advances	-	6,046	-	-	-	-	6,046
	-	6,330	-	-	-	-	6,330

Note

1. Funds raised from securitisation through the Apollo trusts are on-lent to the Company through intercompany loan arrangements.

(d) Use of derivative financial instruments and hedging

Derivatives are used by the Group to manage interest rate and foreign exchange risk.

The use of derivatives 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 foreign exchange contracts and interest rate and equity options.

To prevent derivatives being used as a source of gearing, all derivatives have to be wholly or partly cash covered depending on the type of risk undertaken. Derivative restrictions are designed to either prevent gearing or to cover unrealised and potential losses on all derivatives to guard against potential liquidity short falls. Counterparty risk procedures are in place for OTC type derivatives.

As at 30 June 2011 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges.

Hedging of fluctuations in interest rates

The Bank seeks to minimise volatility in net interest income through use of interest rate derivatives, primarily vanilla interest rate swaps. The swaps are managed over a three year period which is approximately the average loan life.

At balance date, the Bank had one (2010: four) swap designated as a fair value hedge of a fixed rate note issue and one (2010: zero) swap designated as a fair value hedge of a fixed rate bond held. All other interest rate swaps designated as hedges are cash flow hedges. The swaps designated as cash flow hedges are hedges of either variable rate mortgages or variable rate short-term debt.

Hedging of fluctuations in foreign currency rates

The Bank hedges its exposure to fluctuations in foreign exchange rates through the use of derivatives in the foreign exchange market. The currencies giving rise to this risk are primarily US Dollars, Euro and Pounds Sterling.

The Bank hedges its offshore debt issues using cross currency interest rate swaps and foreign exchange swaps. In respect of other financial assets and liabilities held in currencies other than AUD, the Bank ensures that the net exposure is kept to an acceptable level through participation in the spot and forward markets.

All cross currency interest rate swaps entered into by the Group are designated as hedges using the split approach. Under this approach the benchmark rate component of the swap is accounted for as a fair value hedge and the margin component as a cash flow hedge.

The Bank has elected to fair value its Euro Commercial Paper portfolio through the profit or loss on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward contracts and the debt issue are recognised. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies where hedge accounting is not applied as at 30 June 2011 was $39 million (30 June 2010: $37 million).

31. Risk management (continued)

(d) Use of derivative financial instruments and hedging (continued)

	Consolidated				Company			
	2011		2010		2011		2010	
	Fair value hedges $m	Cash flow hedges $m	Fair value hedges[1] $m	Cash flow hedges $m	Fair value hedges $m	Cash flow hedges $m	Fair value hedges $m	Cash flow hedges $m
Hedging of fluctuations in interest rates								
Notional value of interest rate swaps designated as hedges	150	14,105	531	18,776	150	14,105	300	18,776
Fair value:								
net receive interest rate swaps	2	12	13	61	2	12	5	61
net pay interest rate swaps	(1)	(102)	-	(227)	(1)	(102)	-	(227)
	1	(90)	13	(166)	1	(90)	5	(166)

	Split approach 2011 $m	Split approach[1] 2010 $m	Split approach 2011 $m	Split approach 2010 $m
Hedging of fluctuations in foreign exchange rates				
Notional value of cross currency swaps designated as hedges	8,853	15,546	8,089	14,185
Fair value:				
net receive cross currency swaps	88	287	88	287
net pay cross currency swaps	(2,306)	(1,865)	(2,164)	(1,688)
	(2,218)	(1,578)	(2,076)	(1,401)

Note

1. Includes General Insurance hedges

The Bank also hedges against the foreign currency exposure which results from the government guarantee expense. The underlying exposure is calculated as the present value of the 1% fee charged to the Bank for those selected offshore liabilities, over the term of the life of the liabilities. The hedge is a cash flow hedge using foreign currency positions with foreign currency translation movements deferred to equity, and released to the profit or loss as the fee expense is incurred. As at 30 June 2011 the unrealised loss from foreign currency fluctuation deferred to equity was $37 million (2010: $29 million). During the current financial year the Bank deferred to equity $25 million (2010: $22 million), and released $17 million (2010: $13 million) of foreign currency fluctuations previously deferred to equity to the profit or loss.

Cash flows relating to the cash flow hedges are expected to impact the profit or loss in the following periods:

	Company and Consolidated Banking			
	0 to 12 months	1 to 5 years	Over 5 years	Total expected cash flows
2011	$m	$m	$m	$m
Forecast receivable cash flows	468	209	-	677
Forecast payable cash flows	(535)	(211)	-	(746)
	(67)	(2)	-	(69)
2010				
Forecast receivable cash flows	717	489	-	1,206
Forecast payable cash flows	(791)	(565)	-	(1,356)
	(74)	(76)	-	(150)

31.2. General insurance and life business

31.2.1. Credit risk

To reduce credit risk, the investment portfolios have been established in accordance with an investment mandate. Credit limits have been established within this mandate with the counterparties to over the counter (OTC) contracts limited to companies with primarily investment grade credit ratings from a recognised credit rating agency (normally banks operating in Australia).

Concentration of credit risk is managed by ensuring diversification across individual counterparty and by credit rating and industry type. Counterparty diversification policies are in place to limit exposure to any one counterparty as a proportion of the investment portfolio.

The following table provides information regarding credit risk exposure of General Insurance and Life financial assets, classified according to Standard & Poor's counterparty credit ratings.

	Credit Rating							
2010	AAA	AA	A	BBB	Non-investment grade	Other not rated	Investment linked business	Total
Cash and cash equivalents	-	250	164	1	-	-	344	759
Investment securities	6,503	4,984	2,087	173	18	285	545	14,595
General Insurance and Life business assets	498	566	643	-	-	2,733	37	4,477
Other	45	74	43	2	-	1	1	166
	7,046	5,874	2,937	176	18	3,019	927	19,997

Note

1. For investment linked business, the liability to policyowners is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets.

The following table provides information regarding those General Insurance and Life financial assets which have balances which have been impaired or are past due but not impaired at balance date.

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		0-3 mths	3-6 mths	6-12 mths	> 12 mths		
	$m	$m	$m	$m	$m	$m	$m
2010							
Premiums outstanding	1,684	78	10	4	5	-	1,781
Reinsurance recoveries & receivables	114	38	11	2	3	-	168
Other - Life	119	3	3	1	3	28	157
	1,917	119	24	7	11	28	2,106

31. Risk management (continued)

31.2.2. Market risk

To control market risk, investment mandates specify investment restrictions including but not limited to asset class limits, authorised investments, duration limits, derivative restrictions, minimum credit ratings and counterparty credit limits.

Interest rate risk - General Insurance and Life business

The risk relating to the interest-bearing securities is managed by establishing investment portfolio mandates on the basis of the appropriate matching principles so as to minimise the impact on the operating result, over the long term, of changes in the general level of market interest rates.

Where the liability to the Life investment contract holder is directly linked to the value of assets held to back that liability there is no residual interest rate exposure to the shareholder. Accordingly, investment-linked business is excluded from the analysis below.

The sensitivity of the impact of interest rate risk on interest rate sensitive General Insurance and Life business financial assets and liabilities is shown in the table below. Given the significant volatility experienced in the market during the last two years, a movement of 200 basis points was considered reasonably possible and has been applied to the sensitivity analysis.

It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves.

2010	Exposure at 30 June $m	Movement in interest rate %	Profit (loss) after tax $m	Equity reserves $m
Interest-bearing investment securities	13,017	+2	(427)	-
(including derivative financial instruments)		-2	429	-
Life business assets	143	+2	2	-
		-2	(2)	
Other financial liabilities	(371)	+2	(4)	-
		-2	4	-

After tax impact on profit (loss) uses corporate tax rate of 30%. Actual after tax impact for Life business may differ.

Credit spread risk

This risk is managed by incorporating diverse holdings in the investment portfolios, establishing maximum exposure limits for counterparties and minimum limits on credit ratings. Investments are also subject to ongoing stress testing which is reviewed regularly by the General Insurance ALCO.

Given the significant volatility experienced in the market during the last two years, the sensitivity of the General Insurance business credit exposure was calculated for a +/- 200 basis point change in yield on securities other than semi-government for which a +/- 60 basis point change has been adopted as follows:

2010	Exposure at 30 June $m	Movement in interest rate %	Profit (loss) after tax $m
Credit exposure (excluding semi-government)	7,807	+2.0	(214)
		-2.0	214
Credit exposure (semi-government)	1,631	+0.6	(14)
		-0.6	14

Foreign exchange risk

The statutory funds of the Group's Life business invest in overseas assets including global equities with foreign currency exposure managed by entering into forward foreign exchange and futures contracts. The Life Companies also invest in several Group related Trusts who enter into forward foreign exchange and future contracts to aim to provide capital appreciation.

General Insurance had an ongoing foreign exchange obligation in relation to outstanding claims from previously written offshore inwards reinsurance business. The claim payments was predominantly in United States dollars (US$) and had been hedged using a US$ forward foreign exchange contract.

The exposure to foreign exchange risk at balance date is shown in the following sensitivity analysis. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis for 2010.

2010	Exposure at 30 June $m	Movement in exchange rate %	Profit (loss) after tax $m	Equity reserves $m
USD	137	+10	6	-
		-10	(9)	-
Other [1]	112	+10	7	-
		-10	(10)	-

Note

1. Includes Euro, GBP, JPY

Equity risks

In addition to cash and interest-bearing securities, the investment portfolios contain exposures to equity and property markets. Equity risk is managed by incorporating a diverse holding of Australian and overseas equities (whether direct or through unitised vehicles) and through the controlled use of derivative financial instruments, as discussed in note 42.

The following table shows the sensitivity of the impact of movements in the equity market. The price risk in relation to unlisted securities is immaterial in terms of the possible impact on profit or loss and has not been included in the sensitivity analysis. Given the significant volatility experienced in the equity markets during the last two years, a movement of 25 % was considered reasonably possible and has been applied to the sensitivity analysis. Where the liability to the Life investment contract holder is directly linked to the value of the asset held to back that liability there is no residual price risk exposure to the shareholder. Accordingly, investment-linked business has not been included in the analysis.

	2010			
Equities	Exposure at 30 June $m	Movement in equity prices %	Profit (loss) after tax $m	Equity reserves $m
Australian	1,624	+25	285	-
		-25	(285)	-
International	851	+25	122	-
		-25	(122)	-

After tax impact on profit (loss) uses corporate tax rate of 30%. Actual after tax impact for Life business may differ.

31. Risk management (continued)

31.2.3. Insurance risk

Insurance risk is the risk of financial loss due to fluctuations in the timing, frequency or severity of insured events, relative to the expectations of the Group. The Group has an objective to control insurance risk and thereby reduce the volatility of earnings.

Policies for mitigating insurance risk

The risk management activities include prudent underwriting, pricing, acceptance and management of risk, together with claims management and reserving.

The key policies in place to mitigate insurance risk include the following:

- the reduction in the concentration of insurance risk through diversification over classes of insurance business, industry segments, geographical segments (Australia and New Zealand), the use of reinsurer coverage and ensuring there is an appropriate mixture of individual and group insurance business split between mortality, morbidity and annuity benefit payments;
- the Group enters into reinsurance and ceding arrangements to preserve capital and manage earnings volatility from large individual or catastrophic claims;
- the maintenance of appropriate actuarial reserves including reserves to cover claims incurred but not yet reported.

In addition, the Board receives Financial Condition Reports from the Appointed Actuary who also provides advice in relation to premium and reinsurance arrangements to the Life Companies in accordance with APRA Prudential Standard LPS 310 and LPS 320 (ALLNZ – provided by the Company Actuary).

Liquidity risk

The ability to make claims payments in a timely manner is critical to the Insurance business. The investment portfolio mandates require that sufficient cash deposits are available to meet day-to-day obligations and that there are Investment funds set aside to accommodate significant claims payment obligations. In addition, under the terms of the Group's reinsurance arrangements, immediate access to cash is available in the event of a major catastrophe.

2010	Carrying amount $m	1 year or less $m	1 to 5 years $m	Over 5 years $m	No term $m	Investment linked [1] $m	Total cash flows $m
General Insurance assets	120	118	2	-	-	-	120
Trade creditors and accrued expenses	629	600	29	-	-	-	629
Unearned premium liabilities	3,672	3,665	7	-	-	-	3,672
Outstanding claims liabilities	6,477	2,144	3,128	1,161	44	-	6,477
Life contract policy liabilities	5,256	250	640	697	-	3,669	5,256
Unvested policyowner benefits	404	4	-	14	386	-	404
Managed funds units on issue	437	437	-	-	-	-	437
Subordinated notes	694	44	348	552	-	-	944
Other	376	298	(2)	(140)	-	-	156
	18,065	7,560	4,152	2,284	430	3,669	18,095

32. Notes to the statements of cash flows

32.1. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2011 $m	2010 $m	2011 $m	2010 $m
Profit for the year	307	789	335	512
Non-cash items				
Amortisation of share-based payments	6	11	5	9
Change in fair value of trading securities	3	11	7	11
Change in fair value of investments	(107)	(557)	-	-
Change in fair value of subordinated debt	(30)	(90)	(40)	(91)
Change in fair value of investment property	(2)	12	-	-
Impairment loss on joint ventures	-	17	-	-
Impairment losses on loans and advances	325	479	318	463
Depreciation/amortisation of property, plant and equipment and intangible assets	140	358	44	42
Profit on disposal of subsidiaries, associates and joint ventures	97	(215)	-	(64)
Share of net (profit) loss of joint ventures and associates accounted for using the equity method	(3)	(29)	-	-
Dividends received from associates and joint ventures	3	83	-	-
Change in assets and liabilities				
Net movement in tax balances	(81)	(52)	48	(149)
(Increase) in other assets	(79)	(307)	(66)	(49)
Decrease (increase) in trading securities	3,278	(1,550)	3,278	(1,550)
Decrease (increase) in loans, advances and other receivables	1,943	2,999	1,398	2,360
(Decrease) in deposits and short-term borrowings and payables and other liabilities	5,168	(3,621)	4,415	(4,414)
Net cash from operating activities	10,968	(1,662)	9,742	(2,920)

33. Financing arrangements

	Consolidated and Company			
	2011 Program limit $m	2011 Unused $m	2010 Program limit $m	2010 Unused $m
The Group had the following debt programs outstanding at end of the financial year:				
USD $15 billion program	13,968	7,141	17,859	11,692
USD $5 billion program	4,656	2,561	5,953	5,953
Japanese Yen bond program	-	-	172	-
US144a MTN program	13,968	11,844	17,859	11,198
AUD TCD program	5,000	180	5,033	-
	37,592	21,726	46,876	28,843

34. Parent entity and subsidiaries

34.1. Ultimate parent entity

The Company's parent entity is SBGH Limited with the ultimate parent entity of the wholly-owned group being Suncorp Group Limited.

Refer note 5 in relation to changes in the composition of the Group.

34.2. Significant subsidiaries of Suncorp-Metway Ltd

Subsidiaries	Class of shares	Country of incorporation	Equity holdings 2011 %	Equity holdings 2010 %
Banking entities				
APOLLO Series Trusts (various) [4]	Units	Australia	100	100
Graham & Company Limited	Ordinary	Australia	100	100
Polaris Data Centre Unit Trust	Units	Australia	100	100
SME Management Pty Limited	Ordinary	Australia	100	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	100	100
Suncorp Property Development Equity Fund #2 Unit Trust	Units	Australia	100	100
Taurus Trade Finance Pty Ltd	Ordinary	Australia	100	-
Subsidiaries disposed of as of 7th January 2011:				
Corporate entities				
Suncorp Staff Pty Ltd (formerly Suncorp Metway Staff Pty Ltd) [3,5]	Ordinary	Australia	-	100
Suncorp Corporate Services Pty Ltd [3]	Ordinary	Australia	-	100
Suncorp Group Executive Performance Share Plan Trust (formally Suncorp Metway Executive Performance Share Plan Trust) [3,12]	Units	Australia	-	100
General Insurance entities				
Suncorp Insurance Holdings Limited and its subsidiaries	Ordinary	Australia	-	100
Suncorp Insurance Services Limited [5,6] (formerly Promgroup Limited) and its subsidiaries	Ordinary	Australia	-	100
Suncorp Group Holdings Pty Ltd and its subsidiaries	Ordinary	Australia	-	100
Suncorp Group Holdings (NZ) Limited and its subsidiaries	Ordinary	New Zealand	-	100
Vero Insurance New Zealand Limited and its subsidiaries	Ordinary	New Zealand	-	100
Vero Insurance Limited and its subsidiaries	Ordinary	Australia	-	100
Australian Alliance Insurance Company Limited and its subsidiaries	Ordinary	Australia	-	100
Australian Associated Motor Insurers Limited and its subsidiaries	Ordinary	Australia	-	100
Australian Surety Corporation Pty Limited and its subsidiary	Ordinary	Australia	-	50.5
GIO Insurance Investment Holdings A Pty Limited	Ordinary	Australia	-	100
Promequity Limited [6]	Ordinary	Australia	-	100
Suncorp Insurance Funding 2007 Limited	Ordinary	Australia	-	100
Suncorp Metway Insurance Ltd and its subsidiaries	Ordinary	Australia	-	100
GIO General Limited and its subsidiaries	Ordinary	Australia	-	100
Suncorp Property Development Equity Fund	Units	Australia	-	100
The Park Road Property Trust [7]	Units	Australia	-	87
Terri Scheer Insurance Pty Ltd	Ordinary	Australia	-	100
Life entities				
Suncorp Life Holdings Limited (formerly Asteron Group Limited) [5] and its subsidiaries	Ordinary	Australia	-	100
Asteron Life Limited and its subsidiaries	Ordinary	Australia	-	100
Tyndall Australian Bond Fund	Units	Australia	-	87
Tyndall Australian Core Share Fund	Units	Australia	-	100
Tyndall Australian Share Income Fund	Units	Australia	-	64
Tyndall Cash Fund [11]	Units	Australia	-	98
Tyndall Diversified Bond Fund	Units	Australia	-	99

Subsidiaries	Class of shares	Country of incorporation	Equity holdings 2011 %	2010 %
Tyndall International Bond Fund	Units	Australia	-	96
Asteron Limited	Ordinary	Australia	-	100
Guardian Financial Planning Pty Limited	Ordinary	Australia	-	100
Camwal Limited	Ordinary	Australia	-	100
Guardianfp Limited	Ordinary	Australia	-	100
Suncorp Financial Services Pty Ltd	Ordinary	Australia	-	100
Standard Pacific Consulting Limited	Ordinary	Australia	-	100
Prominvest Pty Limited and its subsidiaries	Ordinary	Australia	-	100
Suncorp Group Services NZ Limited and its subsidiaries	Ordinary	New Zealand	-	100
Suncorp Group New Zealand Limited and its subsidiaries	Ordinary	New Zealand	-	100
Asteron Life Limited and its subsidiaries	Ordinary	New Zealand	-	100
Asteron Retirement Investment Limited	Ordinary	New Zealand	-	100
Asteron Trust Services Limited	Ordinary	New Zealand	-	100
GTFM Mortgage Fund	Units	New Zealand	-	100
SAL Re Limited	Ordinary	New Zealand	-	100
The New Zealand Guardian Trust Company Limited and its subsidiaries [9]	Ordinary	New Zealand	-	100
Tyndall Investment Management New Zealand Limited [9]	Ordinary	New Zealand	-	100
Suncorp Life & Superannuation Limited and its subsidiaries	Ordinary	Australia	-	100
Suncorp Investment Management Australian Cash Trust	Units	Australia	-	97
Suncorp Investment Management Australian Equities Trust	Units	Australia	-	89
Suncorp Investment Management Australian Fixed Interest Trust	Units	Australia	-	87
Suncorp Investment Management Global Macro Tactical Asset Allocation Trust	Units	Australia	-	88
Suncorp Investment Management Imputation Trust	Units	Australia	-	56
Suncorp Investment Management Property Securities Trust	Units	Australia	-	79
Suncorp Investment Management World Equities Trust[10]	Units	Australia	-	85
Suncorp Investment Management World Fixed Interest Trust and its subsidiary	Units	Australia	-	92
Suncorp Metway Investment Management Limited and its subsidiaries [9]	Ordinary	Australia	-	100
Suncorp Custodian Services Pty Ltd	Ordinary	Australia	-	100
Suncorp Portfolio Services Limited	Ordinary	Australia	-	100
SIS Super Pty Ltd	Ordinary	Australia	-	100
Tyndall Investment Management Limited [11] and subsidiary	Ordinary	Australia	-	100

Notes

1. Names indented in these tables indicate direct subsidiaries of the entities appearing above.
2. Non-operating and minor operating subsidiaries are excluded from the above list.
3. Following the Company becoming a controlled subsidiary of SGL, the Company sold certain non-banking subsidiaries to SGL. Refer note 5.
4. SML conducts a loan securitisation program whereby housing mortgage loans are packaged and sold as securities to the wholly owned Apollo Trusts (Trusts). As at 30 June 2011, SML held interests in ten Trusts (2010: twelve).
5. Name changed on 9 September 2010.
6. Also registered as an overseas company in New Zealand.
7. The Park Road Property Trust - Suncorp Metway Insurance Ltd holds a 47% (2010: 47%) interest and Graham & Company Limited holds a 40% (2010: 40%) interest in the Trust.
8. Tyndall Cash Fund – In 2010, Vero Insurance Limited held 15% interest, Australian Alliance Insurance Company Limited held 6% interest, Australian Associated Motor Insurers Limited held an 8%) interest, Suncorp Metway Insurance Ltd held 14% interest, GIO General Limited held 13%, Asteron Life Limited held a 24%) interest, and Suncorp Life & Superannuation Limited held 18%) interest in the Fund.
9. Disposed of as at 28 February 2011.
10. Suncorp Investment Management World Equities Trust – In 2010, Asteron Limited held 11% interest, Suncorp Life & Superannuation Limited held a 74% interest.
11. Tyndall Investment Management Limited holds all 97 Class A Ordinary shares. Employees hold all 97 Class B Redeemable Preference Shares. Tyndall Investment Management Limited has control for consolidation purposes.
12. Name changed on 7 January 2011.

35. Investments in associates and joint venture entities

35.1. Investment in associates and joint ventures

	Consolidated			
	Associates		Joint ventures	
	2011	2010 (Restated)	2011	2010 (Restated)
	$m	$m	$m	$m
Total assets (100%)	-	25	-	153
Total liabilities (100%)	-	(10)	-	(89)
Revenues (100%)	-	52	-	604
Expenses (100%)	-	(51)	-	(549)
Share of net profit (loss) recognised	-	1	-	28

There are no material lease commitments, other commitments or contingent liabilities of the associates or joint venture entities.

	Principle activity	Ownership interest 2011 %	Ownership interest 2010 %
Joint venture operations			
National Transport Insurance	Facilitation of insurance arrangements	-	50
Joint venture assets			
Polaris data centre	Property investment	50	50
Spring farm development	Property investment	50	50

35.2. Joint venture assets

Share of joint venture assets included in the consolidated statement of financial position are as follows:

	Consolidated	
	2011	2010
	$m	$m
Other assets - development property	37	44
Property, plant and equipment	69	69
Total joint venture assets	106	113

There are no material commitments related to the joint venture assets.

36. Key management personnel disclosures

As a wholly-owned subsidiary of SGL, SML's key management personnel disclosures are consistent with those disclosed by SGL.

The Group has applied the exemption under AASB 124 *Related party disclosures* which exempts listed companies from providing remuneration disclosure in relation to their key management personnel in the notes to the financial statements where this information is disclosed in the Directors' Report. Information regarding key management personnel remuneration and some equity instruments disclosure is included in the Remuneration Report of the Directors' Report.

36.1. Key management personnel compensation

The key management personnel compensation included in 'Staff expenses' (refer note 7) are as follows:

	Consolidated 2011 $000	Consolidated 2010 $000
Short-term employee benefits	16,566	17,731
Long-term employee benefits	3,011	1,060
Post employment benefits	1,311	850
Equity compensation benefits	4,787	5,869
Termination benefits	1,318	4,868
	26,993	30,378

36.2. Loans to key management personnel and their related parties

Loans to key management personnel and their related parties are secured housing loans and asset lines provided by the Company in the ordinary course of the Banking business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as provisions, as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time during the reporting period, are as follows:

	Balance 1 July 2010 $000	Balance 30 June 2011 $000	Interest charged $000	Highest balance in year $000	Balance 1 July 2009 $000	Balance 30 June 2010 $000	Interest charged $000	Highest balance in year $000
Directors								
L Tutt [1,2]	-	-	-	-	597	-	7	600
Executives								
C Herbert [1,3]	-	-	-	-	483	-	26	483
M Blucher [1,4]	-	-	-	-	547	-	5	552
S McDonald [1,5]	-	-	-	-	923	-	13	930
M Milliner	1,849	1,355	99	1,897	719	1,849	74	2,588
J Smith	900	900	59	900	2,639	900	177	2,639

Notes

1. Interest charged in above table reflects the amounts charged during the period in which the individuals were considered KMP.
2. Mr Tutt retired on 28 October 2009.
3. Mr Herbert was appointed as Acting Chief Financial Officer on 2 March 2009. His term as Acting Chief Financial Officer concluded on 30 April 2010.
4. The contract with Mr Blucher terminated on 31 August 2009.
5. Mr McDonald left office on 21 October 2009.

36. Key management personnel disclosures (continued)
36.2. Loans to key management personnel and their related parties (continued)

New loan facilities made to key management personnel and their related parties during the year were $nil (2010: $1,700 thousand).

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Key management personnel	Other related parties	Key management personnel	Other related parties
	2011 $000	2011 $000	2010 $000	2010 $000
Opening balance	2,749	-	5,311	597
Closing balance	2,255	-	2,749	-
Interest charged	158	-	295	7
	Number	Number	Number	Number
Number of individuals at 30 June	2	-	2	-

36.3. Movement in shares

Directors and executives of the Company and their related parties received normal distributions on these shares. Details of the directors' shareholdings in Suncorp Group Limited are set out in the Directors' Report.

The movement during the reporting period in the number of ordinary shares in Suncorp Group Limited and the Company (prior to the Suncorp Group restructure) held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

	Balance 1 July 2010		Received as compensation [2]	Purchases (sales)	Other changes	Balance 30 June 2011	
2011	**Ordinary shares**	**Performance rights [1]**				**Ordinary shares**	**Performance rights**
Directors							
Executive director							
P Snowball	66,123	900,000	-	-	-	66,123	900,000
Non-executive directors							
J Story	138,803	-	-	-	-	138,803	-
I Atlas [3]	-	-	-	-	-	-	-
W Bartlett	19,968	-	-	7,000	-	26,968	-
Dr I Blackburne [4]	36,640	-	-	-	(36,640)	-	-
P Dwyer	20,000	-	-	-	-	20,000	-
S Grimshaw	23,350	-	-	964	-	24,314	-
E Kulk	20,173	-	-	-	-	20,173	-
G Ricketts	22,716	-	-	938	-	23,654	-
Dr Z Switkowski	61,599	-	-	140,000	-	201,599	-
Senior Executives							
R Bell [5]	83,999	196,921	71,585	-	(352,505)	-	-
D Chandran	-	-	-	-	-	-	-
A Day	362	40,478	71,585	15	-	377	112,063
G Dransfield [6]	-	-	-	-	39,078	-	39,078
D Foster	25,542	202,844	77,092	-	-	25,542	279,936
M Milliner	68,026	219,461	82,599	-	-	68,026	302,060
J Nesbitt	-	313,016	88,105	-	-	-	401,121
A Revis [7]	-	-	58,920	5,093	-	5,093	58,920
J Smith	115,962	199,740	82,599	551	-	116,513	282,339
R Stribling	10,000	-	66,079	-	-	10,000	66,079
G Summerhayes	-	134,969	68,832	-	-	-	203,801

Notes

1. The number of performance rights disclosed for executive directors and Senior executives represents performance rights held by the trustee of the Executive Performance Share Plan (EPSP) and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles.
2. For Executive directors and Senior executives compensation includes shares held under the EPSP. These shares are recorded in Suncorp Group Limited's (2010: the Company's) share register in the name of the EPSP Trustee and vest only when performance hurdles are met. No shares vested during the 2011 financial year.
3. Appointed 1 January 2011.
4. Left office on 31 August 2010. Shares held upon retirement are shown in 'Other changes'.
5. Left office on 22 May 2011. Shares held upon retirement are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 268,506 performance rights remain subject to performance hurdles.
6. Appointed 23 May 2011.
7. Appointed 16 August 2010.

36. Key management personnel disclosures (continued)

36.3. Movement in shares (continued)

2010	Balance 1 July 2009 Ordinary shares	Performance rights [1]	Received as compensation [2]	Purchases (Sales)	Other changes	Balance 30 June 2010 Ordinary shares	Performance rights
Directors							
Executive directors							
C Skilton [7]	96,776	333,164	-	-	(429,940)	-	-
P Snowball [8]	-	-	900,000	66,123	-	66,123	900,000
Non-executive directors							
J Story	134,880	-	-	3,923	-	138,803	-
W Bartlett	19,968	-	-	-	-	19,968	-
Dr I Blackburne	36,640	-	-	-	-	36,640	-
P Dwyer	18,000	-	-	2,000	-	20,000	-
S Grimshaw [4]	-	-	-	23,350	-	23,350	-
Dr C Hirst AO [5]	27,678	-	-	-	(27,678)	-	-
M Kriewaldt [5]	45,043	-	-	366	(45,409)	-	-
E Kulk	20,173	-	-	-	-	20,173	-
G Ricketts	21,764	-	-	952	-	22,716	-
Dr Z Switkowski	61,599	-	-	-	-	61,599	-
L Tutt [6]	60,969	-	-	1,539	(62,508)	-	-
Senior Executives							
S Alomes [11]	-	-	58,989	-	(58,989)	-	-
R Bell	83,999	120,825	76,096	-	-	83,999	196,921
M Blucher [7]	203,978	265,896	-	-	(469,874)	-	-
D Chandran	-	-	-	-	-	-	-
A Day [12]	-	-	17,092	6	23,742	362	40,478
D Foster	25,542	120,895	81,949	-	-	25,542	202,844
A Harmer	-	-	-	-	-	-	-
C Herbert [3]	17,285	47,416	46,828	-	(111,529)	-	-
B Inglis [13]	4,389	231,992	93,657	-	(330,038)	-	-
S McDonald [13]	73,966	158,934	81,949	-	(314,849)	-	-
M Milliner	66,490	137,512	81,949	1,536	-	68,026	219,461
J Nesbitt [9]	-	-	313,016	-	-	-	313,016
J Smith	110,202	111,937	87,803	5,760	-	115,962	199,740
R Stribling [10]	-	-	-	5,144	4,856	10,000	-
G Summerhayes	-	61,800	73,169	-	-	-	134,969

Notes

1. The number of performance rights disclosed for executive directors and Senior Executives represents performance rights held by the trustee of the EPSP and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles.
2. For executive directors and Senior Executives compensation includes shares held under the EPSP. These shares are recorded in the Company's share register in the name of the EPSP Trustee and vest only when performance hurdles are met. 5,132 shares vested during the 2010 financial year.
3. Mr Herbert left office on 30 April 2010 when his secondment to Acting CFO ceased. Shares and performance rights held upon leaving office are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 80,129 performance rights remained subject to performance hurdles.
4. Appointed 27 January 2010.
5. Retired on 16 April 2010. Shares held upon retirement are shown in 'Other changes'.
6. Retired 28 October 2009. Shares held upon retirement are shown in 'Other changes'.
7. Resigned 31 August 2009. Shares and performance rights held upon resignation are shown in 'Other changes'. Of the shares and performance rights held by Mr Skilton on resignation, 189,135 performance rights remain subject to performance hurdles.
8. Appointed 1 September 2009.
9. Appointed 3 May 2010.
10. Appointed 4 January 2010. Shares held on appointment are shown in 'Other changes'.
11. Appointed 23 November 2009, resigned 19 March 2010. The performance rights awarded on appointment were forfeited on resignation and are shown in 'Other changes'.
12. Appointed 21 October 2009. Shares and performance rights held on appointment are shown in 'Other changes'.
13. Left office on 21 October 2009. Shares and performance rights held upon departure are shown in 'Other changes'. Of the shares and performance rights held by Mr McDonald on leaving office, 81,949 performance rights remain subject to performance hurdles.

Directors and executives of the Company and their related parties received normal distributions on these shares. Details of the directors' shareholdings in the Company at the date of signing these financial reports are set out in the Directors' Report.

Movements in the number of SML Convertible Preference Shares held directly, indirectly or beneficially by each key management personnel, including their related parties, are noted in the table below:

	Balance 1 July 2009	Other changes	Balance 30 June 2010	Balance 30 June 2011
Non-executive directors				
Dr C Hirst AO [1]	100	(100)	-	-
Senior executives				
D Foster [2]	90	-	90	90

Notes
1. Retired on 16 April 2010. Shares held upon retirement are shown in 'Other changes'.
2. There were no movements during the 2010 and 2011 financial years.

36.4. Other key management personnel transactions with the Company or its subsidiaries

Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between the Group and directors, executives and their related parties 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 and are trivial or domestic in nature.

Transactions other than financial instrument transactions

No director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Other transactions with directors, executives and their related parties 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.

37. Share-based payments

Prior to the NOHC restructure on 7 January 2011, the Company operated a number of employee share plans. Shares offered in these share plans were granted by the Company over its own ordinary shares to employees of its subsidiaries.

Effective from the date of restructure, the responsibility and obligation of all share plans were transferred from the Company to Suncorp Group Limited. Suncorp Group Limited ordinary shares replaced the Company's ordinary shares being offered under the share plans. The NOHC restructure also resulted in the disposal of all subsidiaries with employees participating in the share plans. As such, the Group has no employees participating in the Suncorp Group Limited share plans from this date.

Shares required for the share plans were acquired by a special purpose trustee and/or custodial companies in ordinary trading on the Australian Securities Exchange.

37. Share-based payments (continued)

Features of the plans that were operated by the Group are set out below:

Share Plans	Executive Performance Share Plan (EPSP)	Exempt Employee Share Plan (EESP)	Deferred Employee Share Plan (DESP)	Non-Executive Directors Share Plan (NEDSP)
Method of settlement	Equity-settled. Cash-settled in limited circumstances as elected by the Board.	Equity-settled	Equity-settled	Equity-settled
Eligible plan participant	Executives	Employees not part of the EPSP	Employees can elect to participate	Non-Executive Directors or their associates as approved by the Board can elect to participate
Basis of share grant / issue	Value of shares granted is determined by the Board based on the executives' level of remuneration and individual performance.	Market value of shares up to $1,000 per employee per year may be offered by the Board based on SGL's overall performance.	Employees to fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000.	Non-Executive Directors nominate a percentage of their pre-tax remuneration up to a maximum of $5,000 per annum to fund the acquisition of shares on market. Shares acquired are held in the Plan for a maximum of seven years from the date of acquisition.
Vesting	Subject to satisfaction of performance criteria over the performance period.	Fully vested, not subject to forfeiture.	As the acquisition of shares is funded through the participating employee's or Non-Executive Director's remuneration, the shares are fully vested at the date of acquisition.	
Performance criteria	Refer to 37.1.1	None	None	None
Minimum holding period	None after shares are vested.	Earlier of three years or upon cessation of employment.	Earlier of one year or upon cessation of employment.	None
Plan maximum limit	Shares can only be issued under the Plans if the number to be issued will not exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years for all share plans operating by SGL.			
Dividend entitlements	Vested shares carry full entitlement to dividend from the grant date (less any taxes paid by the Plan Trustee in respect of such dividends).	Full entitlement from when the shares are allocated to the participating employee in the Plan.	Full entitlement to dividend from when the shares are acquired and held in the Plan.	
Voting rights	Voting rights are held by the Plan Trustee until shares are vested.	Participating employees have the right to vote from when the shares are allocated to them in the Plan.	Participating employees and Non-Executive Directors have the right to vote from when the shares are acquired and held in the Plan.	

37.1. Executive Performance Share Plan

37.1.1. EPSP performance criteria

<table>
<tr><th>Grant date</th><th>1 October 2005 – 3 May 2010</th><th>1 October 2010</th></tr>
<tr><td>Performance criteria</td><td colspan="2">The criteria is based on total shareholder returns (TSR) achieved by SGL over a performance period compared to the TSR of a comparator group</td></tr>
<tr><td>Comparator group</td><td>Top 50 Industrial companies in the S&P/ASX 100, excluding listed property trusts</td><td>Top 50 Industrial companies in the S&P/ASX 100, excluding mining companies and listed property trusts</td></tr>
<tr><td>Performance results and vesting rules</td><td colspan="2">Shares granted under this plan will vest and allocated based on SGL's TSR performance results:
<table>
<tr><th>Company performance (TSR percentile ranking)</th><th>% of shares available for vesting and allocation</th></tr>
<tr><td>< 50th percentile</td><td>Nil</td></tr>
<tr><td>50th percentile</td><td>50%</td></tr>
<tr><td>> 50th but < 75th percentile</td><td>an additional 2% of the shares will vest for each 1% increase (on a straight line basis) in the Company's TSR ranking above the 50th percentile</td></tr>
<tr><td>75th percentile or above</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Initial performance period</td><td colspan="2">The initial performance period commences on the grant date and ends on the initial vesting date which is generally three years after the grant date.</td></tr>
<tr><td>At initial vesting date</td><td>The executive has the right to elect to receive an allocation of shares, based on the performance result described above, or extend the performance period a further two years. If the Executive elects to accept the year three performance result, any shares subject to that same offer that are not allocated are forfeited.</td><td>Shares are vested and allocated based on the performance result described above. Any shares offered that are not allocated are forfeited. No extension of performance period is permitted.</td></tr>
<tr><td>During the extended performance period (Period from the initial vesting date to the end of the end of the extended performance period (generally at the end of year five))</td><td>Performance measurements are undertaken during the extended performance period on a six monthly basis. Executives electing to extend the performance period waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five. The executives' 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 extended performance period. Shares not allocated at the end of the extended performance period are forfeited.</td><td>Not applicable.</td></tr>
</table>

37. Share-based payments (continued)

37.1. Executive Performance Share Plan (continued)

37.1.2. Shares granted under the EPSP

The fair value of services received in return for deferred ordinary shares granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte Carlo simulation pricing model and reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions but these are not taken into account in the grant date fair value measurement of the services received.

Inputs into the model include expected volatility which is based on SGL's (2010: SML) historic volatility and a risk-free interest rate based on Australian Government bonds.

Details of the deferred ordinary shares granted under the EPSP as long-term incentives are detailed below:

		Inputs for measurement of grant date fair value					Number of shares unvested	
Grant date	Fair value at grant date	Share price	Expected volatility	Vesting period	Dividend yield	Risk-free interest rate	2011	2010
1 October 2005	$11.22	$19.71	20%	3 years	4.7%	5.34%	-	67,925
1 October 2006	$12.41	$21.94	17%	3 years	4.9%	5.80%	-	363,684
1 April 2007	$11.41	$20.80	19%	2.5 years	5.0%	6.20%	-	192,075
1 October 2007	$14.60	$20.35	19%	5 years	5.1%	6.44%	-	851,589
1 October 2008	$4.32	$9.61	31%	3 years	7.2%	5.24%	-	1,680,121
1 April 2009	$4.32	$5.90	31%	2.5 years	7.2%	5.24%	-	23,750
1 October 2009	$6.34	$8.82	47%	3 years	5.6%	5.17%	-	1,926,397
1 October 2009	$6.56	$8.82	47%	4 years	5.6%	5.17%	-	300,000
1 October 2009	$6.75	$8.82	47%	5 years	5.6%	5.17%	-	300,000
3 May 2010	$5.94	$9.11	34%	3 years	4.6%	5.35%	-	313,016
1 October 2010	$5.31	$8.77	29%	3 years	4.1%	4.87%	-	-
							-	6,018,557

The movement in the number of shares offered under the EPSP is as follows:

	Number of shares 2011	Number of shares 2010
Outstanding at the beginning of the financial year	6,018,557	4,231,308
Granted during the year	1,754,370	3,148,675
Vested and allocated during the year	(9,493)	(18,187)
Forfeited during the year	(204,411)	(1,343,239)
Other movements[1]	(7,559,023)	-
Outstanding at the end of the financial year	-	6,018,557

Note

1. Shares transferred to ultimate parent entity following restructure.

For the DESP and NEDSP, shares are acquired and funded through the participating employee's or Non-Executive Director's remuneration. These have a nil profit or loss impact for the Group. Shares are acquired at various times during the year. The fair value of these shares is the market value of the shares when they were acquired. Other details are as follows:

	Consolidated	
	2011	2010
Total number of shares issued/allocated	115,794	133,565
Fair value (market value at dates of issue/allocation)	$998 thousand	$1,146 thousand
Amounts received from employees	$710 thousand	$680 thousand
Related expenditure recognised in income statement	-	-

As the Group has not granted any shares under the EESP for both the 2011 and 2010 financial years, no expense has been recognised for the EESP for these two financial years.

38. Other related party disclosures

The restructuring transactions as a result of the Suncorp Group restructure (see note 1) were related party transactions with the new parent entity.

38.1. Identity of related parties

The Company has a related party relationship with its subsidiaries (see note 34), parent entity and its other controlled subsidiaries (see note 34), associates and joint venture entities (see note 35) and with its key management personnel (see note 36).

38. Other related party disclosures (continued)

38.2. Related party transactions within the Group

A number of banking transactions occur between the Company and related parties within the Group. These transactions occur in the normal course of business. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Other transactions between these related parties 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.

	Company	
	2011	2010
	$000	$000
Current amounts receivable (unsecured)		
Current amounts receivable	871,092	1,882,593
Loans receivable	18,191	3,412
	889,283	1,886,005
Current amounts payable (unsecured)		
Current amounts payable	3,772,354	5,584,852
Deposits and short-term borrowings	209,983	243,933
Debt issues	120,409	285,531
Loans payable	9,404	16,584
	4,112,151	6,130,900
Other income received or receivable		
Interest	63,706	22,000
Other income	256,612	260,774
Dividends	314,800	543,000
	635,118	825,774
Other expense paid or payable		
Interest	10,140	5,000
Operating expenses	430,819	483,957
Dividends	-	-
	440,959	488,957

38.3. Related party transactions with associates and joint venture entities

Transactions between the Group and associates and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements.

	Consolidated	
	2011	2010
	$000	$000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Associates	-	1,230
Joint venture entities	7,268	96,476
Other expenses paid or due and payable		
Associates	-	6,553
Joint venture entities	5,074	4,000
Aggregate amounts receivable from, and payable to, each class of related parties at balance date:		
Receivables:		
Associates	-	7,529
Joint venture entities	79,045	83,551
Payables :		
Associates	-	-
Joint venture entities	-	1

39. Auditors' remuneration

	Consolidated		Company	
	2011	2010	2011	2010
	$000	$000	$000	$000
KPMG Australia				
Audit and review of financial statements	1,270	1,153	1,028	834
Other audit services - regulatory audits	276	350	276	318
Assurance engagements	364	373	156	212
Taxation compliance services	12	12	-	-
Actuarial services	-	-	-	-
Other non-audit related services	45	20	45	20
Total auditors' remuneration from continuing operations	1,967	1,908	1,505	1,384
Total auditors' remuneration from discontinuing operations	3,862	8,243	-	-

40. Defined benefit fund obligations

As part of the NOHC restructure, the Company disposed all subsidiaries that sponsor defined benefits superannuation plans for employees of those subsidiaries. As such, the Group no longer sponsors defined benefit superannuation plans from 7 January 2011 and no longer contributes to the defined benefit funds. As at 30 June 2011, the Group's expected contribution to the plans for the next financial year is $nil (2010: $4 million).

Each superannuation fund provides benefits to members on retirement, death or disability. All defined benefit funds were closed to new members with new employees being given membership of a defined contribution fund.

The objective of funding was to ensure that the benefit entitlements of members and other beneficiaries were fully funded by the time they become payable. To achieve this objective, the actuaries used the Projected Unit Cost method to annually determine the present value of the defined benefit obligations.

The table below shows the net position recognised in relation to defined benefit funds as at balance date.

	Surplus 2011 $m	(Deficit) 2011 $m	Net Surplus/ (Deficit) 2011 $m	Surplus 2010 $m	(Deficit) 2010 $m	Net Surplus/ (Deficit) 2010 $m
Defined benefit funds - surplus (deficit) position						
Australia						
Suncorp Staff Superannuation Plan	-	-	-	1	-	1
Promina Group Staff Superannuation Fund	-	-	-	7	-	7
AAMI Staff Superannuation Fund	-	-	-	1	-	1
New Zealand	-	-	-			
Vero and Asteron New Zealand Staff Pension Scheme	-	-	-	-	(19)	(19)
RIG Superannuation Fund	-	-	-	-	(5)	(5)
Commercial Union General Insurance Staff Pension Scheme	-	-	-	-	(1)	(1)
Guardian Assurance Superannuation Fund	-	-	-	-	-	-
Total surplus (deficit)	-	-	-	9	(25)	(16)

40.1. Principal actuarial assumptions and employer contributions

	Consolidated			
	Australia		New Zealand	
	2011 %	2010 %	2011 %	2010 %
Employer contribution rate [1]	-	15.1	-	0 - 20
Discount rate at 30 June (net of tax)	-	4.8	-	3.9
Expected return on fund assets at 30 June (net of tax)	-	6.9	-	5.7
Future salary increases	-	3.0	-	4.0

Note

1. Not all funds are contributing for members.

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees.

40.2. Historic summary

	Consolidated 2011 $m	2010 $m	2009 $m	2008 $m
Present value of defined benefit obligations	-	(167)	(169)	(192)
Fair value of assets held by the funds	-	159	154	198
Deficit (surplus)	-	(8)	(15)	6
Experience gains (losses) arising on fund liabilities	-	-	4	(11)
Experience gains (losses) arising on fund assets	-	11	(35)	(30)

40.2.1. Current financial summary

	Consolidated 2011 $m	2010 $m
Present value of the defined benefit funds		
Fair value of fund assets	-	159
Present value of funded defined benefit obligations	-	(73)
Present value of partly funded defined benefit obligations	-	(94)
Adjustment for contributions tax	-	(8)
Net liability recognised in the statement of financial position	-	(16)
Consisting of:		
Fund surplus recognised in Other assets (note 17)	-	9
Fund deficit recognised in Payables and other liabilities (note 20)	-	(25)
	-	(16)
Changes in the present value of the defined benefit obligation:		
Defined benefit obligation at the beginning of the financial year	167	169
Benefits paid	-	(19)
Foreign currency exchange movement	-	1
Current service cost & interest cost	-	11
Actuarial losses (gains) recognised in statement of comprehensive income	-	5
Transfer to ultimate parent entity	(167)	-
Defined benefit obligation at the end of the financial year	-	167
Changes in the fair value of fund assets:		
Fair value of fund assets at the beginning of the financial year	159	154
Benefits paid	-	(19)
Contributions by subsidiaries	-	4
Expected return on fund assets	-	9
Actuarial gains (losses) recognised in statement of comprehensive income	-	11
Transfer to ultimate parent entity	(159)	-
Fair value of fund assets at the end of the financial year	-	159
Other items recognised in the statement of comprehensive income		
Decrease in allowance for contributions tax on net liability	-	1
Actual return on fund assets	-	19
	%	%
Major categories of funds assets as a percentage of total fund assets:		
Cash	-	6
Equities	-	58
Listed property	-	5
Fixed income	-	30
Other	-	1

41. Subsequent events

Other than as noted 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

42. Discontinued operations – Profit disclosures

42.1. General Insurance – Net incurred claims

	Consolidated General Insurance					
	2011			2010 (Restated)		
	Current year $m	Prior year $m	Total $m	Current year $m	Prior year $m	Total $m
Direct business						
Gross claims undiscounted	4,029	(733)	3,296	6,485	(441)	6,044
Discount	(212)	131	(81)	(327)	222	(105)
Gross claims discounted	3,817	(602)	3,215	6,158	(219)	5,939
Reinsurance and other recoveries undiscounted	(1,243)	276	(967)	(1,346)	(17)	(1,363)
Discount	49	(19)	30	49	(7)	42
Reinsurance and other recoveries discounted	(1,194)	257	(937)	(1,297)	(24)	(1,321)
Total direct business	2,623	(345)	2,278	4,861	(243)	4,618
Net inwards reinsurance business			-			19
Total net claims incurred			2,278			4,637

The $345 million reduction (2010: $243 million) in prior year net provisions on the net incurred claims for 2010, is primarily due to decreases in prior-year claim cost provisions with better than expected experience, coupled with increases in the discount rate applied to outstanding payments. The sensitivity of net profit to changes in claims assumptions, experience and risk margins are set out in note 46.1.4.

42.2. Sources of Life business operating profit

	Consolidated Life			
	Life insurance contracts $m	Investment linked contracts $m	Other Life investment contracts $m	Total statutory funds $m
2011				
Shareholders' operating profit in the statutory funds				
The shareholder's operating profit after tax in the Statutory Funds is represented by:				
Investment earnings on shareholders' retained profits and capital	21	2	-	23
Emergence of shareholders' planned profits	47	-	-	47
Experience profit	(26)	-	-	(26)
Reversal of capitalised loss	-	-	-	-
Management services profit	-	7	-	7
	42	9	-	51
Cumulative losses carried forward at the end of the financial year	23	-	-	23
Life Act policyowners' operating profit in the statutory funds				
The Life Act policyowners' operating profit after tax in the Statutory Funds is represented by:				
Investment earnings on retained profits	18	-	-	18
Emergence of policyowner planned profits	34	-	-	34
Experience profit	2	-	-	2
Revaluation of capitalised losses	-	-	-	-
	54	-	-	54
2010				
Shareholders' operating profit in the Statutory Funds				
The shareholders' operating profit after tax in the Statutory Funds is represented by:				
Investment earnings on shareholder's retained profits and capital	87	5	1	93
Emergence of shareholders' planned profits	92	-	-	92
Experience profit	13	-	-	13
Reversal of capitalised loss	1	-	-	1
Management services profit	-	18	1	19
	193	23	2	218
Life Act policyowners' operating profit in the Statutory Funds				
The Life Act policyowners' operating profit after tax in the Statutory Funds is represented by:				
Investment earnings on retained profits	23	-	-	23
Emergence of policyowner planned profits	60	-	-	60
Experience profit (loss)	5	-	-	5
	88	-	-	88

43. Discontinued operations – Derivatives

		Consolidated General Insurance and Life					
		2011			2010		
		Notional value	Fair value		Notional value	Fair value	
	Note	$m	Asset $m	Liability $m	$m	Asset $m	Liability $m
Exchange rate related contracts							
Forward foreign exchange contracts		-	-	-	277	8	-
Cross currency swaps		-	-	-	291	-	(48)
		-	-	-	568	8	(48)
Interest rate related contracts							
Interest rate swaps		-	-	-	397	5	-
Interest rate futures		-	-	-	1,704	35	(1)
Interest rate options		-	-	-	1,572	-	-
		-	-	-	3,673	40	(1)
Equity contracts							
Equity futures		-	-	-	43	-	(3)
Total derivative exposures	**51**	-	-	-	4,284	48	(52)

44. Discontinued operations – Investment securities

		Consolidated General Insurance and Life	
	Note	Total 2011 $m	Total 2010 $m
Interest-bearing securities			
Debentures and corporate bonds		-	9,254
Government and semi-government securities		-	3,333
Discounted securities		-	172
		-	12,759
Unit trusts		-	3,522
Equity securities		-	1,346
Property trusts		-	282
Other		-	64
Total investment securities - Current	**52**	-	17,973

45. Discontinued operations – General Insurance and Life business assets

	Consolidated 2011 $m	Consolidated 2010 $m
General Insurance assets		
Financial assets designated as fair value through profit and loss		
Premiums outstanding	-	1,762
Reinsurance and other recoverables		
Expected undiscounted outstanding reinsurance and other recoveries	-	1,715
Discount to present value	-	(164)
Net reinsurance and other recoveries	-	1,551
Other receivables	-	201
Financial assets at amortised cost		
Outstanding proceeds from sale of investments in joint ventures	-	280
Other investment receivables	-	29
Deferred insurance assets		
Deferred acquisition costs	-	473
Deferred reinsurance assets	-	133
Other deferred assets	-	121
	-	4,550
Life assets		
Financial assets designated as fair value through profit and loss		
Gross Life policy liabilities ceded under reinsurance	-	327
Other receivables	-	143
Financial assets at amortised cost		
Other receivables	-	163
Deferred insurance assets		
Life deferred insurance assets	-	21
	-	654
Total General Insurance and Life business assets	-	5,204
Current	-	4,055
Non-current	-	1,149
Total General Insurance and Life business assets	-	5,204

46. Discontinued operations – General Insurance liabilities

	Note	Consolidated General Insurance 2011 $m	Consolidated General Insurance 2010 $m
Outstanding claims	**46.1.3**	-	7,886
Unearned premium liabilities	**46.1.1**	-	3,670
Total General Insurance liabilities		-	11,556
Current		-	6,541
Non-current		-	5,015
Total General Insurance liabilities		-	11,556

46. Discontinued operations – General Insurance liabilities (continued)

46.1. Unearned premium liabilities

46.1.1. Reconciliation of movement

	Consolidated General Insurance	
	2011 $m	2010 $m
Balance at the beginning of the financial year	3,670	3,528
Acquisition of subsidiaries	-	-
Premiums written during the year	3,563	7,029
Premiums earned during the year	(3,547)	(6,889)
Foreign currency exchange movement	(21)	2
Liabilities disposed of	(3,665)	-
Balance at the end of the financial year	-	3,670

46.1.2. Liability adequacy test

The liability adequacy test (LAT) is used to assess the sufficiency of the unearned premium liability to cover all expected future cash flows relating to future claims against in-force insurance contracts. The LAT is carried out on each portfolio of contracts, being Australian personal insurance, Australian commercial insurance and New Zealand general insurance. As at 30 June 2010, the LAT resulted in a surplus for all portfolios.

	Consolidated General Insurance
	2010 $m
Central estimate of present value of expected future cash flows arising from future claims	2,864
Risk margin	66
Discount to present value	(175)
Expected present value of future cash flows for future claims including risk margin	2,755
Risk margin	2.4%
Probability of adequacy	57-64%

The probability of adequacy adopted for the LAT differs from the 90% probability of adequacy adopted in determining the outstanding claims liability. The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability.

The process used to determine the risk margin is discussed in note 46.1.5.

46.1.3. Outstanding General Insurance claims liabilities

	Consolidated General Insurance 2011 $m	Consolidated General Insurance 2010 $m
Gross central estimate - undiscounted	-	7,818
Risk margin	-	1,260
Claims handling expenses	-	281
	-	9,359
Discount to present value	-	(1,473)
Gross outstanding claims liabilities - discounted	-	7,886
Overall risk margin applied		18.3%
The probability of adequacy of the risk margin		90%

(a) Reconciliation of movement in discounted outstanding claims liabilities

	Consolidated General Insurance 2011 $m	Consolidated General Insurance 2010 $m
Opening net outstanding claims liabilities	6,335	6,059
Prior periods		
Net change in prior period	(1,474)	(1,847)
Current period		
Net change in current period	1,515	2,123
Closing net outstanding claims liabilities	6,376	6,335
Reinsurance and other recoveries on outstanding claims liabilities	1,824	1,551
Liabilities disposed of	(8,200)	-
Gross outstanding claims liabilities - discounted	-	7,886

(b) Estimation of outstanding General Insurance claims liability process

The Group's estimation of its claims liabilities includes the expected future cost of claims notified to the Group as at balance date as well as claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Projected payments are discounted to present value and then an estimate of direct expenses expected to be incurred in settling these claims is determined. The impact of inflation on future expenditure is also taken into consideration. An additional risk margin is then applied to allow for the inherent uncertainty in the estimation process.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures with estimates and judgements continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

46.1.4. Actuarial methods

The estimation of the outstanding claims liability (central estimate) is based on a variety of actuarial techniques that analyse experience, trends and other relevant factors utilising the Group's specific data, relevant industry data and general economic data. Methods undertaken to determine the policy liability will vary according to the class of business. The Group currently divides its General Insurance business into two classes: Personal and Commercial.

46. Discontinued operations – General Insurance liabilities (continued)

46.1.4. Actuarial methods (continued)

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

46.1.5. Actuarial assumptions

The following key assumptions have been made in determining the outstanding claims liabilities:

	2011				2010			
	Personal		Commercial		Personal		Commercial	
	Aust	NZ	Aust	NZ	Aust	NZ	Aust	NZ
Weighted average term to settlement (years)	n/a	n/a	n/a	n/a	0.6	0.4	5.1	1.9
Economic inflation rate	n/a	n/a	n/a	n/a	4.1%	3.0%	4.5%	3.0%
Superimposed inflation rate	n/a	n/a	n/a	n/a	0.4%	0.0%	2.9%	1.9%
Discount rate	n/a	n/a	n/a	n/a	4.5%	3.6%	5.0%	4.7%
Claims handling expense ratio	n/a	n/a	n/a	n/a	7.2%	6.3%	4.2%	5.7%
Risk margin	n/a	n/a	n/a	n/a	11.0%	12.6%	19.3%	21.2%

Weighted average term to settlement - The weighted average term to settlement is calculated separately by business class and is based on historic settlement patterns.

Economic and superimposed inflation -Claims inflation is incorporated into the resulting projected payments to allow for both expected levels of economic inflation and superimposed inflation. Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the past tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect past experience and future expectations.

Discount rate - Projected payments are discounted at a risk-free rate to allow for the time value of money. Discount rates are derived from market yields on Commonwealth Government securities in Australia and 10 year government stock rate in New Zealand at the balance date.

Claims handling expense ratio - The future claims handling ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin - A risk margin is added to allow for uncertainty surrounding the claims liability estimation process including the choice of actuarial models and assumptions used, the quality of the underlying data and general statistical uncertainty.

The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position probability of sufficiency.

46.1.6. Impact of changes in key variables

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying assumptions. Sensitivity analysis is conducted on each variable whilst holding all other variables constant. The tables below describe how a change in each assumption will affect the profit after tax and reserves.

		Financial impact			
	Movement in variable	Profit (loss) after tax 2011 $m	Equity reserves 2011 $m	Profit (loss) after tax 2010 $m	Equity reserves 2010 $m
Weighted average term to settlement (years)	+ 0.5	-	-	(65)	-
	- 0.5	-	-	65	-
Inflation rate	+1%	-	-	(198)	-
	-1%	-	-	183	-
Discount rate	+1%	-	-	186	-
	-1%	-	-	(205)	-
Claims handling expense ratio	+1%	-	-	(48)	-
	-1%	-	-	48	-
Risk margin	+1%	-	-	(51)	-
	-1%	-	-	51	-

47. Discontinued operations – Life business liabilities

		Consolidated Life	
	Note	2011 $m	2010 $m
Gross policy liabilities			
Investment contract policy liabilities		-	3,672
Insurance contract policy liabilities		-	1,911
		-	5,583
Outstanding claims		-	142
Unvested policyowner benefits		-	406
Unearned premium liabilities		-	2
Total Life business liabilities		-	6,133
Current		-	471
Non-current		-	5,662
Total Life business liabilities		-	6,133

47. Discontinued operations – Life business liabilities (continued)

47.1. Gross Life policy liabilities

	Consolidated Life					
	Investment contracts		Insurance contracts		Total policy liabilities	
	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m
Policy liabilities						
Policy liabilities at beginning of financial year	3,672	3,423	1,911	2,124	5,583	5,547
Net change for current period	48	368	19	15	67	383
Disposal during financial year	(3,720)	-	(1,930)	-	(5,650)	-
Policy liabilities at end of financial year	-	3,672	-	1,911	-	5,583
Liabilities ceded under reinsurance						
Liabilities ceded under reinsurance opening balance					327	311
Movement in reinsurance assets reflected in the income statement					14	18
Foreign currency exchange movement					-	(2)
Disposal during financial year					(341)	-
Liabilities ceded under reinsurance closing balance					-	327

Liabilities ceded under insurance contracts are included in insurance contract policy liabilities with the corresponding asset disclosed in Discontinued operations – General Insurance and Life business assets.

47.2. Unvested policyowner benefits

	Consolidated Life	
	2011 $m	2010 $m
Unvested policyowner benefits opening balance	404	397
Increase in unvested policyowner benefits	49	6
Foreign currency exchange movement	(1)	1
Disposal during financial year	(452)	-
Unvested policyowner benefits closing balance	-	404

47.3 Life policy liability estimation process

The Group conducted its Life business in Australia through Suncorp Life & Superannuation Limited (SLSL) and Asteron Life Limited (Australia) (ALL) and in New Zealand through Asteron Life Limited (New Zealand) (ALLNZ) up to the date of disposal.

Policy liabilities in Australia have been calculated in accordance with APRA Prudential Standard issued under the Life Act. Policy liabilities in New Zealand have been calculated in accordance with Professional Standards issued by the New Zealand Society of Actuaries.

For Life insurance contracts, policy liabilities are calculated in a way which allows for the proper and timely release of profits over the life of the business as services are provided to policyowners and premiums are received. For Life investment contracts, policy liabilities are calculated as the fair value of liabilities in accordance with accounting standards.

Life insurance contract liabilities are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

Actuarial reports with an effective date of 30 June 2010 were prepared in relation to policy liabilities and solvency reserves. All reports indicated that the Appointed/Company Actuaries are satisfied as to the accuracy of the data upon which policy liabilities have been determined. The actuarial reports for SLSL and ALL were prepared by Mr Michael Lubke, Appointed Actuary BSc (Hons) FIAA and the actuarial report for ALLNZ was prepared by Mr Daniel Wong, Company Actuary MMgt FIAA FNZSA.

The methods and profit carriers for the major policy types of life insurance contracts are as follows:

Business type	Method	Life company			Profit carrier
		SLSL	ALL	ALL (NZ)	
Individual					
Conventional	Projection	✓	✓	✓	Participating business – bonuses Non-participating business – expected claim payments
Investment account	Projection	✓	✓	n/a	Interest credits
Accidental cash back	Projection	✓	✓	n/a	Expected payments
Allocated pension	Projection	✓	✓	n/a	Interest credits
Lump sum risk	Projection	✓	✓	✓	Expected claim payments (SLSL uses expected premiums for Trauma business)
Disability income risk	Projection	✓	✓	✓	Expected claim payments
Annuity	Projection	✓	✓	✓	Annuity payments
Group					
Investment account	Projection	✓	✓	✓	Interest credits
Disability income risk	Accumulation	✓	n/a	n/a	Not applicable
Disability income risk	Projection	n/a	✓	✓	Expected claim payments
Lump sum risk	Accumulation	✓	n/a	n/a	Not applicable
Lump sum risk	Projection	n/a	✓	✓	Expected claim payments

47. Discontinued operations – Life business liabilities (continued)
47.3 Life policy liability estimation process (continued)

47.3.1. Actuarial assumptions, judgements and estimates used in calculating policy liabilities

The following table sets out key factors affecting the determination of the policy liabilities and the critical assumptions and judgements made.

The Group contains three Life Insurance Companies, across two countries. Each of these companies has a different mix of business, which has arisen over many years under different products, different underwriting standards and sold to different segments of the market. Experience for each of the Life Companies, in relation to factors such as mortality, morbidity and lapse rates is examined in detail on at least an annual basis, with assumptions set having regard to the observed experience, the volume of internal data upon which to make inferences and other relevant factors for the company in question. This may lead to different assumptions for each company.

Assumption	Basis of assumption	Significant changes since 2010
Investment earnings – participating business Investment earnings – non-participating business	Assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the benefits, 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. See rates for each company in the following table. All non-participating business uses an investment earnings and discount rate assumption of the risk-free rate. For SLSL and ALL this has been determined from the government bond curve and for ALLNZ it is derived from the swap rate curve. See rates for each company in the following table.	None
Maintenance expenses	Per policy expense rates are based upon expected costs to service existing contracts in the period following the reporting date. Expense rates vary by product line and class of business.	None
Inflation	The inflation rate assumed takes into account the difference between the long-term government bonds and indexed government bonds for Australia. Australia 3.0% (2010: 3.0%), New Zealand 2.5% (2010: 2.5%).	None
Benefit indexation	Where the increase in future benefits increases in line with inflation, the Company has used an assumption of 2.5% (2010: 2.5%).	None
Voluntary discontinuance	Rates are based upon recent internal investigations. Rates may vary by product, class of business, policy value, age and duration in force. Allowance is also made for cash withdrawals. See rates for each life company in the following table.	Assumed rates for ALL intermediated business have been increased.
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 current income tax legislation applicable to the type of product.	None
Mortality – individual risk products	Mortality rates for risk products have been determined using the standard mortality table (IA95-97) which was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997. See adjustment rates for each life company in the following table.	Assumed rate of mortality for ALL intermediated lump sum business has been strengthened (although the adjusted base table is lower, underlying factors such as selection rates and smoker loadings have been increased, leading to an overall increase or strengthening); for ALLNZ intermediated lump sum business has been reduced, having regard to observed experience.
Morbidity - lump sum	Morbidity rates on lump sum Total and Permanent Disablement (TPD) policies have been based on industry and population experience with adjustments to reflect experience. For trauma policies, assumed incidence rates are based on Australian/New Zealand population statistics with adjustments to reflect experience and policy conditions.	For ALL, the basis has been strengthened overall, with reductions assumed for some trauma conditions, offset by increases in other conditions and TPD incidence. For ALLNZ, the basis has been reduced overall, with reductions assumed for some trauma conditions and TPD incidence, partially offset by an increase in the incidence assumption for some legacy trauma products.

Assumption	Basis of assumption	Significant changes since 2010
Mortality – annuitants	Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for assumed future age-related improvements. Tables IM/IF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982. See following table for applicable adjustment rates. SLSL and ALL: adjustments applied to the base factors (60%) from a base year of 1996. ALLNZ: Base tables as above. Adjustments applied to the base factors (67%) from a base year of 1996, allowing for assumed future age-related improvements.	Based on an analysis of Australian population mortality and other industry data, the bases between ALL and SLSL have been aligned, with a strengthening of the SLSL basis (both base factors and future rate of mortality improvement) and a weakening of the ALL basis (both base factors and future rate of mortality improvement).
Disability – income	Morbidity rates on income policies have been determined using the IAD89–93 table with adjustments to reflect experience, including New Zealand specific factors for ALLNZ. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993.	For ALL, based on experience over recent years, the incidence basis has been strengthened, as has the recovery rate basis, with reductions made to assumed recovery rates, primarily at longer durations.
Group lump sum (Asteron)	In ALL, claim rates are set as a proportion of premiums net of commission and stamp duty. In ALLNZ, claim rates are set as a proportion of premiums net of commission and GST where applicable.	Slight increase in assumed claims cost for ALL.
Group disability income (Asteron)	In Australia, claim rates are set as a proportion of premiums net of commission and stamp duty. Claim termination rates are determined using CIDA85 with adjustments to reflect ALL's experience. In New Zealand, claim rates are set as a proportion of premiums net of commission and GST where applicable. Claim termination rates are determined using IAD89-93 with adjustments to reflect ALLNZ's experience.	None
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 participating whole of life and endowment business, the Group's policy is to set bonus rates such that, over long periods, the returns to policyowners (as a group, but not necessarily individually) are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business, crediting rates are set such that over long periods policyowners (as a group, but not necessarily individually) receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policyowners and shareholder with the valuation allowing for the shareholder to share in distributions at the maximum allowable rate of 20%.	None

Assumption	SLSL		ALL		ALLNZ	
	2011	2010	2011	2010	2011	2010
	%	%	%	%	%	%
Investment earnings pre-tax for participating business	n/a	6.2 - 7.4	n/a	7.1	n/a	6.8
Investment earnings pre-tax for non-participating business	n/a	4.2 - 5.6	n/a	3.5 – 6.2	n/a	3.75 – 6.35
Voluntary discontinuance	n/a	4 - 25	n/a	3 - 26	n/a	6 – 22.5
Mortality – individual risk products adjustment.	n/a	70 - 170	n/a	62	n/a	95
Mortality – annuitants (M = Male, F = female)	n/a	M = age 60 F = age 70	n/a	M = age 55 F = age 55	n/a	M = age 68 F = age 68

47. Discontinued operations – Life business liabilities (continued)

47.4. Net insurance contract policy liabilities

Insurance contract policy liabilities	Consolidated Life Current basis [4] 2011 $m	2010 $m
Best estimate liability		
Value of future policy benefits [1]	-	4,510
Value of future expenses	-	2,027
Value of unrecouped acquisition expenses	-	(182)
Balance of future premiums	-	(6,498)
	-	(143)
Value of future profits		
Policyowner bonuses [2]	-	493
Shareholder profit margins	-	1,159
	-	1,652
Total value of declared bonuses [3]		75
Total net policy liabilities	-	1,584
Life insurance reinsurance ceded	-	327
Gross insurance contract liabilities	-	1,911
Policy liabilities subject to capital guarantee	-	1,345

Notes
1. Future policy benefits include bonuses credited to policyowners in prior periods but exclude current period bonuses and future bonuses. Where business is valued by other than projection techniques, future policy benefits includes the account balance.
2. Future bonuses exclude current period bonuses.
3. Current year declared bonuses valued in accordance with the Actuarial Standard.
4. Using the actuarial methods and assumptions relevant at the current reporting date, on current in-force business.

47.5. Sensitivity analysis

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables that affect profits.

48. Discontinued operations – General Insurance subordinated notes

Unsecured	Due date	First call	Note	Consolidated General Insurance 2011 $m	2010 $m
Fixed rate notes	September 2024	September 2014		-	131
	September 2025	September 2015		-	118
	October 2026	October 2016		-	99
	June 2027	June 2017		-	213
Floating rate notes	September 2024	September 2014		-	52
	September 2025	September 2015		-	77
Total subordinated notes				-	690
Current				-	-
Non-current				-	690
Total subordinated notes			53	-	690

49. Discontinued operations – General Insurance minimum capital requirements (MCR)

The MCR is the minimum level of capital that the regulator deems must be held to meet policyowner obligations. Licensed General Insurance entities within the Group use the standardised framework for calculating the MCR in accordance with the relevant prudential standards. In compliance with this standard, general insurers hold regulatory capital in excess of their MCR.

In the absence of regulatory requirements, the Group determines the minimum capital requirements for its New Zealand general insurance business according to the business and operational needs.

The regulatory capital position of the General Insurance group at the end of the 2010 financial year was:

	Consolidated Insurance Group 2010 $m
Tier 1 capital	
Share capital	2,894
Reserves	10
Retained profits	900
Insurance liabilities in excess of liability valuation	606
Less: Tax effect of excess insurance liabilities	(182)
	4,228
Less:	
Goodwill and other intangible assets	(1,188)
Other Tier 1 deductions	(36)
Total deductions from Tier 1 capital	(1,224)
Total Tier 1 capital	3,004
Tier 2 capital	
Subordinated notes	778
Total Tier 2 capital	778
APRA capital base	3,782
Outstanding claims risk capital charge	822
Premium liabilities risk capital charge	460
Investment risk capital charge	514
Catastrophe risk capital charge	200
Capital Adequacy	-
Total minimum capital requirement (MCR)	1,996
MCR coverage ratio (times)	1.89

50. Discontinued operations – Life business managed assets, trustee activities and mortgage investments

Arrangements are in place to ensure activities relating to asset management, trusteeship and mortgage investments are managed separately from the Life operations of the Group.

50.1 Managed assets and trustee activities

Companies within the Group are used to manage assets of subsidiaries, superannuation schemes and unit trusts of the Group as well as external clients. Companies within the Group also undertake Trustee activities. The assets under management (AUM) of fund managers and the funds under administration (FUA) of trustee companies are listed in the table below:

	Consolidated Life	
Fund manager/ Trustee	**2010 AUM $m**	**2010 FUA $m**
Suncorp Metway Investment Management Limited	389	-
Tyndall Investment Management Limited	5,168	-
Tyndall Investment Management New Zealand Limited	1,042	-
New Zealand Guardian Trust Company Limited (NZGT) [1]	2,831	-
Suncorp Portfolio Services Limited - trustee for various internal and external superannuation funds	-	4,716
SIS Super Pty Ltd - trustee for the Suncorp Staff Superannuation Fund	-	703
Asteron Retirement Investment Limited & Asteron Trust Services Limited - trustee and manager for a number of wholesale, superannuation and investment funds [2]	-	344

Notes

1. NZGT is a trustee company empowered to act as an executor, trustee, agent, a manager or custodian as well as a trustee for unit trusts, KiwiSaver schemes, debt securities and securitisation structures. The Group's interest was disposed of on 28 February, 2010. In 2010, NZGT had securities supervised of $43,014 million.
2. The assets and liabilities of these trusts and funds are not consolidated in the financial statements as the Group did not control these entities.

51. Derivatives – continuing and discontinued operations

		Consolidated					
		2011			2010		
		Notional value	Fair value		Notional value	Fair value	
	Note	**$m**	**Asset $m**	**Liability $m**	**$m**	**Asset $m**	**Liability $m**
Continuing operations	**12**	63,749	233	(2,583)	77,734	785	(2,409)
Discontinued operations	**43**	-	-	-	4,284	48	(52)
Total derivative exposures		63,749	233	(2,583)	82,018	833	(2,461)

		Company					
		2011			2010		
		Notional value	Fair value		Notional value	Fair value	
	Note	**$m**	**Asset $m**	**Liability $m**	**$m**	**Asset $m**	**Liability $m**
Continuing operations	**12**	62,985	233	(2,441)	76,664	785	(2,278)
Discontinued operations	**43**	-	-	-	-	-	-
Total derivative exposures		62,985	233	(2,441)	76,664	785	(2,278)

52. Investment securities – continuing and discontinued operations

		Consolidated		Company	
		2011	2010	2011	2010
	Note	$m	$m	$m	$m
Continuing operations	13	5,742	3,118	5,783	13,769
Discontinued operations	44	-	17,973	-	-
Total investment securities		5,742	21,091	5,783	13,769

53. Subordinated notes – continuing and discontinued operations

		Consolidated		Company	
		2011	2010	2011	2010
	Note	$m	$m	$m	$m
Continuing operations	23	846	1,492	846	1,492
Discontinued operations	48	-	690	-	-
Total subordinated debt		**846**	**2,182**	**846**	**1,492**

Directors' declaration

1. In the opinion of the directors of Suncorp-Metway Ltd (the Company):

   (a) the financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 63 to 169, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

   (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.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2011.

3. The directors draw attention to note 2.1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Brisbane this 24th day of August 2011.

John D Story
Chairman

Patrick J R Snowball
Managing Director

Independent auditor's report to the members of Suncorp-Metway Ltd

Report on the financial report

We have audited the accompanying financial report of Suncorp-Metway Ltd (the Company), which comprises the statements of financial position as at 30 June 2011, and statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year ended on that date, notes 1 to 53 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2.1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Suncorp-Metway Ltd is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.1.

Report on the Remuneration Report

We have audited the sections of the Remuneration Report included on pages 15 to 41 of the Directors' Report for the year ended 30 June 2011 that are described as audited. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the sections of the Remuneration Report of Suncorp-Metway Ltd included on pages 15 to 41 of the Directors' Report for the year ended 30 June 2011, that are described as audited, comply with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Robert S. Jones

Robert S Jones
Partner

Brisbane

24 August 2011

Shareholder information

Registered office

Level 18 Suncorp Centre
36 Wickham Terrace
Brisbane Qld 4000 Australia
Ph 07 3362 1222
Fax 07 3836 1190
www.suncorp.com.au
www.suncorpgroup.com.au

Auditors

KMPG, Level 16, Riparian Plaza, 71 Eagle Street, Brisbane Qld 4000 Australia

2011 Annual General Meeting

The 2011 Annual General Meeting of the Company is to be held at the conclusion of the Suncorp Group Limited Annual General Meeting on Thursday 27 October 2011 at the Sofitel Brisbane Central, 249 Turbot Street, Brisbane Qld 4000.

Securities information

The Company's securities listed on the Australian Securities Exchange (ASX) are:

Class of security	ASX Code	Number in issue at 15 August 2011
Reset Preference Shares	SBKPA	304,063
Convertible Preference Shares	SBKPB	7,350,000
Floating Rate Capital Notes	SBKHB	1,698,008

Key dates

Dates for dividends are subject to change and will be confirmed at the date of declaration of the respective dividend.

Annual General Meeting	**27 October 2011**
Full year results announcement	**24 August 2011**
Half-year results announcement	**22 February 2012**
Full year results announcement	**22 August 2012**

Reset Preference Shares (SBKPA)	
2011	
Ex dividend date	29 August 2011
Record date	2 September 2011
Dividend payment	14 September 2011
2012	
Ex dividend date	27 February 2012
Record date	2 March 2012
Dividend payment	14 March 2012

Convertible Preference Shares (SBKPB)	
2011	
Ex dividend date	29 August 2011
Record date	2 September 2011
Dividend payment	14 September 2011
Ex dividend date	30 November 2011
Record date	6 December 2011
Dividend payment	14 December 2011
2012	
Ex dividend date	27 February 2012
Record date	2 March 2012
Dividend payment	14 March 2012
Ex dividend date	29 May 2012
Record date	4 June 2012
Dividend payment	14 June 2012

Top 20 shareholders

Reset preference shares – top 20 shareholders

Name	Number	% issued capital
UBS Wealth Management Australia Nominees Pty Ltd	9,897	3.25
Bedford Group Incorporated	7,000	2.30
HSBC Custody Nominees (Australia) Limited	5,552	1.83
Cambuskenneth Pty Ltd	4,800	1.58
Australian Friendly Society Limited	4,633	1.52
Mr William Rodney Harris + Mrs Jean Harris	4,551	1.50
Bearay Pty Ltd <Brian Clayton S/F A/C>	4,000	1.32
Mr Ronald Benedict Smith	4,000	1.32
Mrs Eily Dawn Campbell	3,000	0.99
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	2,755	0.91
Compur Pty Ltd	2,500	0.82
Joel Superfund Pty Ltd <JMJ Executive Superannuation Fund A/C>	2,500	0.82
Uniting Church in Australia Property Trust (WA) <UCIF A/C>	2,500	0.82
ACOJ Pty Limited	2,487	0.82
Citicorp Nominees Pty Limited <DPSL A/C>	2,255	0.74
David J Worley Pty Ltd <David Worley Family A/C>	2,000	0.66
Geriatric Medical Foundation of Queensland Limited	2,000	0.66
Invia Custodian Pty Limited <Hoult Super Fund A/C>	2,000	0.66
Mr Alan Fenemore + Mrs Shirley Fenemore < Fenemore Super Fund A/C>	2,000	0.66
Mr Malcolm Edward Heather	2,000	0.66

Distribution of shareholdings

Ranges	Investors	Securities	% issued capital
1 to 1,000	700	212,219	69.80
1,001 to 5,000	31	69,395	22.82
5,001 to 10,000	3	22,449	7.38
10,001 to 100,000	-	-	0.00
100,001 and Over	-	-	0.00
Total	**734**	**304,063**	**100.00**

The number of security investors holding less than a marketable parcel of 6 securities ($99.00 on 15 August 2011) is 3 and they hold 11 securities.

Top 20 shareholders (continued)

Convertible preference shares – top 20 shareholders

Name	Number	% issued capital
UBS Wealth Management Australia Nominees Pty Ltd	237,579	3.23
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	181,683	2.47
Questor Financial Services Limited <TPS RF A/C>	151,570	2.06
HSBC Custody Nominees (Australia) Limited	138,396	1.88
National Nominees Limited	114,949	1.56
J P Morgan Nominees Australia Limited	112,501	1.53
UCA Cash Management Fund Ltd	100,000	1.36
Cogent Nominees Pty Limited	52,955	0.72
Koll Pty Ltd	50,000	0.68
UBS Nominees Pty Ltd	50,000	0.68
Milton Corporation Limited	48,000	0.65
Australian Executor Trustees Limited <No 1 Account>	41,165	0.56
BKI Investment Company Limited	40,000	0.54
The Australian National University	40,000	0.54
Sandhurst Trustees Ltd <DMP Asset Management A/C>	38,776	0.53
Netwealth Investments Limited <Wrap Services A/C>	33,844	0.46
G James Australia Pty Ltd	33,800	0.46
Washington H Soul Pattinson and Company Limited	33,000	0.45
RBC Dexia Investor Services Australia Nominees Pty Limited <NMSMT A/C>	30,667	0.42
Domer Mining Co Pty Ltd	30,000	0.41

Distribution of shareholdings

Ranges	Investors	Securities	% issued capital
1 to 1,000	16,876	3,618,510	49.24
1,001 to 5,000	753	1,500,996	20.42
5,001 to 10,000	39	288,938	3.93
10,001 to 100,000	38	1,004,878	13.67
100,001 and Over	6	936,678	12.74
Total	**17,712**	**7,350,000**	**100.00**

The number of security investors holding less than a marketable parcel of 6 securities ($99.50 on 15 August 2011) is nil.

Share registry

Shareholders can obtain information about their shareholdings online or by contacting the Company's share registry, Link Market Services Limited (Link).

Link Market Services Limited

Level 15, 324 Queen Street Brisbane Qld 4000 Australia

Level 12, 680 George Street Sydney NSW 2000 Australia

Mailing address

PO Box A50 Sydney South NSW 1235 Australia

Phone 1300 882 012 (within Australia)

+61 2 8280 7450 (outside Australia)

Fax 02 9287 0303

Email suncorp@linkmarketservices.com.au

Website www.linkmarketservices.com.au
Shareholders can contact the share registry directly by phone or online by going to Link's website, or on the Suncorp Group website at www.suncorpgroup.com.au for a direct link to the share registry (see Securities Information/Share Registry Services).

Changing shareholder details

Shareholders sponsored by a broker (CHESS) should advise their broker of their change of address. Issuer-sponsored holders are able to change their address via Link's website (some conditions apply), or by notifying the registry.

Using their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and other requested details, shareholders are able to make the following changes online:

- register an email address for dividend advices
- receive notices of meetings, notification of availability of annual reports and other shareholder communications
- view details of shareholdings
- obtain and complete forms such as a direct credit application form to elect to have dividends paid direct to their bank, building society or credit union account.

The Company encourages shareholders to have cash dividends credited directly. This is a more convenient and secure way to receive dividends, and saves paper and postage costs.

Annual report mailing

Changes in legislation have removed the obligation to mail an annual report to shareholders. Companies can now publish their annual report on their website or distribute the annual report electronically. Shareholders may also opt to receive a printed copy.

To change an election, or opt in to receive communications electronically, please contact Link.

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