Suncorp Bank continues to grow as consumers look for alternatives to the major banks.

Suncorp-Metway Limited
Annual Report 2011/12

Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

One Company
Many Brands

SUNCORP GROUP

Contents

Front cover: Andy Sou, Suncorp Bank Sales & Services Consultant at Sydney's Haymarket branch which officially opened with a Chinese New Year ceremony on 23 January 2012.

Directors' Report
for the financial year ended 30 June 2012

The directors present their report together with the financial report of Suncorp-Metway Limited (the **Company**) and of the **Group**, being the Company and its subsidiaries, for the financial year ended 30 June 2012 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.

ILANA R ATLAS

BJuris (Hons) (WAust), LLB (Hons) (WAust), LLM (Syd)

Age 57

Non-executive director

Chairman Remuneration Committee and Member Risk Committee

Director since January 2011. 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.

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 and Information.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Coca-Cola Amatil Limited	24.02.11	
Suncorp Group Limited	01.01.11	
Westfield Holdings Limited	25.05.11	

WILLIAM J BARTLETT

FCA, CPA, FCMA, CA (SA)

Age 63

Non-executive director

Chairman Audit Committee and Member Risk and Remuneration Committees

Director since July 2003. Mr Bartlett is a director of Reinsurance Group of America Inc., GWA International Limited and Abacus Property Group. He has over 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 is Chairman of the Council of Governors of the Cerebral Palsy Foundation.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Abacus Property Group	14.02.07	
GWA International Limited	21.02.07	
Reinsurance Group of America Inc. (NYSE)	26.05.04	
Suncorp Group Limited	22.12.10	

MICHAEL A CAMERON

FCPA, FCA, FAICD

Age 52

Non-executive director

Director since April 2012. Mr Cameron is the CEO and Managing Director of The GPT Group and has over 30 years' experience in finance and business. Mr Cameron is a Fellow of each of the Australian Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors.

His past experience includes roles at Barclays Bank and 10 years with Lend Lease where he held a number of senior positions including Group Chief Accountant and Chief Financial Officer of MLC Limited. Following the acquisition of MLC by the National Australia Bank, Mr Cameron was appointed Chief Financial Officer and then Chief Operating Officer of the NAB Wealth Management Division.

Mr Cameron joined the Commonwealth Bank of Australia in 2002 and was appointed to the role of Group Chief Financial Officer in early 2003. In 2006 he was appointed to the position of Group Executive of the Retail Bank Division.

Mr Cameron was Chief Financial Officer at St. George Bank Limited from mid-2007 until the sale to Westpac in December 2008.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
GPT Management Holdings Limited (The GPT Group)	01.05.09	
Suncorp Group Limited	16.04.12	

AUDETTE E EXEL

BA, LLB (Hons)

Age 49

Non-executive director

Director since June 2012. Ms Exel is a founder of the ISIS Group and Chief Executive Officer of its Australian company, ISIS (Asia Pacific) Pty Limited. She is also Vice Chairman of the Board of The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited.

Before establishing ISIS, Ms Exel was Managing Director of Bermuda Commercial Bank (1993–1996), Chairman of the Bermuda Stock Exchange (1995–1996) and was on the Board of Bermuda's central financial services regulator (1999–2005).

Prior to joining Bermuda Commercial Bank, Ms Exel practised as a lawyer specialising in international finance. She began her career with Allen, Allen and Hemsley in Sydney, Australia before joining the English firm of Linklaters & Paines in their Hong Kong office. She is called to the Bars of New South Wales, Australia; England and Wales; and Bermuda.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	27.06.12	

Directors' Report
(continued)

EWOUD J KULK

BEcon, FAICD

Age 66

Non-executive director

Chairman Risk Committee and Member Remuneration Committee

Director since March 2007. 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.

Mr Kulk was a director of Promina Group Limited at the date of merger with the Suncorp Group. 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.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	22.12.10	

DR DOUGLAS F MCTAGGART

BEcon (Hons), MA, PHD, DUniv

Age 59

Non-executive director

Member Audit Committee

Director since April 2012. Dr McTaggart is currently a director of Telesso Technologies Limited, a Councillor on the National Competition Council and a member of the COAG Reform Council. In March 2012 he was appointed to the Queensland Government Independent Commission of Audit and Chairman of the Public Service Commission. He has also served in other advisory roles to government as well as holding positions on, including chairing, various industry representative bodies.

Dr McTaggart was Chief Executive of QIC Limited for 14 years until his retirement in June 2012. Prior to joining QIC he was the Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career including the roles of Professor of Economics and Associate Dean at Bond University.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	16.04.12	
Telesso Technologies Limited	01.11.07	

GEOFFREY T RICKETTS

LLB (Hons)

Age 66

Non-executive director

Member Audit Committee

Director since March 2007. Mr Ricketts is Chairman of Todd Corporation Limited (NZ), a director of Lion Pty Limited (formerly Lion Nathan National Foods Pty Limited), Heartland New Zealand Limited and Heartland Building Society (NZ). Mr Ricketts is also a director of the Centre for Independent Studies Limited, a lawyer and a consultant for Russell McVeagh, Solicitors (NZ) and was a partner in that firm from 1973 until 2000.

Mr Ricketts was a director of Promina Group Limited at the date of merger with the Suncorp Group. 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 2009

COMPANY NAME	APPOINTED	RESIGNED
Heartland New Zealand Limited (NZX)	05.01.11	
Lion Nathan Limited	13.06.88	Delisted 28.10.09
Spotless Group Limited	08.07.96	16.08.12
Suncorp Group Limited	22.12.10	
Taylors Group Limited (NZX)	13.01.92	18.12.09

PATRICK J R SNOWBALL

MA, Hon. LL.D

Age 62

Managing Director and Group Chief Executive Officer (**Group CEO**)

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 Australia, the United Kingdom, Ireland, Canada and Asia.

Under Mr Snowball's leadership, the Suncorp Group has refocused its strategy, simplified its company structure and business operations to make the Suncorp Group more efficient and delivered a Building Blocks program that has both completed the integration of the Suncorp and Promina businesses and secured the financial benefits of that acquisition.

Prior to joining the Suncorp Group, Mr Snowball was a member of the executive teams at both Norwich Union plc and Aviva plc, the world's fifth largest insurance group and the largest insurance provider in the United Kingdom that was created through the merger of Norwich Union and CGU plc. From 2005 to 2007, he was Group Executive Director, Aviva United Kingdom and responsible for general insurance, life risk and life risk investment businesses. Mr Snowball worked with the Towergate group of companies in both a deputy chairman and chairman's roles and served as a non-executive director of Jardine Lloyd Thompson plc.

He was a member of the Financial Services Authority (UK) Practitioner Panel, representing Life and General Insurance, from 2006 to 2008.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	22.12.10	

DR ZYGMUNT E SWITKOWSKI

BSc (Hons), PhD, FAICD, FTSE

Age 64

Non-executive Chairman

Ex-officio member Audit, Risk and Remuneration Committees

Chairman since October 2011, 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.

Dr Switkowski is a Fellow of both the Australian Academy of Technological Sciences and Engineering and the Australian Institute of Company Directors.

Dr Switkowski is the immediate past Chairman of the Australian Nuclear Science and Technology Organisation, a former Chief Executive Officer of Telstra Corporation Limited, Optus Communications Ltd and former Chairman and Managing Director of Kodak Australasia Pty Ltd.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

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	

FORMER NON-EXECUTIVE DIRECTORS

PAULA J DWYER

BComm, FCA, FAICD, FFin

Age 51

Non-executive director from 26 April 2007 to 28 February 2012. Chairman Audit Committee to 28 February 2012

At the date of her resignation Ms Dwyer was Chairman of Tabcorp Holdings Limited, a director of Leighton Holdings Limited, a member of the Takeovers Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Research Institute.

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 Promina Group Limited, David Jones Limited, Foster's Group Limited and Astro Japan Property Group Limited.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Astro Japan Property Group Limited	19.02.05	31.12.11
Foster's Group Limited	09.05.11	16.12.11
Healthscope Limited	10.03.10	12.10.10
Leighton Holdings Limited	01.01.12	
Suncorp Group Limited	22.12.10	28.02.12
Tabcorp Holdings Limited	30.08.05	

STUART I GRIMSHAW

BCA (Vic, NZ), MBA, PMD (Harvard)

Age 51

Non-executive director from 27 January 2010 to 23 August 2011. Member Audit and Risk Committees to 23 August 2011

At the date of his resignation, Mr Grimshaw was 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.

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.

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	22.12.10	23.08.11

JOHN D STORY

BA, LLB, FAICD

Age 66

Non-executive Chairman 7 March 2003 to 27 October 2011, non-executive director since 24 January 1995

Ex-officio member Audit, Risk and Remuneration Committees during his tenure as Chairman.

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

At the date of his retirement, Mr Story was Chairman of Echo Entertainment Group Limited, a director of CSR Limited, Chancellor of The University of Queensland and a Commissioner of the Public Service Commission (Queensland).

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2009

COMPANY NAME	APPOINTED	RESIGNED
CSR Limited	12.04.03	12.07.12
Echo Entertainment Group	17.03.11	08.06.12
Suncorp Group Limited	22.12.10	27.10.11
Tabcorp Holdings Limited	29.01.04	08.06.11

Directors' Report
(continued)

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 BBus 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 10 years. Mr Chuter resigned as company secretary on 31 October 2011.

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

Suncorp Group Limited (**SGL**), the Company's ultimate parent entity, is the listed holding company of the Suncorp Group of companies. SGL and its subsidiaries is referred to as the **Suncorp Group**. The directors of SGL are also directors of the Company.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2012 were:

	BOARD OF DIRECTORS		AUDIT COMMITTEE		RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
Dr Z E Switkowski	11	11	3	2	5	5	6	6	5	5
P J R Snowball	11	11	4	4[1]	5	4[1]	6	6[1]	-	-
I R Atlas	11	11	-	-	5	5	6	6	5	5
W J Bartlett	11	11	4	4	3	3	6	5	5	5
M A Cameron	3	3	-	-	-	-	-	-	2	2
P J Dwyer	7	7	3	3	-	-	-	-	3	3
A E Exel	1	1	-	-	-	-	-	-	-	-
S I Grimshaw	2	1	1	-	1	1	-	-	2	-
E J Kulk	11	11	-	-	5	5	6	6	5	5
Dr D F McTaggart	3	3	-	-	-	-	-	-	2	2
G T Ricketts	11	11	3	2	-	-	-	-	5	5
J D Story	4	4	1	1	2	2	2	2	2	2

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. The Group CEO 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 8 and forms part of the Directors' Report for the financial year ended 30 June 2012.

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the year were the provision of banking and related services to the retail, corporate and commercial sectors in Australia. The Company is a wholly-owned subsidiary of SGL.

There were no significant changes in the nature of the activities of the Group during the year.

5.1 GROUP'S OBJECTIVES

The Suncorp Group continues to focus on building its 'One Company. Many Brands.' model across Australia and New Zealand and aims to demonstrate that working as 'One Company. Many Brands.' delivers more value to stakeholders than operating as five independent businesses.

The underlying strategic objectives of the Suncorp Group are to:

- refine and demonstrate the inherent competitive advantages of each business
- grow the value of Suncorp Group's 'strategic assets' – Capital, Cost, Customer and Culture; and
- optimise the role of each business within the portfolio in terms of capital creation, investment and growth options for the longer term.

The common priority for the Suncorp Group over the next three years is simplifying the business.

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 (**ADI**).

6. OPERATING AND FINANCIAL REVIEW

6.1 OVERVIEW OF THE GROUP

Suncorp-Metway Limited, 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 Limited's interests in non-banking subsidiaries were transferred to Suncorp Group Limited. Suncorp-Metway Limited became a subsidiary of Suncorp Group Limited.

Suncorp-Metway Limited and its subsidiaries continue operations in banking as an ADI.

6.2 FINANCIAL POSITION AND CAPITAL STRUCTURE

During the prior year, the Suncorp Group completed a restructure which resulted in a non-operating holding company structure, with Suncorp Group Limited replacing Suncorp-Metway Limited as the ultimate parent of the Suncorp Group.

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.

During the year, a $400 million capital injection was received from the parent entity in exchange for a special dividend paid on 30 September 2011. Forty million shares were issued at $10 per share.

The capital adequacy ratio of the Group calculated strictly in accordance with the Australian Prudential Regulation Authority's (**APRA**) guidelines as at 30 June 2012 was 12.64% (2011: 13.40%).

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

6.3 IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

Significant legislative and regulatory changes as well as a number of Government enquiries that impact or could impact the Group's operations continue to take place in Australia.

APRA has finalised the prudential framework for implementing Basel III capital reforms in Australia which will be progressively applied from 1 January 2013. The Basel III reforms will strengthen the capital framework for ADIs in Australia.

The *Competition and Consumer Act 2010* (previously called the *Trade Practices Act*) has been amended to give the Australian Competition and Consumer Commission power to prosecute price signalling.

The national consumer credit lending reforms continue with changes to 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 *Banking Amendment (Covered Bonds) Act 2011* has been passed allowing ADIs to issue covered bonds. The Group has made a successful issue of bonds following the enactment of the legislation.

The *Personal Property Securities Act 2009*, a national law which regulates lending secured over personal property interests, has come into effect.

The national uniform occupational health and safety laws have not been fully adopted, with some states and territories delaying or refusing to adopt the national laws. Different state-based requirements continue to apply to the Suncorp Group's operations.

The Federal Government has introduced the proposed reforms to Australia's privacy laws into Federal Parliament. The reforms include new privacy principles and credit reporting reforms.

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

The outcomes of other Government or regulatory reviews and changes including various workers' compensation schemes, 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 applied to a listed entity's first financial year commencing on or after 1 January 2011. As an early adopter, the Suncorp Group commenced reporting last year on measurable objectives to achieve gender diversity.

Progress in gender diversity has seen a 2% increase to women in leadership roles to 33% – the target the Suncorp Group set to achieve by 30 June 2014, as well as being awarded the Equal Opportunity for Women in the Workplace Agency Employer of Choice for Women citation for 2012.

Further detail on the Suncorp Group's diversity program is provided in the Corporate Governance Statement.

6.4 REVIEW OF PRINCIPAL BUSINESSES

The Group recorded profit after tax from continuing operations of $22 million (2011: $80 million). Banking net profit after tax within the Suncorp Group Analyst Pack is $4 million higher than the statutory Group profit. This is attributed to an intercompany recharge to wealth management (note 4.2), not reflected in the statutory accounts.

CORE BANK

The Core Bank delivered an improved profit after tax result of $289 million (this figure includes the $4 million net profit after tax adjustment for the wealth management expense recharge) representing an 11.6% increase in challenging market conditions.

Growth in housing loan receivables recovered from a slow first quarter to finish the year at $34 billion, an increase of 9.6%. This growth is within the Group's risk appetite and reflects efforts to build the pipeline through an expanded footprint, improved processes, service delivery and a simplified product proposition. In addition, business lending increased by 10.7% as the Core Bank focused on regaining its brand presence in its prime Queensland market while leveraging its interstate expansion.

The Core Bank's conservative deposit to core lending ratio was maintained at the top end of the target range of 60% to 70%.

The Group's funding capability was significantly enhanced during the year by the successful establishment of a covered bond program, which will enable the Group to issue both domestically and in offshore markets. The inaugural issue of $1.6 billion was undertaken in May with significant investor support. This was a first for a non-major Australian bank, highlighting the Core Bank's funding accessibility.

Net interest income increased 7.0%, in line with growth in average lending assets. Net interest margin was stable due to asset repricing, management of the Core Bank's funding mix and timing of new issuance given the Group's funding options. Ongoing competition for term deposits continued to put downward pressure on retail funding margins.

Non-interest income was up 3.0% with positive mark-to-market movements of $15 million and flat net banking fee income as the market continued to meet consumer preference for low fee products.

Operating expenses increased 7.3%, supporting higher sales volumes, expansion of the Core Bank footprint, investment in the Group's technology platform and the commencement of the Basel II advanced accreditation program. The first phase of the Group's core system replacement program is now complete, following the successful implementation of the Customer Relationship Management, Broker Commission and Trade Finance systems.

6. OPERATING AND FINANCIAL REVIEW (CONTINUED)

6.4 REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

CORE BANK (CONTINUED)

Impairment losses were down 19.6% at $41 million with lead indicators improved in the final quarter. The impairment losses include a $25 million write back of flood provisions offset by a $17 million increase in collective provisioning due to methodology and modelling enhancements.

NON-CORE BANK

In 2009, the Group undertook a strategic review of its operations and announced its strategy to create a Non-core portfolio. The Group's former Corporate Banking, Property Investment and Development Finance divisions were placed into an $18 billion lending portfolio and the Non-core Bank embarked on an orderly run-off strategy to maximise shareholder value.

As a run-off portfolio, the Non-core Bank's performance is not directly comparable to the Core portfolio nor portfolios of other institutions that remain open to new business.

The portfolio is now in advanced stages of run-off with outstanding balances of $4.5 billion at June 2012, reducing by $2.8 billion or 39% in the year. This means the portfolio is approximately 25% of its original size. Exposures with balances in excess of $50 million have reduced from 121 at inception to 34 at June 2012.

The Non-core Bank's impaired portfolio was $1.8 billion at June 2012 down $386 million in the year. While the impaired portfolio has trended close to $2 billion in recent periods, its composition has changed significantly over time. Since June 2009, over $2.2 billion of impaired loans have been sold, repaid or written off. Over this period ongoing economic uncertainty has also resulted in additional exposures becoming impaired. The impaired portfolio is closely managed and all accounts have work-out strategies in place. The Group continues to consider loan disposals where a transaction is deemed to maximise shareholder value. During the 2012 year, two large impaired exposures were sold.

The broader economy continues to be impacted by the uncertainty related to the European sovereign debt crisis and by slowing growth in China. This uncertainty has resulted in the extension of some of the work-out strategies resulting in increased International Financial Reporting Standards (**IFRS**) charges. Low consumer confidence has also been evident in recent periods, particularly in the retail sector where the Non-core Bank has exposure through regional and suburban shopping centres. Additional provisioning has been taken across this asset class to reflect the potential downside risk to property values. The impairment losses after tax drove the higher net loss after tax for the year, which was $263 million, compared to a $175 million loss in 2011.

Operating expenses in the Non-core Bank continue to trend down, albeit with an uptick in restructuring charges evident in the second half of 2012.

The Non-core Bank was established with the funding requirements of the portfolio matched to the portfolio's expected run-off profile, along with significant capital and liquidity buffers. These buffers have allowed management to assess the full range of run down options available for each exposure and maximise the release of capital from the portfolio. Since June 2009, the Non-core Bank has net returned $420 million of capital.

6.5 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company supports the Suncorp Group as it continues on its transformation journey that has now established a stable and efficient platform for growth. The Suncorp Group's strategy, including its purpose and strategic priorities, has been re-articulated and the Suncorp Group's strategic assets of Capital, Cost, Customer and Culture clearly identified.

As part of the next stage in the transformation journey, the Suncorp Group has launched a strategic simplification program that seeks to drive greater flexibility, efficiency and agility across the organisation, its processes and tools, enabling the Suncorp Group to take advantage of future growth opportunities.

6.6 ENVIRONMENTAL REGULATION

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

The *National Greenhouse and Energy Act 2007* (NGER) introduced a framework for corporations to report greenhouse gas emissions and energy consumption and production. The Suncorp Group reported under the NGER scheme for the first time in 2010/11 after reaching the reporting threshold, and will continue to report on an annual basis.

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 AND EQUITY TRANSACTIONS

The following dividends were paid by the Group during the year:

- the 2011 final dividend of $46 million (25 cents per share) was paid on 30 September 2011
- a special dividend of $400 million (215 cents per share) was paid on 30 September 2011
- the 2012 interim dividend of $55 million (24 cents per share) was paid on 30 March 2012.

The special dividend was paid in exchange for $400 million in share capital following the issue of 40 million fully paid ordinary shares to the parent entity on 30 September 2011.

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 remain focused on growth in its core banking portfolio while continuing with the run-off of the non-core banking portfolio. Over the course of the next three years, the Group will progress its simplification program that aims to invest in modern platforms and systems, reduce the cost of operating and maintaining legacy infrastructure and transition more of the Group's cost base onto a variable footing. The key areas of focus for the program include:

- improving the core banking platform and enhancing the Group's risk management framework; and
- undertaking an operational excellence program, partnering with global partners and focusing on those high value activities that deliver the Suncorp Group a strategic advantage.

The Group has improved the quality of its capital and the focus will now be to broadly maintain current gearing levels. As a result, the Suncorp Group will now consider replacing capital instruments that are scheduled to mature.

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

No director holds any interest in the Company as at 30 June 2012.

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:

	FULLY PAID ORDINARY SHARES
Dr Z E Switkowski	201,599
I R Atlas	6,370
W J Bartlett	26,968
M A Cameron	-
A E Exel	-
E J Kulk	20,173
Dr D F McTaggart	-
G T Ricketts	24,850
P J R Snowball [1]	987,333

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

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 and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. The Constitution stipulates that Suncorp Group Limited 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*.

During the financial year ended 30 June 2012, 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 and its subsidiaries. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

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:

	2012 $000	2011 $000
Services other than statutory audit		
Audit-related fees (regulatory)		
APRA reporting	**587**	245
Australian Financial Services Licences	**11**	10
Other regulatory compliance services	**21**	21
	619	276
Audit-related fees (non-regulatory)		
Other assurance services	**404**	364
Non-audit related		
Other services	**-**	45
Tax fees		
Tax compliance	**9**	12
	1,032	697

13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 28 and forms part of the Directors' Report for the financial year ended 30 June 2012.

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
22 August 2012

USING THIS REMUNERATION REPORT

The Board presents the Suncorp-Metway Limited Remuneration Report for the financial year ended 30 June 2012 (2012).

This Report forms part of the Directors' Report and sets out remuneration details for the Group's key management personnel (**KMP**). KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Group and they are disclosed in the tables in sections 2.8 and 3.4.

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

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

This Remuneration Report is structured as follows:

- section 1 presents an overview of the remuneration framework and developments in 2012
- section 2 presents the remuneration for the Group CEO and **Senior Executives** (defined to be executives reporting to the Group CEO who are KMP); and
- section 3 presents the remuneration for the non-executive directors (who are also KMP).

Sections 2 and 3 have been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

1. REMUNERATION OVERVIEW – UNAUDITED

The Suncorp Group's remuneration philosophy is based on providing competitive rewards that motivate appropriately qualified directors and executives to deliver superior and sustainable performance for shareholders. The Board is committed to fair and responsible remuneration and to communicating remuneration arrangements simply, clearly and transparently.

1.1 REMUNERATION IN 2012

INFLUENCES ON REMUNERATION IN 2012

The Suncorp Group has continued to strengthen the business during 2012 through the sound execution of its business plans. Results in 2012 demonstrate the Group's strategy is delivering increased profits, top-line growth, effective cost control and a stronger balance sheet. These results have been achieved against a background of continued market dislocation together with abnormal adverse weather and natural hazard events. The strong underlying financial performance has allowed an enhanced dividend yield to shareholders as outlined in section 2.8.

The Suncorp Group's business transformation aims to deliver sustained benefits to key stakeholders. Innovative products and efficient claims management have played a key role in supporting customers and their communities. Investment in our people continues through the delivery of a more flexible work environment and a number of programs designed to develop leaders and enhance career satisfaction. Effectively managing risk in accordance with risk appetite remained prominent in 2012, with a focus on building both capability and capacity to enhance the outcomes of the Suncorp Group's risk management framework.

Following the successful delivery of key projects in 2011 such as the implementation of the Non-Operating Holding Company (NOHC), the Building Blocks Program and improvements in the internal management of Suncorp Group capital, 2012 introduced a further simplification program to improve efficiencies, and reduce costs and complexity in our business.

EXECUTIVE REMUNERATION GOVERNANCE IN 2012

The remuneration framework was fundamentally revised in 2011. The Remuneration Committee believes that remuneration has a greater capacity to effectively motivate employees if the framework remains consistent over a reasonable period of time, and so no significant changes to the remuneration framework for Senior Executives were recommended in 2012 except for the changes to the remuneration of the Group CEO set out below.

Instead, the Committee's focus has been on enhancing governance practices to ensure effective performance and risk management are deeply embedded into remuneration processes by:

- reviewing the remuneration framework and governance practices to ensure they remain sound
- reinforcing the embedding of incentive deferral reforms introduced in 2010 and 2011 (refer to section 2.6); and
- establishing governance processes for effecting clawback provisions (award reduction or forfeiture) in respect of executives' remuneration.

The Remuneration Committee will closely monitor the framework to ensure it continues to meet our key goal of aligning employee and shareholder interests by rewarding people for delivering sustainable, long-term performance. While certain that this will evolve in response to new regulations and emerging capital requirements, the Committee believes the approach is fundamentally sound and will continue to serve us well.

Further details of remuneration governance are in section 2.1.

CHANGES TO THE GROUP CEO'S REMUNERATION

The Board was pleased that Patrick Snowball, the Group CEO, entered into a new contract with the Suncorp Group in August 2011, moving from a fixed term contract. The Board is confident the new arrangements will ensure that Mr Snowball continues with the Suncorp Group and completes the current transformation plans. The details of Mr Snowball's new contract were released in August 2011 and are contained in section 2.10 of this Report.

As part of the new contractual arrangements, the Board increased Mr Snowball's total remuneration. Part of the remuneration arrangements is a long-term incentive for 2013 comprised of a grant of performance rights which is subject to shareholder approval at the annual general meeting to be held on 25 October 2012.

For additional details on the Group CEO's remuneration arrangements, including details of the proposed long-term incentive award, see sections 2.6 and 2.7.

1.2 REMUNERATION FRAMEWORK REVIEWED REGULARLY

The Board monitors the reward strategy and framework to ensure it continues to be effective in supporting business and regulatory requirements and reflects investor feedback and contemporary market practice. The remuneration policy is reviewed annually and other remuneration governance arrangements are reviewed periodically, at least every two years.

1.3 2012 ACTUAL REMUNERATION OUTCOMES

FIXED REMUNERATION

The Board approved fixed remuneration increases for Senior Executives effective October 2011, after the Remuneration Committee considered independent benchmarking against peer comparator groups and assessed individual performance and contributions to the Suncorp Group.

SHORT-TERM INCENTIVES 2012

The short-term incentive (**STI**) program rewards employees for strong performance outcomes and, together with the risk considerations that are integrated within the reward process, keeps them focused on the long-term profitability of the Suncorp Group. The performance targets within the STI are designed to provide stretching performance objectives (see section 2.6).

The Board takes into account both financial and non-financial results for the Group CEO and Senior Executives. The Group CEO's STI depends on the performance of the Suncorp Group as a whole. Members of the Senior Leadership Team have key performance indicators that are tied to Suncorp Group and their business unit or Suncorp Group function goals. The evaluation of performance includes non-financial, qualitative criteria including the ability to manage risk, service customers, drive change in the organisation, establish strong teams and develop new leadership. All Senior Executives are also assessed based on how effectively they adhere to and apply the Suncorp Group's strategic principles and values. The alignment of Senior Executives to Suncorp Group goals is intentional. It ensures that all Senior Executives are focused on the success of the strategy encapsulated in 'One Company. Many Brands'.

Performance is evaluated rigorously to ensure STI outcomes are appropriately determined. The 2012 result is largely influenced by the weighting and assessment of financial and non-financial performance against challenging targets established at the beginning of the financial year. Taking all performance factors into account, 2012 STI outcomes have been determined by the Board as slightly below target. See section 2.8 for an overview of performance results and STI outcomes.

The deferred portion of the 2010 STI for the Group CEO, which vested on 31 July 2012, will be received in the 2013 financial year.

For Senior Executives, no deferred STI vested in 2012.

LONG-TERM INCENTIVES

The long-term incentive (**LTI**) performance hurdles for grants with a vesting date in 2012 were not achieved therefore the October 2006 and April 2007 grants were forfeited.

REMUNERATION RECEIVED BY THE GROUP CEO AND SENIOR EXECUTIVES IN 2012

Details for 2012 are shown in the following non-statutory table. Further details of the terms and conditions of STI and LTI are set out in sections 2.6 and 2.7.

NON-STATUTORY TABLE – UNAUDITED

Australian Accounting Standards (**AASB**s) require the calculation of remuneration on an accruals basis, including the use of sophisticated valuation models for long-term share-based incentives. The AASBs require the amortisation of the accounting fair value of the LTI over the associated vesting period, based on assumptions that may or may not eventuate.

To provide greater visibility of remuneration in the current year, the Board has presented details of the actual remuneration received in respect of 2012 in the unaudited table below.
These figures represent:

- the actual fixed remuneration received in 2012
- the actual value of incentives that will be received as a result of performance in 2012; and
- the actual value of any deferred incentives and LTIs that vested in 2012.

The audited remuneration disclosures in accordance with AASBs and the *Corporations Act 2001* are presented in section 2.9.

Deferred STI and LTI awards ('at-risk' awards) will crystallise after a two-year and three-year period respectively, subject to relevant performance and service conditions.

1. REMUNERATION OVERVIEW – UNAUDITED (CONTINUED)

1.3 2012 ACTUAL REMUNERATION OUTCOMES (CONTINUED)

REMUNERATION OF THE GROUP CEO AND SENIOR EXECUTIVES IN 2012

		REMUNERATION EARNED IN 2012[1]		PAST 'AT-RISK' REMUNERATION RECEIVED IN 2012[4]					FUTURE 'AT-RISK' REMUNERATION AWARDED IN 2012[6]	
	EXECUTIVES	FIXED REMUNERATION[2]	2012 INCENTIVES[3]	DEFERRED INCENTIVES (CASH) VESTED IN 2012	% VESTING	LTI (EQUITY) VESTED IN 2012	% VESTING	ACTUAL REMUNERATION RECEIVED IN 2012[5]	2012 INCENTIVES (DEFERRED AS CASH)[7]	LTI (EQUITY) GRANTED IN 2012[8]
		$000	$000	$000		$000		$000	$000	$000
	Executive director									
Group CEO	Patrick Snowball[9]	2,500	1,475	-	-	-	-	3,975	1,475	-
	Senior Executives									
CEO Commercial Insurance	Anthony Day	753	549	-	-	-	-	1,302	296	375
CEO Vero New Zealand	Gary Dransfield	536	390	-	-	-	-	926	210	250
CEO Suncorp Bank	David Foster	768	553	-	-	-	-	1,321	298	375
CEO Personal Insurance	Mark Milliner	803	575	-	-	-	-	1,378	310	390
Group Chief Financial Officer	John Nesbitt	885	637	-	-	-	-	1,522	343	416
Group Executive Human Resources	Amanda Revis	585	429	-	-	-	-	1,014	231	267
CEO Suncorp Business Services	Jeff Smith	784	624	-	-	-	-	1,408	336	390
Group Chief Risk Officer	Robert Stribling[10]	624	647	-	-	-	-	1,271	348	300
CEO Suncorp Life	Geoff Summerhayes	714	527	-	-	-	-	1,241	284	344

1 *Remuneration earned in 2012 comprises:*
- *fixed remuneration (actual fixed remuneration received, including salary sacrificed benefits and employer superannuation); and*
- *incentives which relate to the 2012 performance period that are not deferred.*

2 *Fixed remuneration takes into account the fixed remuneration increases granted during 2012.*

3 *Incentives for the 2012 year, to be paid in September 2012. For the Group CEO, this represents 50% of the total STI for 2012. For Senior Executives this represents 65% of the total STI for 2012.*

4 *Past 'at-risk' remuneration vested and received comprises LTI and deferred STI awarded in previous years that vested during 2012.*

5 *'Remuneration earned in 2012' plus 'Past 'at-risk' remuneration received in 2012'.*

6 *Future 'at-risk' remuneration awarded in 2012 comprises the cash value of the deferred incentives, excluding the value of any future interest payable on vesting and the face value of the LTI awarded in 2012 that may conditionally vest in future years, and is not guaranteed.*

7 *2012 incentives (deferred as cash) represents the deferred portion of incentives awarded for 2012. For the Group CEO, this represents 50% of the total STI for 2012. For Senior Executives this represents 35% of the total STI for 2012. These awards are subject to potential clawback during the deferral period.*

8 *LTI (equity) represents the face value of performance rights granted under the EPSP during 2012. For further details of the LTI program, refer to section 2.7. The Group CEO's proposed 2013 Grant (requiring shareholder approval) is not included.*

9 *The Group CEO's deferred 2010 STI of $1,082,747 (includes interest accrued during the deferral period) which vested on 31 July 2012 is not included in the table above as it wasn't earned or received in 2012.*

10 *Mr Stribling was paid a retention incentive of $300,000 subject to satisfactory performance in addition to his STI for 2012. 65% of this incentive will be paid in cash at the same time as the cash portion of the STI for 2012 and 35% is deferred for two years with the deferred STI for 2012.*

2. EXECUTIVE REMUNERATION – AUDITED

2.1 REMUNERATION GOVERNANCE

REMUNERATION COMMITTEE

While the Board has overall responsibility for executive remuneration structure and outcomes, it has appointed a Remuneration Committee for advice and recommendations on remuneration-related matters, and also takes account of the advice of the Group CEO (for Senior Executive remuneration), other members of management and, where relevant, independent external advisers.

The Remuneration Committee, which met six times in 2012:

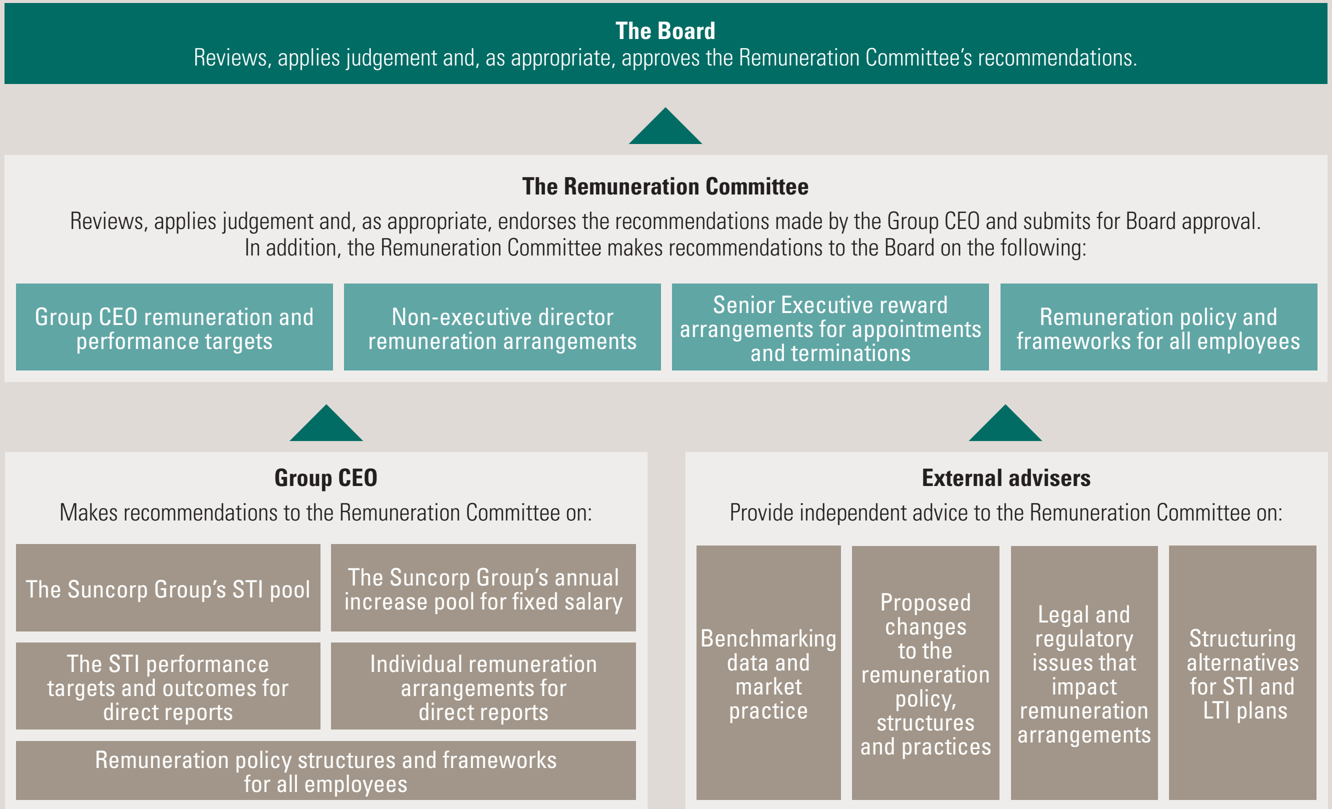
- Operates to a Board-approved charter
- Consists of four independent non-executive directors; and
- Is chaired by Ms Ilana Atlas, an independent non-executive director with extensive experience in human resource management.

The members of the Remuneration Committee have an extensive understanding of risk management and are members of the Board's Risk Committee, one of whom is the Risk Committee Chairman. The chair of the Audit Committee is also a member of the Remuneration Committee.

The Remuneration Committee oversees the preparation of this Remuneration Report. Further details about the Remuneration Committee and the Risk Committee are provided in the Corporate Governance Statement, and the Remuneration Committee charter is published on SGL's website at www.suncorpgroup.com.au.

REMUNERATION GOVERNANCE FRAMEWORK

The following diagram represents the Suncorp Group's remuneration governance framework.



USE OF EXTERNAL REMUNERATION ADVISERS

The Board seeks and considers advice from external advisers in relation to remuneration matters where appropriate. Such external advisers report directly to the Remuneration Committee. When external advisers are selected, the Board takes into account potential conflicts of interest, and their terms of engagement regulate their access to, and (where required) set out their independence from, the Suncorp Group's management.

The requirement for the services of external advisers to the Remuneration Committee is assessed annually in the context of the issues the Committee needs to address. The advice and recommendations of external advisers are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each director.

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.1 REMUNERATION GOVERNANCE (CONTINUED)

The Remuneration Committee appointed PricewaterhouseCoopers (PwC) as the lead external adviser for remuneration matters for 2012. PwC received instructions from, and reported to, the Remuneration Committee. During 2012, PwC did not provide remuneration recommendations and was not a remuneration consultant as defined in the *Corporations Act 2001*.

The external advisers listed below provided information and assistance to management and the Remuneration Committee on a range of matters, as an input to the Committee's recommendations and decision-making. During 2012, no remuneration recommendations were provided by these advisers and they were not remuneration consultants as defined in the *Corporations Act 2001*.

SERVICES RELATING TO REMUNERATION MATTERS	EXTERNAL ADVISERS PROVIDING THIS SERVICE TO SUNCORP GROUP IN 2012
Provision of information to support the changes in the Group CEO's contract	Freehills Ernst & Young
Benchmarking of pay of Senior Executives and non-executive directors against comparable roles at a range of relevant comparator groups	Mercer Consulting (Australia) PwC
Provision of information and commentary on global trends in executive remuneration	Ernst & Young
Performance analysis for LTI awards	Mercer Consulting (Australia)
Support in the review of the Remuneration Report structure on behalf of management	Ernst & Young
Provision of support in understanding the impact of changes in regulatory and legislative environment on remuneration	PwC

2.2 EXECUTIVE REMUNERATION STRATEGY AND POLICY AND HOW THIS UNDERPINS THE SUNCORP GROUP STRATEGY

REMUNERATION STRATEGY

The Reward Principles establish a framework for integrating and managing performance and risk throughout the Suncorp Group. These principles:

- Emanate from a focus on sustainable performance, effective risk management, customer focus, strong governance, and the need to attract and engage a talented workforce
- Support the design and implementation of a remuneration strategy that gives full effect to regulatory requirements; and
- Support strategic change and foster the overarching Suncorp Group strategy 'One Company. Many Brands.' by integrating relevant non-financial performance measures, and adherence to the Suncorp Group's values.

REWARD PRINCIPLES

1. *ALIGN SUSTAINABLE PERFORMANCE WITH REWARD*

   Reward outcomes are linked to longer term Suncorp Group, business unit and individual performance and risk frameworks, with high-performing individuals receiving greater allocations of variable reward.

2. *ALIGN EFFECTIVE RISK MANAGEMENT WITH REWARD*

   The reward structure provides incentives that specifically take risk into account. Variable compensation delivered through STI, is significantly based on risk-adjusted profitability weightings. A separately weighted balanced scorecard category measuring risk management is required and behavioural and cultural measurements assess adherence to the risk management framework, requiring all employees to demonstrate a responsibility for managing and mitigating the risks that may arise in their business.

3. *BALANCE STAKEHOLDER INTERESTS*

   Reward outcomes strike a balance between employee and stakeholder (shareholders, customers, regulatory bodies) expectations through the balanced scorecard.

4. *DELIVER A COMPETITIVE ADVANTAGE*

   Developing a high performance team to deliver sustainable results requires market-competitive reward structures that support the attraction, development and retention of the right people. Rewards are internally equitable, take into account the Suncorp Group's diversity practices, and appropriately balance fixed reward and benefits with the opportunity to earn variable rewards (based on Suncorp Group, business unit and individual performance). To support the focus on variable rewards, performance is evaluated rigorously to ensure incentives are appropriately allocated.

5. *SUPPORT THE SUNCORP GROUP VALUES AND CULTURE*

   The Suncorp Group Board has ultimate responsibility and accountability for remuneration policy, as well as the principles and processes which give effect to that policy. The remuneration policy aims to ensure employee remuneration structures are equitable and strongly linked to the long-term interests of the Suncorp Group. The framework is flexible to accommodate the diversity of the businesses providing the Board with the appropriate discretion to adjust reward structures to accommodate changes to business, financial, regulatory, and market conditions. Non-financial and 'behavioural' performance measures are included in the balanced scorecards for the Group CEO and all Senior Executives.

   All employees must demonstrate adherence to the Suncorp values in the way they deliver results, on a day-to-day basis.

2.3 REMUNERATION FRAMEWORK AND HOW IT LINKS TO STRATEGIC OBJECTIVES

The total remuneration opportunity for executives includes both fixed and 'at-risk' components. The 'at-risk' component has both short-term and long-term incentives, which must satisfy performance and risk-related conditions and both are subject to clawback under certain conditions.

The table below provides a summary of each remuneration component and the link to strategic objectives.

	COMPONENT	DELIVERY	PERFORMANCE AND RISK ALIGNMENT	STRATEGIC PRIORITY
FIXED REMUNERATION	**Fixed remuneration** Base remuneration (base salary, salary sacrificed benefits, and other benefits) plus superannuation	Base remuneration is paid in cash. Superannuation paid at a rate of 9% of base remuneration or the maximum contribution base[1], whichever is the lesser.	• Reward commensurate with the size and complexity of the role, individual responsibilities, individual performance, experience and skills. Aligned to market median. • Increases reflect individual performance and contribution to the Suncorp Group taking into consideration market competitiveness. • Superannuation contributions paid according to statutory requirements.	Attract and retain highly engaged and enabled talent.
'AT RISK' REMUNERATION	**Short-term incentives (including deferral)**	STI is typically paid in cash.[2] For the Group CEO 50%, and for Senior Executives 35%, of the STI is deferred as cash for two years and is subject to potential clawback at the end of the deferral period.	• Rewards executives for their contribution to the Suncorp Group, business unit outcomes and for their individual contribution. • Deferral and potential clawback encourage a longer term focus. • The Board's determination of the Suncorp Group's STI pool includes consideration of risk management through a variety of financial and non-financial measures. • The remuneration governance framework allows the Board to exercise its judgement to reduce STI and deferred STI, if, in the Board's judgement, such an adjustment should occur.	Motivate superior performance and link remuneration to annual business performance. Deferral to encourage longer-term focus and risk management and alignment with shareholders.
	Long-term incentives	Performance rights granted that vest subject to performance hurdles being met and potential clawback.[3]	• Rewards executives for their contribution to the creation of long-term shareholder value via exposure to Suncorp Group equity. • Focuses executives on achievement of Total Shareholder Return (**TSR**) through the use of an external, objective, relative TSR measure to determine outcomes. • The remuneration governance framework allows the Board to exercise its judgement to reduce LTI if, in the Board's judgement, such an adjustment should occur. • Executives cannot hedge equity instruments that are unvested or subject to restrictions.	Motivate superior performance and link remuneration to long-term business performance. Align remuneration with shareholder interests.

1 Employer contributions of 9% of ordinary time earnings are paid up to the maximum contribution base, which for the financial year ending 30 June 2012 was $43,820 per quarter.

2 Typically paid in cash, unless the individual nominates to have all or part of their award paid into superannuation or Suncorp shares (subject to relevant limits).

3 Clawback of LTI is applicable from the October 2010 grant onwards.

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.3 REMUNERATION FRAMEWORK AND HOW IT LINKS TO STRATEGIC OBJECTIVES (CONTINUED)

REMUNERATION POSITIONING POLICY AND COMPARATOR GROUPS

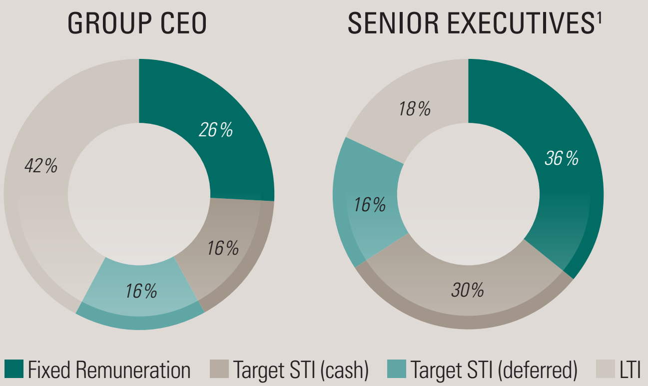
The total remuneration opportunity for executives is evaluated on an annual basis against relevant peer comparator groups including the S&P/ASX 100 Index and S&P/ASX 50 Index, and bespoke comparator groups.

The Suncorp Group broadly targets fixed remuneration at the market median.

The 'at-risk' component provides the opportunity for total remuneration to reach the upper end of the market spectrum for outstanding performance. To encourage superior performance and achieve that total remuneration opportunity, the proportion of 'at-risk' remuneration (particularly STI) is intentionally positioned towards the upper end of the market.

REMUNERATION MIX POLICY

The Suncorp Group's 2012 remuneration mix at target for the Group CEO and Senior Executives is presented below. The majority of remuneration for Senior Executives is 'at risk', with the Group CEO's remuneration mix more heavily focused on the longer term.



1 *Excluding the Chief Executive Officer, Suncorp Business Services, who has a different target STI than other Senior Executives. Refer to section 2.6 for details.*

2.4 REMUNERATION AND HOW IT IS ALIGNED TO RISK MANAGEMENT

In determining variable remuneration, the Board ensures that risk management is a specific performance goal.

Compliance with the Suncorp Group Risk Appetite Statement is integrated as a central component of overall performance to deliver an organisation-wide focus on the prudent management of the risks faced by the Suncorp Group.

The Suncorp Group risk management practices are governed by an integrated framework incorporating Suncorp Group policies (including the remuneration policy). The performance of each business unit is reviewed and measured with reference to how risk is managed. Individual adherence to risk management polices is also considered.

The Remuneration Committee's starting point when considering STI outcomes is the balanced scorecard STI outcome. The Committee then considers additional factors, such as sustainability and quality of earnings, before making its final determination of the overall STI pool.

Risk assessment is also included in the balanced scorecard through:

- a separately weighted risk measure
- return on eligible capital (a proxy for risk-adjusted return on capital) embedded in the financial measures; and
- the behavioural and cultural measures which consider adherence to the risk management framework.

Consideration of risk is embedded throughout the remuneration framework (refer details included in section 2.3). Specifically, the following risk governance arrangements apply to all employees, as relevant.

STI DEFERRAL

A material portion of STI for executives is deferred for two years to maintain executive focus on the long-term sustainability of the Group. At the end of the deferral period, the deferred STI portion may be adjusted (reduced or forfeited) in the event significant adverse outcomes are caused by decisions made, or actions taken, contrary to the Group's interests.

CLAWBACK

Both deferred STI and unvested LTI (from the October 2010 LTI grant onwards) are subject to potential clawback based on the Board's judgement.

HEDGING OF UNVESTED AWARDS

Hedging of unvested equity awards is prohibited.

RISK AND FINANCIAL CONTROL PERSONNEL

Remuneration decisions for employees working in risk and financial control roles are governed by separate performance and remuneration review processes. The performance of employees in these roles is assessed independently of their business area. In addition, employees working in risk roles typically have a comparatively higher percentage of risk-based measures. For 2012, 58% of the balanced scorecard for the Group Chief Risk Officer is based on Group Risk measures.

The Board has discretion to reduce STI and LTI reward outcomes. The Board may exercise its judgement in relation to:

- STI (including deferred STI): at the end of the financial year when assessing performance against scorecard objectives to determine the STI pool and payments, or at the end of the two-year deferral period, when determining if there are any issues impacting the initial performance result assessed; and
- LTI: at any time prior to, or at, the final vesting date 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.

2.5 FIXED REMUNERATION IS REVIEWED IN LINE WITH MARKET PRACTICE

Fixed remuneration is reviewed each year in line with the Suncorp Group's remuneration policy, external market and competitor practices and other business and role-critical factors. The Remuneration Committee assesses management's recommendations based on market practice to ensure fixed remuneration is competitive.

2.6 SHORT-TERM INCENTIVES – TARGETS DESIGNED TO STRETCH

The design of the annual STI program rewards executives for achieving Suncorp Group, specific business unit and individual performance relative to stretch performance targets.

STI AWARDS DEPEND ON SCORECARD RESULTS

STI awards are impacted by performance against a balanced scorecard of financial and non-financial performance objectives. Targets are designed to be stretching to deliver sustainable value for all stakeholders and are agreed with the Board at the start of each financial year. In assessing the actual STI outcome for each individual executive, the Board exercises its discretion up or down based on value judgements on quality of earnings and other non-financial results.

STI FUNDING POOL

The Board determines the size of the annual STI pool available for distribution to all eligible employees, relative to performance against key financial and non-financial outcomes.

The Remuneration Committee takes into account the quality of the financial result, including factors such as the current economic environment, when recommending the size of the Suncorp Group's STI pool to the Board.

PERFORMANCE ASSESSMENT

The diagram below sets out the structure of the 2012 STI program and examples of key performance measures included within the balanced scorecard.

	TARGET STI	MAX STI
Group CEO	125% of fixed remuneration	150% of fixed remuneration
Senior Executives	125%[1] of fixed remuneration	187.5% of fixed remuneration

1. Exception: The STI target for the Chief Executive Officer, Suncorp Business Services is contractually set at 138.3% of fixed remuneration.

PERFORMANCE OBJECTIVES AND WEIGHTINGS	BALANCED SCORECARD CATEGORIES
Suncorp Group Group CEO: 90% Senior Executives: 60%	• Profit and financials: deliver targeted underlying profit after tax; improve shareholder returns; transparency of surplus capital and the quality of management recommendations/actions for the deployment of that capital. • Risk management: manage risk levels within agreed parameters and maintain the regulator's assessment of the Suncorp Group's risk profile. • Customer: improve external confidence in the Suncorp Group and achievement of target customer satisfaction. • People: maintain high achievement, an engaged team and meet occupational health and safety targets.
Business unit Senior Executives: 30%	• Profit and financials: deliver targeted underlying profit after tax and improve shareholder returns. • Risk management: drive a positive risk culture and risk governance framework and manage risk levels within agreed parameters. • Customer: achieve customer retention and advocacy; grow customer base. • People: maintain a highly engaged team and meet occupational health and safety targets. • Key business unit strategic deliverables: implementation of key strategic projects/initiatives to drive business improvements.
Individual performance Group CEO: 10% Senior Executives: 10%	Suncorp Group values: • Honesty, trust, courage, caring, fairness and respect.

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.6 SHORT-TERM INCENTIVES – TARGETS DESIGNED TO STRETCH (CONTINUED)

The Board considers underlying profit after tax to be an appropriate reflection of the ongoing profitability of the Suncorp Group. There is genuine scope for individual executive performance to impact underlying profit outcomes, and so the Board considers this to be an effective measure for its STI program.

In determining underlying profit after tax, a number of adjustments to net profit after tax were made as they are deemed to be outside normal operating activities. These include investment market movements, reserve releases and natural hazards claims above long-run expectations and profit or losses on assets disposed. It excludes the profit or loss of the Non-core Bank, which is assessed on a return of capital basis. Underlying profit after tax has not been audited by the external auditors.

The Group CEO assesses each Senior Executive's performance at the end of the financial year against Suncorp Group and business unit scorecards, considering actual outcomes relative to the agreed targets. Based on this assessment, the Group CEO makes a recommendation to the Remuneration Committee for Board approval on the amount of STI to award to each Senior Executive.

Information regarding the category weightings for the Suncorp Group and business unit scorecards are shown in section 2.8.

STI IS DEFERRED AND SUBJECT TO CLAWBACK

For the Group CEO, 50% of STI is deferred as cash while Senior Executives have 35% of STI deferred as cash, subject to clawback.

Interest accrues during the deferral period and is payable on vesting. In the event of resignation, redundancy or retirement, the deferred incentive portion will remain 'on foot' after the termination date until the end of the original deferral period.

During the deferral period, the Board considers the long-term impacts of decisions made and actions taken during the performance year to which the deferred STI applies. In accordance with the risk governance framework, significant adverse outcomes may give grounds for the Board to apply its discretion to adjust the original deferred incentive allocation downwards, including to zero if necessary.

The Board will consider the following when determining if clawback should apply to the deferred STI:

- significant losses arising as a consequence of poor quality business that has, in the opinion of the Board, been demonstrated to have been generated:
  - in breach of duly adopted policies and procedures
  - as a result of the exercise of bad judgement (either at the time the business was written, or when a deterioration should have been recognised and provided for)
  - in an environment where policies, procedures or protocols were weak or inadequate in each case having regard to the role and responsibility of the individual concerned
- financial misconduct (including embezzlement, fraud or theft)
- actions resulting in Suncorp Group or business unit financial misstatements
- significant legal, regulatory, and/or policy non-compliance
- significant issues that impact the Suncorp Group's standing with regulators to conduct business; and
- any individual act which is deemed to have been significantly harmful to the Suncorp Group, the Suncorp Group's reputation, the Suncorp Group's employees or the Suncorp Group's customers (e.g. ethical misconduct).

In exercising its judgement in relation to the clawback of deferred STI, the Board is informed by recommendations from the Remuneration, Risk and Audit Committees.

Deferral was introduced in 2010 for the Group CEO and extended to Senior Executives in 2011 as part of a suite of changes to the remuneration framework. The substantive changes to remuneration arrangements required a balanced assessment of the STI deferral provision. The program was intended to underscore the adherence to risk appetite and create a link to sustainable performance. Deferral allows the Board to look back and assess if any factors (as outlined above) have arisen that if known when the award was made would have operated to reduce the quantum of awards granted.

The process was intended to be simple, conveying a meaningful value at risk to all participants that would support their active engagement in the prudent stewardship of risk activities.

2.7 LONG-TERM INCENTIVES

The purpose of LTI is to focus the Group CEO and Senior Executives on the Suncorp Group's long-term business strategy, align their interests with those of shareholders and support the creation of long-term shareholder value.

LTI, delivered in the form of performance rights, is offered to the Group CEO and Senior Executives as these individuals have a direct impact on the Suncorp Group's long-term performance.

LTI grants are provided through the Executive Performance Share Plan (**EPSP**). LTI recipients will only derive value from their LTI grants if a challenging TSR performance hurdle relative to the pre-determined group of peer companies (the **Peer Comparator Group**) is met.

PERFORMANCE RIGHTS EXPLAINED

A performance right entitles a participant to one fully paid ordinary share in SGL (or under limited circumstances at the Board's discretion, 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.

THE ALLOCATION AND EXERCISE OF PERFORMANCE RIGHTS

Eligibility of the individual to participate in the LTI plan determined by the Board.

The face value of LTI to be granted is determined (based on 50% of the individual's fixed remuneration for Senior Executives).

The number of performance rights granted is determined. The number of performance rights is equivalent to the face value of the LTI divided by the Volume Weighted Average Price (VWAP) of one ordinary share over the five days preceding the date of the grant.

Offers are made to eligible participants in October.

Shares are purchased by the EPSP trustee on market to avoid any dilutionary impact that issuing new ordinary shares would have on the share price.

Shares are held in trust during the vesting period.

After vesting, the shares remain held by the EPSP trustee until the individual applies to the Board to remove the shares or until seven years has passed.

THE PERFORMANCE HURDLE – TOTAL SHAREHOLDER RETURN

Performance is measured by ranking SGL's TSR against the Peer Comparator Group. TSR (expressed as a percentage) is a method of calculating the return shareholders would earn if they held a notional number of shares over a period of time. TSR measures the percentage change in a company's share price, together with the value of dividends received during the period (assuming that all of those dividends are re-invested into new shares) and capital returns. TSR will vary over time but the relative position reflects the market perception of overall performance relative to the Peer Comparator Group. The ranking of SGL's TSR determines the extent to which performance rights vest.

The Peer Comparator Group chosen for relative TSR performance assessment is the top 50 companies ranked by market capitalisation in the S&P/ASX 100 Index, excluding listed property trusts and mining companies. The Remuneration Committee believes the chosen group is appropriate in the absence of a suitable peer group of direct comparators.

The relative TSR performance measure is chosen on the basis that it:

- offers a relevant indicator of measuring changes in shareholder value by comparing SGL's return to shareholders against the returns of companies of similar size and investment profile
- provides alignment between shareholder returns and reward outcomes for executives; and
- provides a direct link between executive rewards and shareholder return over the long term and minimises the impact market cycles may have.

The Board has considered adopting other measures to determine the allocation of LTI but has determined that the most appropriate measure is relative TSR.

TOTAL SHAREHOLDER RETURN EXTERNALLY MONITORED

TSR performance is monitored by an external party.

VESTING SCHEDULE

The extent to which performance rights will vest is subject to SGL's TSR, measured over the relevant period.

The Group CEO and Senior Executives will not derive any value from the LTI component of their remuneration unless SGL's TSR 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:

RELATIVE TSR PERFORMANCE OUTCOME	PERCENTAGE OF LTI 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 SGL's ranking against the Peer Comparator Group
At or above the 75th percentile	100%

DIVIDENDS

The EPSP trustee manages any dividends received during the time that the shares underlying the performance rights are held in trust. If a performance right vests and shares are allocated, a payment equal to the dividends earned on those shares during the performance period is paid (less applicable taxes that have been paid by the EPSP trustee with respect to the dividends).

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.7 LONG-TERM INCENTIVES (CONTINUED)

LTI PERFORMANCE PERIOD

The performance period begins on the date the award is made and extends for three years (and, for awards made prior to 30 June 2010, an additional two-year retesting period may apply).

The Board determined that from 1 July 2010 onwards there would be no retesting opportunity. Consequently, for grants made after 1 July 2010 (first impacting the October 2010 grant), any performance rights which do not vest at the end of the three-year performance period will lapse.

GROUP CEO'S 2009 LTI GRANT PERFORMANCE PERIOD

On 1 October 2009 the Group CEO received an award of 900,000 performance rights (Initial Grant) under the EPSP. The Initial Grant included the Group CEO's maximum LTI entitlement for the 2010, 2011 and 2012 financial years.

The Group CEO's performance rights vest in three equal tranches of a maximum of 300,000 shares per tranche subject to the performance conditions outlined above and will be tested over a three to five-year period. The potential vesting dates for the Initial Grant are 30 September 2012, 30 September 2013 and 30 September 2014.

PROPOSED 2013 LTI GRANT

It is proposed that a new grant of performance rights in SGL will be made to the Group CEO under the EPSP in October 2012; this will be his maximum LTI entitlement for 2013.

The potential vesting date for the 2013 grant is 30 September 2015. There will be no option to extend the performance period beyond this date.

The Board, on the advice of the Remuneration Committee, endorsed an award of performance rights with a value of $4,000,000. This value takes into account the appropriate level of total remuneration, as assessed by reference to a number of factors, including the extent to which the total remuneration is market competitive. The performance rights will be granted following the 2012 Annual General Meeting (if shareholder approval is provided). The actual number of shares linked to the performance rights to be granted to the Group CEO will depend on the share price over the five trading days up to 1 September 2012. These performance rights will be subject to the performance hurdle and vesting schedule described earlier.

Future LTI allocations will be determined by the Board annually, and will be subject to shareholder approval.

2.7 HEDGING PROHIBITION

The Suncorp Group securities trading policy prohibits directors, employees and contractors from dealing in a financial product which operates to limit the economic risk of a holding in SGL's securities (hedging), including unvested EPSP performance rights.

All KMP 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-yearly financial results.

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

Once performance rights have fully vested, the underlying shares can be withdrawn from the EPSP by the executive. Any subsequent dealing in those shares is subject to the terms of the Suncorp Group securities trading policy.

2.8 EXECUTIVE REMUNERATION OUTCOMES FOR 2012

This section outlines how the 2012 incentive outcomes reflect performance outcomes.

The Suncorp Group's strategy of 'One Company. Many Brands.' is supported by a leadership model designed to align the organisation with clear and common strategic priorities and support the critical behaviours required to deliver incremental value. The reward framework reflects the alignment by placing a significant weighting in the scorecards on the overall Suncorp Group performance. The emphasis on the overall performance outcomes intentionally limits the scope for differentiation of STI outcomes between the Senior Executives. Any differentiation is achieved through the assessment of business unit performance and individual behaviours that in 2012 amounted to 40% of the relevant Senior Executive's scorecard.

SUNCORP GROUP PERFORMANCE AND STI 2012 OUTCOMES

In association with the principle of 'aligning sustainable performance with reward', stretch targets for the Group CEO and Senior Executives are based on the expectation of delivering continual improvements in relation to external and internal benchmark indicators. Performance outcomes are measured based on a challenging, robust assessment of achievements against stretch targets. In 2012 the Suncorp Group has not achieved target financial performance and the value of STI to be delivered has therefore been appropriately adjusted, to reflect the level of performance achieved.

STI PERFORMANCE OUTCOMES FOR THE GROUP CEO IN 2012

The table below outlines the 2012 performance against target for the Group CEO's scorecard areas.

PERFORMANCE OUTCOMES						REMUNERATION OUTCOMES
PROFIT AND FINANCIALS 60%	PEOPLE 10%	RISK 10%	CUSTOMERS/ STAKEHOLDERS 10%	BEHAVIOURS 10%	OVERALL PERFORMANCE OUTCOME	OVERALL STI OUTCOME
Below target	Below target	At target	Above target	At target	Below target	Below target

Actual STI outcome for 2012 is represented in the table below for the Group CEO.

		ACTUAL STI AWARDED	TARGET STI	STI AWARD AS % OF TARGET STI	MAX STI	STI AWARD AS % OF MAXIMUM STI	% OF MAXIMUM STI AWARD FORFEITED	AMOUNT DEFERRED
		$000 [1]	$000 [2]		$000 [3]			$000
Executive director								
Group CEO	Patrick Snowball	2,950	3,188	93	3,825	77	23	1,475

1. The value of STI awarded for 2012 represented is before any deferral. 2. Target STI is set at 125% of fixed remuneration. 3. Maximum STI is set at 150% of fixed remuneration.

STI PERFORMANCE OUTCOMES FOR SENIOR EXECUTIVES IN 2012

STI awards for Senior Executives are in part determined using the Suncorp Group performance measures. Sixty percent of the award relates to the Suncorp Group performance.

The Suncorp Group performance outcomes are included in each business unit scorecard that include specific business unit and individual performance measures.

The similarity in STI outcomes versus target between the Senior Executives is reflective of the significant weighting in the STI scorecards on Group performance, reflecting the Suncorp Group's strategy of 'One Company. Many Brands'.

Actual STI outcomes for 2012 are represented in the table below for Senior Executives.

		ACTUAL STI AWARDED	TARGET STI	STI AWARD AS % OF TARGET STI	MAX STI	STI AWARD AS % OF MAXIMUM STI	% OF MAXIMUM STI AWARD FORFEITED	AMOUNT DEFERRED
		$000 [1]	$000 [2]		$000 [3]			$000
Senior Executives								
CEO Commercial Insurance	Anthony Day	845	938	90	1,406	60	40	296
CEO Vero New Zealand	Gary Dransfield	600	688	87	1,031	58	42	210
CEO Suncorp Bank	David Foster	850	963	88	1,444	59	41	298
CEO Personal Insurance	Mark Milliner	885	1,009	88	1,513	58	42	310
Group Chief Financial Officer	John Nesbitt	980	1,125	87	1,688	58	42	343
Group Executive Human Resources	Amanda Revis	660	750	88	1,125	59	41	231
CEO Suncorp Business Services	Jeff Smith	960	1,079	89	1,463	66	34	336
Group Chief Risk Officer	Robert Stribling [4]	695	788	88	1,181	59	41	243
CEO Suncorp Life	Geoff Summerhayes	810	900	90	1,350	60	40	284

1. The value of STI awarded for 2012 represented is before any deferral. 2. Target STI is set at 125% of fixed remuneration for all Senior Executives excluding the Chief Executive Officer, Suncorp Business Services who has a target STI contractually set at138.3%.
3. Maximum STI for Senior Executives is set at 187.5% of fixed remuneration. 4. Actual STI for Mr Stribling excludes the retention incentive (see section 2.10).

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.8 EXECUTIVE REMUNERATION OUTCOMES FOR 2012 (CONTINUED)

SUNCORP GROUP PERFORMANCE AND LTI 2012 OUTCOMES

SUNCORP GROUP PERFORMANCE

The table below includes the Suncorp Group's[1] performance over the five financial years to 30 June 2012. It provides an overall view of the Suncorp Group's performance (note 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	PROFIT FOR THE YEAR	CLOSING SHARE PRICE [2]	DIVIDEND P/SHARE	TSR [3]
	$m	$	cents	%
2012	728	8.09	55	55
2011	457	8.14	35	63
2010	789	8.04	35	60
2009	353	6.70	40	48
2008	588	13.04	107	82

1. *The Suncorp Group completed a restructure on 7 January 2011 (implementation of the NOHC). Amounts prior to this restructure relate to Suncorp-Metway Limited, the ultimate parent company prior to the restructure.*
2. *Closing share price at 30 June.*
3. *TSR is based on the closing share price as at 30 June of the relevant year, relative to the share price at the commencement of the period five years prior. For example: For the year ending 30 June 2012 the period commenced 1 July 2007. To have achieved a value of 125 at 30 June 2012, this means an initial capital investment of $100 in SGL's shares on 1 July 2007, together with reinvested dividends over the ensuing five-year period, would be worth $125 at 30 June 2012.*

LTI PERFORMANCE OUTCOMES – CURRENT YEAR OUTCOMES

As outlined in section 2.7, the LTI vesting is based on relative TSR performance against the Peer Comparator Group.

In 2012 the LTI performance hurdle was not met in relation to the 2006 Grant (final vesting) and 2008 Grant (initial vesting) and the Senior Executives derived no value in 2012 in relation to these LTI awards. The 2007 and 2009 Grants are due to be tested at 30 September 2012.

The table below outlines the vesting outcome for awards tested in 2012.

				AWARDS TESTED IN 2012	
FINANCIAL YEAR	GRANT MADE	START OF THE PERFORMANCE PERIOD	PERFORMANCE PERIOD	TSR OUTCOME	VESTING OUTCOME
2006 Grant	1 October 2006	1 October 2006	Extended five-year period to 30 September 2011	Suncorp Group ranked at the 10th percentile	0%
2008 Grant	1 October 2008	1 October 2008	Initial three-year period to 30 September 2011	Suncorp Group ranked at the 24th percentile	0%

NUMBER AND VALUE OF PERFORMANCE RIGHTS GRANTED, VESTED AND FORFEITED UNDER THE EPSP

Information with respect to the movement of performance rights during 2012 and of current LTI grants held by the Group CEO and Senior Executives as at 30 June 2012 is outlined in the table below.

	PERFORMANCE RIGHTS GRANTED			FAIR VALUE YET TO VEST		MARKET VALUE			
	NUMBER OF ORDINARY SHARES	GRANT DATE	FINANCIAL YEAR IN WHICH GRANT MAY FIRST VEST	MIN [1]	MAX [2]	AT DATE OF GRANT [3]	AS AT 30 JUNE 2012 [4]	VESTED IN YEAR	FORFEITED IN YEAR
				$	$	$	$	%	%
Executive director									
Patrick Snowball	300,000	1 October 2009	30 June 2013	-	1,902,000	2,646,000	2,427,000	-	-
	300,000	1 October 2009	30 June 2014	-	1,968,000	2,646,000	2,427,000	-	-
	300,000	1 October 2009	30 June 2015	-	2,025,000	2,646,000	2,427,000	-	-
Senior Executives									
Anthony Day	9,543	1 October 2007	30 June 2011[5]	-	139,328	194,200	77,203	-	-
	13,843	1 October 2008	30 June 2012[5]	-	59,802	133,031	111,990	-	-
	17,092	1 October 2009	30 June 2013	-	108,363	150,751	138,274	-	-
	71,585	1 October 2010	30 June 2014	-	380,116	627,800	579,123	-	-
	47,161	1 October 2011	30 June 2015	-	248,538	376,345	381,532	-	-
Gary Dransfield	20,136	1 October 2009	30 June 2013	-	127,662	177,600	162,900	-	-
	18,942	1 October 2010	30 June 2014	-	100,582	166,121	153,241	-	-
	31,441	1 October 2011	30 June 2015	-	165,694	250,899	254,358	-	-
David Foster	23,120	1 October 2006	30 June 2010[5]	-	-	-	-	-	100%
	763	17 April 2007	30 June 2010[5]	-	-	-	-	-	100%
	32,740	1 October 2007	30 June 2011[5]	-	478,004	666,259	264,867	-	-
	64,272	1 October 2008	30 June 2012[5]	-	277,655	617,654	519,960	-	-
	81,949	1 October 2009	30 June 2013	-	519,557	722,790	662,967	-	-
	77,092	1 October 2010	30 June 2014	-	409,359	676,097	623,674	-	-
	47,161	1 October 2011	30 June 2015	-	248,538	376,345	381,532	-	-
Mark Milliner	20,808	1 October 2006	30 June 2010[5]	-	-	-	-	-	100%
	686	17 April 2007	30 June 2010[5]	-	-	-	-	-	100%
	35,259	1 October 2007	30 June 2011[5]	-	514,781	717,521	285,245	-	-
	69,216	1 October 2008	30 June 2012[5]	-	299,013	665,166	559,957	-	-
	81,949	1 October 2009	30 June 2013	-	519,557	722,790	662,967	-	-
	82,599	1 October 2010	30 June 2014	-	438,601	724,393	668,226	-	-
	49,047	1 October 2011	30 June 2015	-	258,478	391,395	396,790	-	-

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 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 2012, 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 2012 is calculated by the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2012.

5. Executives elected to extend the performance period by a further two years.

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.8 EXECUTIVE REMUNERATION OUTCOMES FOR 2012 (CONTINUED)

NUMBER AND VALUE OF PERFORMANCE RIGHTS GRANTED, VESTED AND FORFEITED UNDER THE EPSP (CONTINUED)

	PERFORMANCE RIGHTS GRANTED			FAIR VALUE YET TO VEST		MARKET VALUE			
	NUMBER OF ORDINARY SHARES	GRANT DATE	FINANCIAL YEAR IN WHICH GRANT MAY FIRST VEST	MIN [1]	MAX [2]	AT DATE OF GRANT [3]	AS AT 30 JUNE 2012 [4]	VESTED IN YEAR	FORFEITED IN YEAR
				$	$	$	$	%	%
John Nesbitt	313,016	3 May 2010	30 June 2013	-	1,859,315	2,851,576	2,532,299	-	-
	88,105	1 October 2010	30 June 2014	-	467,838	772,681	712,769	-	-
	52,317	1 October 2011	30 June 2015	-	275,711	417,490	423,245	-	-
Amanda Revis	58,920	1 October 2010	30 June 2014	-	312,865	516,728	476,663	-	-
	33,641	1 October 2011	30 June 2015	-	177,288	268,455	272,156	-	-
Jeff Smith	37,777	1 October 2007	30 June 2011[5]	-	551,544	768,762	305,616	-	-
	74,160	1 October 2008	30 June 2012[5]	-	320,371	712,678	599,954	-	-
	87,803	1 October 2009	30 June 2013	-	556,671	774,422	710,326	-	-
	82,599	1 October 2010	30 June 2014	-	438,601	724,393	668,226	-	-
	49,047	1 October 2011	30 June 2015	-	258,478	391,395	396,790	-	-
Robert Stribling	66,079	1 October 2010	30 June 2014	-	278,193	579,513	534,579	-	-
	37,729	1 October 2011	30 June 2015	-	193,550	301,077	305,228	-	-
Geoff Summerhayes	61,800	1 October 2008	30 June 2012[5]	-	266,976	593,898	499,962	-	-
	73,169	1 October 2009	30 June 2013	-	463,891	645,351	591,937	-	-
	68,832	1 October 2010	30 June 2014	-	365,498	603,657	556,851	-	-
	43,262	1 October 2011	30 June 2015	-	227,991	345,231	349,990	-	-

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 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 2012, 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 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 2012 is calculated by the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2012.*
5. *Executives elected to extend the performance period by a further two years.*

2.9 EXECUTIVE REMUNERATION DISCLOSURES

This section provides full details of total remuneration for the Group CEO and Senior Executives for 2012 and 2011, as required under the provisions of the *Corporations Act 2001*.

The following table includes LTI amounts which did not deliver value during 2012 and 2011 to the Senior Executives. The 'share-based payment' amount reflects the amount required to be expensed in accordance with AASBs. 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.

EXECUTIVE REMUNERATION FOR THE YEARS ENDED 30 JUNE 2012 AND 30 JUNE 2011

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS					
	SALARY AND FEES	CASH INCENTIVES	NON-MONETARY BENEFITS [1]	OTHER [2]	SUPERANNUATION BENEFITS	DEFERRED INCENTIVES [3]	OTHER [4]	TERMINATION BENEFITS [5]	SHARE-BASED PAYMENTS [6]	TOTAL REMUNERATION	PERFORMANCE RELATED
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Executive director											
Patrick Snowball											
2012	**2,500**	**1,475**	**84**	**(13)**	**-**	**2,688**	**-**	**-**	**1,531**	**8,265**	**68.9**
2011	2,183	990	43	153	9	607	-	-	1,531	5,516	56.7
Senior Executives											
Anthony Day											
2012	**737**	**549**	**5**	**20**	**16**	**307**	**-**	**-**	**258**	**1,892**	**58.9**
2011	656	455	2	11	16	245	-	-	179	1,564	56.2
Gary Dransfield											
2012	**520**	**390**	**5**	**11**	**16**	**213**	**-**	**-**	**118**	**1,273**	**56.6**
2011 [7]	62	39	1	8	-	21	-	-	8	139	48.9
David Foster											
2012	**752**	**553**	**3**	**(19)**	**16**	**310**	**15**	**-**	**491**	**2,121**	**63.8**
2011	716	504	1	25	25	271	18	-	464	2,024	61.2
Mark Milliner											
2012	**787**	**575**	**5**	**38**	**16**	**324**	**20**	**-**	**512**	**2,277**	**62.0**
2011	760	556	2	(17)	16	299	21	-	485	2,122	63.1
John Nesbitt											
2012	**869**	**637**	**8**	**(28)**	**16**	**358**	**-**	**-**	**845**	**2,705**	**68.0**
2011	812	611	3	20	19	329	-	-	737	2,531	66.3
Amanda Revis											
2012	**569**	**429**	**5**	**(20)**	**16**	**241**	**-**	**-**	**149**	**1,389**	**59.0**
2011 [8]	458	387	2	20	15	208	-	-	78	1,168	57.6
Jeff Smith											
2012	**768**	**624**	**6**	**25**	**16**	**352**	**71**	**-**	**533**	**2,395**	**63.0**
2011	750	614	3	46	26	331	-	-	512	2,282	63.9
Robert Stribling (retired 30 June 2012)											
2012	**608**	**647**	**9**	**(17)**	**16**	**359**	**-**	**-**	**406**	**2,028**	**69.6**
2011	552	436	3	3	50	235	-	-	65	1,344	54.7
Geoff Summerhayes											
2012	**698**	**527**	**9**	**(8)**	**16**	**295**	**-**	**-**	**356**	**1,893**	**62.2**
2011	624	455	3	(1)	51	245	-	-	335	1,712	60.5

1. Non-monetary benefits represents 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 incentives awarded to the Group CEO and Senior Executives are recognised in full as there are no performance or service conditions required. The deferred incentive remuneration for Mr Snowball in 2012 includes the accelerated amortisation for the 2010 and 2011 deferred STI. The amortisation has been accelerated as the new contract entered into by Mr Snowball in August 2011 contains amended service conditions regarding the 2010 and 2011 deferred STI.

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 2.10.

6. Equity-settled performance rights issued as LTI are expensed to the profit or loss 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 is 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 12 to the financial statements. Mr Stribling is the only KMP with cash-settled LTI.

7. Mr Dransfield became a Senior Executive on 23 May 2011. Remuneration disclosed for 2011 relates only to his period in office.

8. Ms Revis became a Senior Executive on 16 August 2010. Remuneration disclosed for 2011 relates only to her period in office.

2. EXECUTIVE REMUNERATION – AUDITED (CONTINUED)

2.10 CONTRACTUAL ARRANGEMENTS

GROUP CEO

Mr Snowball is employed by Suncorp Staff Pty Limited, a wholly-owned subsidiary of SGL. Mr Snowball entered into a new contract with the Suncorp Group in August 2011. The key terms of this contract are outlined below.

		BEFORE 1 SEPTEMBER 2011	FROM 1 SEPTEMBER 2011
Fixed remuneration		$2,200,000	$2,550,000
Short-term incentive (STI)	Target	100% of fixed remuneration	125% of fixed remuneration
	Maximum	150% of fixed remuneration	150% of fixed remuneration
	Deferral	50% of total STI awarded	50% of total STI awarded
Long-term incentive (LTI)		900,000 performance rights over three years Initial Grant of 300,000 performance rights in October 2009; performance to be tested 30 September 2012[1]	Proposed annual award of performance rights equivalent to $4,000,000 maximum value, subject to performance against hurdle over a three-year vesting period. New award to be granted after the Annual General Meeting (pending shareholder approval) based on volume weighted average share price in the 5 trading days before 1 September 2012.[1] LTI awards for future years will be determined by the Board annually, and will be subject to shareholder approval.

1 See section 2.7 for details on the Group CEO's current LTI arrangements and proposed LTI grant

NOTICE PERIODS

EMPLOYER-INITIATED TERMINATION	
In cases other than misconduct or other circumstances justifying summary dismissal	12 months
Where individual becomes incapacitated, is of unsound mind or health deteriorates to a certain degree	9 months
For poor performance	3 months
Misconduct or other circumstances justifying summary dismissal	None
EMPLOYEE-INITIATED TERMINATION	**6 MONTHS**

When notice is required, the Suncorp Group may make a payment equal to a proportion of fixed remuneration which corresponds to the period for which notice is not given (subject to the Suncorp Group not being prohibited by law from making such a payment).

TREATMENT OF STI ON TERMINATION

EMPLOYER-INITIATED TERMINATION	
In cases other than misconduct or other circumstances justifying summary dismissal Where individual becomes incapacitated, is of unsound mind or health deteriorates to a certain degree	The Board has the discretion to determine: • that any cash STI may be received, subject to performance. • that any deferred STI award will vest after the termination date at the end of the original deferral period and will be subject to potential clawback at such time, unless the Board exercises its discretion otherwise.
For poor performance Misconduct or other circumstances justifying summary dismissal	Deferred STI award forfeited.
EMPLOYEE-INITIATED TERMINATION	
The Board has the discretion to determine: • that any cash STI may be received, subject to performance. • that any deferred STI award will generally vest after the termination date at the end of the original deferral period and will be subject to potential clawback at such time, unless the Board exercises its discretion otherwise.	

The treatment of STI in the event of employee-initiated termination stated in the above table was changed as part of Mr Snowball's new contract. Previous contractual arrangements required the forfeiture of STI under such circumstances. 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.

TREATMENT OF LTI ON TERMINATION

EMPLOYER-INITIATED TERMINATION	
In cases other than misconduct or other circumstances justifying summary dismissal	The Board has the discretion to determine that any unvested LTI performance rights under the Initial Grant will continue until the relevant vesting dates, subject to the performance measures[1].
Where individual becomes incapacitated, is of unsound mind or health deteriorates to a certain degree	
For poor performance	Unvested awards under the Initial Grant forfeited.
Misconduct or other circumstances justifying summary dismissal	
EMPLOYEE-INITIATED TERMINATION	
Unvested awards will be forfeited if Mr Snowball terminates the agreement on six months' notice prior to 31 August 2014[2].	

1. *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.*
2. *Applicable to the Initial Grant only.*

Where a change of control occurs, subject to the satisfaction of applicable performance measures, unvested LTI may vest pro-rata.

SENIOR EXECUTIVES

Senior Executives are employed by Suncorp Staff Pty Limited, a wholly-owned subsidiary of SGL, under a standard employment contract with no fixed term (with the exception of Mr Stribling – see below for details).

NOTICE PERIODS

EMPLOYER-INITIATED TERMINATION	
Misconduct or other circumstances justifying summary dismissal	None
All other cases excluding the above	12 months[1]
EMPLOYEE-INITIATED TERMINATION	3 months
REDUNDANCY REMUNERATION (INCLUDING NOTICE)	12 months[2]

1. *Exception: Mr Stribling: 3 months*
2. *Exceptions: Mr Summerhayes: Greater of 12 months or total benefit under the redundancy policy (maximum of 75 weeks including notice). Mr Stribling: None except if required by statute.*

The contracts may be terminated at any time provided that the notice period is given. The Suncorp Group may make a payment in lieu of notice of all or part of any notice period, calculated based on an individual's fixed remuneration less superannuation contributions (subject to the Suncorp Group not being prohibited by law from making such a payment). Payment on termination will include payment of accrued annual leave and, where appropriate, long service leave.

TREATMENT OF STI ON TERMINATION

Misconduct or other circumstances justifying summary dismissal	No cash STI will be awarded and all unvested deferral is forfeited.
Resignation, redundancy or retirement	The Board has the discretion to determine: • any cash STI award may be received, subject to performance. • that any deferred STI award will generally vest after the termination date at the end of the original deferral period and will be subject to potential clawback at such time, unless the Board exercises its discretion otherwise.
All other cases excluding the above	Board discretion

TREATMENT OF LTI ON TERMINATION

Qualifying reason[1]	The Board has the discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures, 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.
Non-qualifying reason	Unvested awards are forfeited.

1. *Death, total and permanent disablement, retirement, redundancy as a result of a restructure within the Suncorp Group, or another reason as determined by the Board.*

Where a change of control occurs, subject to the satisfaction of applicable performance measures, unvested LTI may vest pro-rata, subject to performance.

RETENTION INCENTIVE PAYMENT – ROBERT STRIBLING

Mr Stribling's two-year fixed term contract ended on 4 January 2012. Mr Stribling entered into a new contract with the Suncorp Group effective 5 January 2012. The contract expired on 30 June 2012.

As the Board requested that Mr Stribling stay with the Suncorp Group for an additional six months, his new contract provided for a retention incentive payment of $300,000 to be awarded on completion of the contract, subject to an assessment of performance during the period from 5 January to 30 June 2012 by the Group CEO. This was awarded in full, with 65% paid in cash and 35% deferred (refer to section 2.6). If Mr Stribling's employment had terminated prior to 30 June 2012 for any reason other than retrenchment, no partial or pro-rata payment would have been made.

3. NON-EXECUTIVE DIRECTOR ARRANGEMENTS – AUDITED

3.1 REMUNERATION STRUCTURE

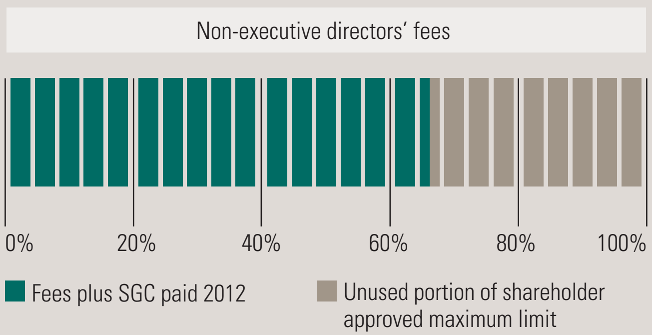
REMUNERATION POLICY

Remuneration arrangements for non-executive directors are designed to ensure the Suncorp Group 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

Shareholders have approved a maximum aggregate total remuneration limit of $3,500,000 for all non-executive directors. The superannuation guarantee contribution (**SGC**) payments for non-executive directors are included in the limit but retirement benefits are excluded. The Suncorp Group pays the SGC on behalf of all eligible non-executive directors. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.

Non-executive directors receive fixed remuneration only, paid as directors' fees and do not participate in performance-based incentive plans.



The approved non-executive director fee structure for 2012 and 2013 is set out in the table below.

ROLE	2012 AND 2013 FEE P.A.[1] $000
Chairman	570
Non-executive director base fee	207
Additional fee for Audit Committee Chairman	50
Additional fee for Audit Committee member	25
Additional fee for Risk Committee Chairman	50
Additional fee for Risk Committee member	25
Additional fee for Remuneration Committee Chairman	40
Additional fee for Remuneration Committee member	20
Additional fee for Chairmanship of New Zealand company boards	50
Additional fee for Chairmanship of New Zealand Joint Venture	50

1. Fees exclude SGC.

3.2 NON-EXECUTIVE DIRECTORS' SHARE PLAN (NEDSP)

The NEDSP, established in November 2001 following shareholder approval, facilitates the purchase of shares by non-executive directors by nominating, on a voluntary basis, a percentage of their pre-tax remuneration to be used to purchase SGL's shares on market at pre-determined dates. The purpose of the NEDSP is to provide Suncorp Group equity exposure for non-executive directors.

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

Prior to 2004, shareholders had approved a non-executive directors' retirement plan (**Plan**) which entitled non-executive directors to be paid a retirement benefit based on the highest total emoluments paid to a non-executive director during any consecutive three-year period.

In 2004, the Suncorp Group began to phase out retirement benefit arrangements in the following manner:

- ceasing to offer retirement benefits to non-executive directors appointed after 30 June 2003;
- non-executive directors in office at 30 June 2003 (**Participating Directors**) remained contractually entitled to a retirement benefit. However, those non-executive 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 non-executive 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 non-executive 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 after this date.

The remaining Participating Director in office during the financial year retired in October 2011. The amount of retirement benefits paid to the Participating Director under the terms of the Plan are included in the table in section 3.4.

3.4 NON-EXECUTIVE DIRECTORS' REMUNERATION DISCLOSURES

Details of non-executive directors' remuneration for 2012 and 2011 are set out in the table below.

	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS		
	SALARY AND FEES	NON-MONETARY BENEFITS [1]	SUPERANNUATION BENEFITS	RETIREMENT BENEFITS [2]	TOTAL [3]
	$000	$000	$000	$000	$000
Non-executive directors in office as at 30 June 2012					
Dr Zygmunt Switkowski (Chairman from 27 October 2011)					
2012	**500**	**1**	**16**	**-**	**517**
2011	250	1	22	-	273
Ilana Atlas					
2012	**266**	**1**	**24**	**-**	**291**
2011	125	-	11	-	136
William Bartlett					
2012	**275**	**1**	**25**	**-**	**301**
2011	244	1	22	-	267
Michael Cameron (appointed 16 April 2012)					
2012	**44**	**-**	**4**	**-**	**48**
2011	-	-	-	-	-
Audette Exel (appointed 27 June 2012)					
2012	**2**	**-**	**-**	**-**	**2**
2011	-	-	-	-	-
Ewoud Kulk					
2012	**311**	**1**	**45**	**-**	**357**
2011	261	1	45	-	307
Dr Douglas McTaggart (appointed 16 April 2012)					
2012	**46**	**-**	**4**	**-**	**50**
2011	-	-	-	-	-
Geoffrey Ricketts					
2012	**274**	**1**	**25**	**-**	**300**
2011	250	1	22	-	273
Non-executive directors retired/resigned during 2012					
John Story (Chairman until retirement on 27 October 2011)					
2012	**184**	**-**	**17**	**241**	**442**
2011	550	1	50	-	601
Paula Dwyer (resigned 28 February 2012) [4]					
2012	**195**	**-**	**12**	**-**	**207**
2011	263	1	15	-	279
Stuart Grimshaw (resigned 23 August 2011)					
2012	**43**	**-**	**4**	**-**	**47**
2011	245	1	22	-	268

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. Represents the value of retirement benefit payments in 2012. There are no further retirement benefits payable to non-executive directors.

3. None of the remuneration paid to non-executive directors is performance-based, refer to section 3.1.

4. Ms Dwyer received an additional payment of $20,000 in 2012 in relation to services provided to an ad hoc committee.

Directors' Report
(continued)

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

Dr Zygmunt E Switkowski
Chairman

Patrick J R Snowball
Managing Director
and Group CEO

22 August 2012

KPMG

Lead Auditor's Independence Declaration

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF SUNCORP-METWAY LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

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

KPMG

Robert S Jones
Partner

Brisbane
22 August 2012

Corporate Governance Statement

Suncorp-Metway Limited (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 adopted by Suncorp Group Limited, applied to the Company throughout the 2012 financial year (unless otherwise stated).

Although the Company operates within the Suncorp 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 shareholders are protected, and the confidence of the investment market in the Company is maintained.

These practices and policies were in place throughout the 2012 financial year (unless otherwise stated) and are current as at the date of this Statement, which is 22 August 2012.

In establishing the corporate governance framework, the Board has considered various governance standards, including the *Corporate Governance Principles and Recommendations (2nd edition with 2010 amendments)* (**Recommendations**) as published by the Australian Securities Exchange (**ASX**). 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 Suncorp Group'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 financial year ended 30 June 2012 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 following table.

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 2.3	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, and 2.2	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 5.4	Yes
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board.	Part 5.4	Yes
3.4	Disclose the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	Part 5.4	Yes
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Part 5.3, 5.4	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 2.3	Yes
4.3	The Audit Committee should have a formal charter.	Part 2.1	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Parts 2 and 4.4	Yes

Corporate Governance Statement
(continued)

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 5.5	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	Part 5.5	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 5.5	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	Part 5.5	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 3.1,4.1, 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, 2.3 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 Company's website at www.suncorpgroup.com.au.

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 Australian Associated Motor Insurers Limited, Australian Alliance Insurance Company Limited, Suncorp Group Limited, Suncorp Insurance Holdings Limited, Suncorp Metway Insurance Limited, GIO General Limited, Suncorp Life & Superannuation Limited and Vero Insurance Limited, which are all subject to regulation by the Australian Prudential Regulation Authority (**APRA**). The directors of the Company also undertook roles as directors of Asteron Life Limited (up to and including 24 May 2012) which was subject to APRA regulation up to the date of the surrender of its life licence on 4 May 2012 (following the transfer of its life business to Suncorp Life & Superannuation Limited).

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 '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
- 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 Company's Constitution and 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.

At the date of this Statement, the Board comprises eight non-executive, independent directors and one executive director, the Group CEO, Patrick Snowball. The names of the 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 established 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, Mr Stuart Grimshaw resigned as a director (23 August 2011), Mr John Story retired as Chairman and director (27 October 2011), Ms Paula Dwyer resigned as a director (28 February 2012), Mr Michael Cameron and Dr Douglas McTaggart were each appointed as a director (16 April 2012), and Ms Audette Exel was appointed as a director (27 June 2012).

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

DIRECTOR	TERM IN OFFICE
Dr Zygmunt Switkowski (Chairman)	6 years 11 months
Ms Ilana Atlas	1 year 7 months
Mr William Bartlett	9 years 2 months
Mr Michael Cameron	4 months
Ms Audette Exel	2 months
Mr Ewoud Kulk	5 years 5 months
Dr Douglas McTaggart	4 months
Mr Geoffrey Ricketts	5 years 5 months
Mr Patrick Snowball	2 years 11 months

- 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.

PART 1. BOARD OF DIRECTORS

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.

Senior Executives are invited to attend meetings where matters relevant to their respective business unit are to be considered. Immediately following each meeting of directors, the non-executive directors meet in the absence of the executive director and any other management representatives.

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 was a director until 16 August 2012 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 Suncorp 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 Suncorp Group throughout the year.

The Board does not believe these relationships could affect Mr Ricketts' 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.

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, members of the Senior Leadership Team and other senior managers 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 and submissions 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.

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 Suncorp Group Limited 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 any 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.

Since the last performance appraisal of the Board conducted by an external consultant in 2011 the Board composition has undergone significant change. Consequently, having regard to the number of changes to Board membership that have occurred progressively over the course of the year and the associated review of the Board's existing mix of skills and experience undertaken by the Nomination Committee in selecting the new directors, a further Board performance review for the financial year ended 30 June 2012, which was to be conducted by the Chairman, was deemed not necessary.

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 its 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. Each committee has its own Board-approved charter 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.

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 financial year ended 30 June 2012. 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.

Corporate Governance Statement
(continued)

PART 2. BOARD COMMITTEES (CONTINUED)

2.3 BOARD COMMITTEE COMPOSITION

COMMITTEE	MEMBERS AND COMPOSITION	ROLE
Audit	The members of the Audit Committee are: • Mr G Ricketts (appointed 28 October 2011) • Mr W Bartlett (appointed Chairman 29 March 2012) • Dr D McTaggart (appointed 13 June 2012) Dr Z Switkowski is an ex-officio member of the Audit Committee. Mr S Grimshaw (resigned 23 August 2011) Ms P Dwyer (resigned 28 February 2012) 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, Group Chief Financial Officer (**Group CFO**), 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	The members of the Risk Committee are: • Mr E Kulk (Chairman) • Ms I Atlas • Mr W Bartlett (appointed 28 October 2011) Dr Z Switkowski is an ex-officio member of the Risk Committee. Mr S Grimshaw (resigned 23 August 2011) The Group CEO, Group CFO and Group Chief Risk Officer (**Group CRO**) are invited to meetings at the Risk Committee's discretion.	The role of the Risk Committee is to provide the Board with oversight across the Company 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.
Remuneration	The members of the Remuneration Committee are: • Ms I Atlas (Chairman) • Mr W Bartlett • Mr E Kulk Dr Z Switkowski 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 Group 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.

COMMITTEE	MEMBERS AND COMPOSITION	ROLE
Nomination	The Nomination Committee comprises all the non-executive directors. Dr Z Switkowski 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.

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 Risk Committee; and
- managing the business in accordance with regulatory and legislative requirements and within the Company's approved policy and procedures framework.

3.2 SENIOR EXECUTIVE PERFORMANCE ASSESSMENT

A system of balanced scorecards is used to establish performance measures and to monitor the performance of Senior Executives (including the Group CEO, the Senior Leadership Team and their direct reports) 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 Group CEO conducts an assessment of the performance of each Senior Leadership Team member, 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 Group CEO's performance is subject to assessment by the Board at the end of the financial year. The Chairman then communicates the review outcomes as agreed by the Board to the Group CEO.

The Senior Executive performance assessments for the financial year ended 30 June 2012 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 Suncorp 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 Company'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.

Corporate Governance Statement
(continued)

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. The Company also holds an Australian Financial Services Licence regulated by the Australian Securities and 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 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.

The Company's Risk Appetite was further developed during the year building on the Suncorp Group's Risk Appetite Statement and provides tangible statements of risk preference. The Risk Appetite for the Company was approved by the Board in conjunction with the Company's business plan in May 2012.

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 either at the Group or Line of Business level to manage these risks and align them with the Group's risk appetite, as depicted in the following table.

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.		
Counterparty Risk Management Policy	*Bank Credit Risk Management Policy*	*Dealings with Related Entities Policy*
Bank Netting Policy	*Intra-Group Transactions and Exposures 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 (Bank)	*Foreign Exchange 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 Group level from the structure and characteristics of assets and liabilities and in the mismatch of their repricing dates.		
Interest Rate Risk in the Banking Book Policy (Bank)	*Bank Securitisation Policy*	*Bank Covered Bonds Policy*

LIQUIDITY RISK		
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 Management 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	*Business Continuity Policy*	*Financial Crimes Policy*
Procurement Policy	*Outsourcing Policy*	*Information Management and Security Policy*
Project and Portfolio Management Policy	*Product Approval Policy*	*Human Resource Policies*
Delegation of Authority Policy	*Health and Safety Policies*	*Sanctions Policy*

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	*Breach and Regulatory Management Policy*	*Fit and Proper Policy*
Privacy Policy	*Conflicts of Interest Policy*	*Whistleblower Policy*

STRATEGIC RISK		
The risk of loss arising from uncertainty about the 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.		
Mergers and Acquisitions Policy	*Strategic risk assessments within Business Plans*	*Risk Appetite Statements*

PART 4. RISK MANAGEMENT (CONTINUED)

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 Group and the Company as appropriate. A subset of these committees operate with Risk Committee-approved charters, delegations and limits. The Company's current key management committees include:

- Bank Credit Risk Committee
- Bank Asset and 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 between the Company and its primary regulators occur in a timely manner including, the reference of all material correspondence between the Company and regulators to the Board or relevant Board committee.

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 Suncorp Bank CEO, Suncorp Bank CFO and Suncorp Bank CRO.

For the financial year ended 30 June 2012, the Suncorp Bank CEO, Suncorp Bank CFO and Suncorp Bank 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 section 295A of the *Corporations Act 2001* (Cth).

The certifications provided by the Suncorp Bank CEO, Suncorp Bank CFO and Suncorp Bank CRO 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

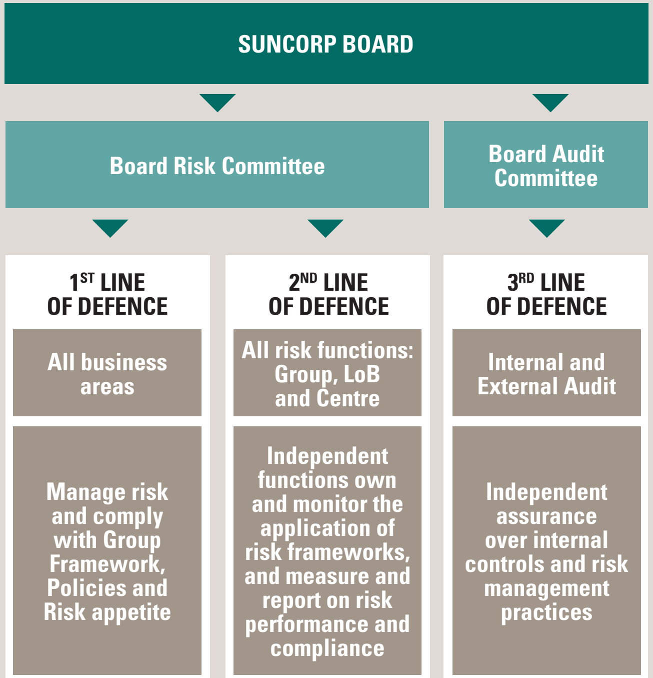
In accordance with APRA regulations, the Company is required to submit to APRA on an annual basis a risk management declaration, confirming the adequacy of the Company's risk management systems.

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 CEO – 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 CRO**, 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 Senior 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 Suncorp Group's risk policies.

A **Chief Risk Officer** (**Suncorp Bank CRO**), 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 the 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 and 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.

Corporate Governance Statement
(continued)

PART 4. RISK MANAGEMENT (CONTINUED)

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 the 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).

5.2 DEALINGS IN COMPANY SECURITIES

The Board has adopted the Suncorp Group securities trading policy that prohibits directors and 'prescribed persons' from trading 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 and prescribed persons 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 Group CEO 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 trade 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
- prescribed persons must advise the Group CEO.

The granting of approval to trade 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 trading 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 prescribed persons 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 trading policy is available on the Company's 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's website at www.suncorpgroup.com.au.

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 Suncorp conducts its 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 Trading 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 its Equal Employment Opportunity and Diversity Policy, a summary of which is available on the Suncorp Group's website at www.suncorpgroup.com.au.

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 the Group interacts, and the communities within which it operates.

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.

The Suncorp Group has made good progress since the launch of the 2011/2014 Group Diversity Strategy. To ensure continued progress against the diversity strategy objectives, the Suncorp Group has:

- established a Diversity Council with senior leaders from across the Group, chaired by the Group CEO
- embedded diversity into all policies and processes such as recruitment, performance management, pay equity, training and reward and recognition
- provided best practice flexible leave policies, including 13 weeks paid parental leave, to help employees manage work and personal commitments
- provided tools and support for managers and employees for successful flexible work arrangements
- assisted people in returning to work after parental leave, achieving a greater than 90% return to work rate
- obtained an understanding of the needs of employees through engagement surveys
- provided education for leaders around unconscious bias and its impact in the workplace
- conducted regular reviews of pay equity and immediately rectified any identified issues
- provided specific development programs targeted at female leaders; and
- ensured ongoing Board review of progress against diversity objectives.

The Suncorp Group's objective is to increase the representation of women in senior leadership roles (combination of Business and Strategic Leaders) to 33% by 2014. This objective, already achieved two years ahead of the strategic plan time frames, reflects a 2% increase since June 2011 in the proportion of women in senior leadership roles and will continue to be an area of gender diversity focus to ensure the objective is sustained.

In recognition of the progress made against gender diversity objectives, the Suncorp Group was awarded the 2012 Equal Opportunity for Women in the Workplace Agency (EOWA) Employer of Choice citation.

As of 30 June 2012, the proportion of women employed by the Suncorp Group was:

Board of Directors	22%
Senior Leaders	33%
Workforce	57%

5.5 CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

ASX 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 Finance and Corporate Affairs has primary responsibility for all communications with the ASX and all Company announcements are available via the Suncorp Group's website following release to the ASX. A copy of the Suncorp Group's disclosure policy is available on the Suncorp Group's website at www.suncorpgroup.com.au under '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 the Suncorp Group 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.

Statements of comprehensive income
for the financial year ended 30 June 2012

	NOTE	CONSOLIDATED 2012 $m	CONSOLIDATED 2011 $m	COMPANY 2012 $m	COMPANY 2011 $m
Continuing operations					
Interest income	6	**4,025**	4,404	**3,971**	4,339
Interest expense	6	**(3,097)**	(3,494)	**(2,887)**	(3,269)
Net interest income		**928**	910	**1,084**	1,070
Other operating income	6	**113**	132	**418**	694
Total net operating income		**1,041**	1,042	**1,502**	1,764
Operating expenses	7	**(603)**	(577)	**(1,069)**	(1,077)
Impairment losses on loans and advances	15	**(405)**	(325)	**(399)**	(318)
Profit before income tax		**33**	140	**34**	369
Income tax (expense) benefit	8.1	**(11)**	(60)	**5**	(34)
Profit from continuing operations		**22**	80	**39**	335
Discontinued operations					
Profit from discontinued operations, net of income tax	40	**-**	227	**-**	-
Profit for the financial year		**22**	307	**39**	335
Other comprehensive income					
Net change in fair value of cash flow hedges	25	**(64)**	59	**(69)**	76
Net change in fair value of available-for-sale financial assets	25	**(60)**	32	**(60)**	31
Exchange differences on translation of foreign operations	25	**-**	(51)	**-**	-
Income tax benefit (expense) on other comprehensive income	8.4	**38**	(24)	**40**	(29)
Other comprehensive income net of income tax		**(86)**	16	**(89)**	78
Total comprehensive income for the financial year		**(64)**	323	**(50)**	413
Profit for the financial year attributable to:					
Owners of the Company		**22**	303	**39**	335
Non-controlling interests		**-**	4	**-**	-
Profit for the financial year		**22**	307	**39**	335
Total comprehensive income for the financial year attributable to:					
Owners of the Company		**(64)**	319	**(50)**	413
Non-controlling interests		**-**	4	**-**	-
Total comprehensive income for the financial year		**(64)**	323	**(50)**	413

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

Statements of financial position
as at 30 June 2012

	NOTE	CONSOLIDATED 2012 $m	CONSOLIDATED 2011 $m	COMPANY 2012 $m	COMPANY 2011 $m
Assets					
Cash and cash equivalents	10	**549**	345	**549**	342
Receivables due from other banks	10	**154**	226	**154**	226
Trading securities	11	**4,787**	4,952	**4,787**	4,952
Derivatives	12	**424**	233	**424**	233
Investment securities	13	**6,308**	5,742	**6,334**	5,783
Loans, advances and other receivables	14	**49,411**	49,064	**49,008**	48,459
Due from subsidiaries		**-**	-	**416**	500
Property, plant and equipment	16	**-**	69	**-**	-
Other assets	17	**350**	265	**289**	224
Deferred tax assets	8.3	**241**	182	**233**	182
Goodwill and intangible assets		**26**	29	**-**	-
Total assets		**62,250**	61,107	**62,194**	60,901
Liabilities					
Payables due to other banks	10	**41**	31	**41**	31
Deposits and short-term borrowings	18	**41,544**	39,247	**41,595**	39,316
Derivatives	12	**2,369**	2,583	**2,225**	2,441
Payables and other liabilities	19	**691**	880	**671**	863
Due to subsidiaries		**-**	-	**3,928**	3,560
Securitisation liabilities	20	**3,839**	3,634	**-**	-
Debt issues	21	**9,598**	10,151	**9,604**	10,161
Total liabilities excluding loan capital		**58,082**	56,526	**58,064**	56,372
Loan capital					
Subordinated notes	22	**666**	846	**666**	846
Preference shares	23	**762**	830	**762**	830
Total loan capital		**1,428**	1,676	**1,428**	1,676
Total liabilities		**59,510**	58,202	**59,492**	58,048
Net assets		**2,740**	2,905	**2,702**	2,853
Equity					
Share capital	24	**2,189**	1,789	**2,189**	1,789
Reserves	25	**(339)**	(243)	**27**	126
Retained profits		**890**	1,359	**486**	938
Total equity attributable to owners of the Company		**2,740**	2,905	**2,702**	2,853
Non-controlling interests		**-**	-	**-**	-
Total equity		**2,740**	2,905	**2,702**	2,853

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

Statements of changes in equity

for the financial year ended 30 June 2012

CONSOLIDATED	SHARE CAPITAL $m	RESERVES $m	RETAINED PROFITS $m	TOTAL $m	NON-CONTROLLING INTERESTS $m	TOTAL EQUITY $m
Balance as at 1 July 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 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**
Profit for the financial year	**-**	**-**	**22**	**22**	**-**	**22**
Other comprehensive income	**-**	**(86)**	**-**	**(86)**	**-**	**(86)**
Total comprehensive income	**-**	**(86)**	**22**	**(64)**	**-**	**(64)**
Transactions with owners, recorded directly in equity						
Shares issued	**400**	**-**	**-**	**400**	**-**	**400**
Dividends paid	**-**	**-**	**(501)**	**(501)**	**-**	**(501)**
Transfers	**-**	**(10)**	**10**	**-**	**-**	**-**
Balance as at 30 June 2012	**2,189**	**(339)**	**890**	**2,740**	**-**	**2,740**
COMPANY						
Balance as at 1 July 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 buyback	(10,886)	-	-	(10,886)	-	(10,886)
Dividends 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**
Profit for the financial year	**-**	**-**	**39**	**39**	**-**	**39**
Other comprehensive income	**-**	**(89)**	**-**	**(89)**	**-**	**(89)**
Total comprehensive income	**-**	**(89)**	**39**	**(50)**	**-**	**(50)**
Transactions with owners, recorded directly in equity						
Shares issued	**400**	**-**	**-**	**400**	**-**	**400**
Dividends paid	**-**	**-**	**(501)**	**(501)**	**-**	**(501)**
Transfers	**-**	**(10)**	**10**	**-**	**-**	**-**
Balance as at 30 June 2012	**2,189**	**27**	**486**	**2,702**	**-**	**2,702**

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

Statements of cash flows

for the financial year ended
30 June 2012

	NOTE	CONSOLIDATED 2012 $m	CONSOLIDATED 2011 $m	COMPANY 2012 $m	COMPANY 2011 $m
Cash flows from operating activities					
Interest received		**4,037**	4,445	**3,996**	4,351
Interest paid		**(3,081)**	(3,544)	**(2,927)**	(3,334)
Other operating income received		**155**	192	**455**	447
Dividends received		**-**	-	**-**	315
Operating expenses paid		**(1,024)**	(611)	**(1,471)**	(1,111)
Income tax paid		**(81)**	(162)	**(25)**	(17)
Discontinued operations	40	**-**	259	**-**	-
Net (increase) decrease in operating assets					
Trading securities		**217**	3,278	**217**	3,278
Loans, advances and other receivables		**(754)**	1,943	**(956)**	1,398
Net increase (decrease) in operating liabilities					
Deposits and short-term borrowings, payables and other liabilities		**2,281**	5,168	**2,771**	4,415
Net cash (used in) from operating activities	32	**1,750**	10,968	**2,060**	9,742
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**107**	-	**-**	-
Proceeds (payments) for sales (purchase) of investment securities		**(157)**	(2,500)	**(608)**	(2,634)
Payments for plant and equipment and intangibles		**-**	(28)	**-**	-
Discontinued operations	40	**-**	121	**-**	-
Net cash (used in) from investing activities		**(50)**	(2,407)	**(608)**	(2,634)
Cash flows from financing activities					
Net increase (decrease) in borrowings		**(1,233)**	(7,084)	**(983)**	(6,282)
Payment on call of subordinated notes		**(174)**	(524)	**(174)**	(524)
Dividends paid on ordinary shares		**(101)**	(255)	**(101)**	(256)
Payments for reset preference share redemption		**(72)**	(42)	**(72)**	(42)
Payment of transaction costs		**2**	-	**3**	-
Payments for other financing activities		**-**	(13)	**-**	-
Discontinued operations	40	**-**	(478)	**-**	-
Net cash (used in) from financing activities		**(1,578)**	(8,396)	**(1,327)**	(7,104)
Net (decrease) increase in cash and cash equivalents		**122**	165	**125**	4
Cash and cash equivalents at the beginning of the financial year		**540**	1,087	**537**	533
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	**662**	540	**662**	537

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

Notes to the consolidated financial statements

For the financial year ended 30 June 2012

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 Limited (**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 prior 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 Limited and its subsidiaries.

2. BASIS OF PREPARATION

The Company is a public company domiciled in Australia and its Company's registered office is at Level 18, 36 Wickham Terrace, Brisbane, Qld, 4000.

The consolidated financial statements for the year ended 30 June 2012 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board on 22 August 2012.

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.

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.

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.

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.

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.

2.1 STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The financial report 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 and associated 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)
- valuation of financial instruments and fair value hierarchy disclosures (refer note 27).

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 statements 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 when control commences until the date when 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) SPECIAL PURPOSE ENTITIES

Special purpose entities (**SPEs**) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. The Group has established a number of SPEs for trading purposes. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

SECURITISATION

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

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.

COVERED BONDS

The Group conducts a covered bond program whereby the Company issues securities guaranteed by the Covered Bond Guarantor and secured by a cover pool of assets sold to the Suncorp Covered Bond Trust (the **Trust**).

In the event of default by the Company, the covered bond holders have claim over both the cover pool and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1.1 BASIS OF CONSOLIDATION (CONTINUED)

COVERED BONDS (CONTINUED)

The Company receives the residual income of the Trust and the interest rate risk from the Trust is transferred back to the Company by way of the total return swap. Accordingly, the mortgages which comprise the cover pool continue to be recognised in the financial statements of both the Company and the Group as the transfer of loans from the Company to the Trust fails the de-recognition criteria set out in AASB 139.

The covered bonds are recognised as debt issues in the statements of financial position of both the Company and the Group.

All transactions between the Trust and the Company are eliminated in the Group's consolidated financial statements.

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 ultimate 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

(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 rate differences arise. 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 3.1.12.

(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 REVENUE AND EXPENSE 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.

(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, are recognised on an accrual basis when the service is provided.

3.1.5 SHARE-BASED PAYMENTS

The Suncorp 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 (e.g. performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. 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.

3.1.6 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 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 2012, the Company is a wholly-owned entity in a tax-consolidated group, with Suncorp Group Limited as the head entity.

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 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.

3.1.8 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.

3.1.9 RECEIVABLES DUE FROM AND PAYABLES DUE TO OTHER BANKS

Receivables 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.

3.1.10 NON-DERIVATIVE 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 held for trading or those that are designated as such 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 valuation techniques 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1.10 NON-DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(B) HELD-TO-MATURITY INVESTMENTS

Held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are initially recognised on trade date at fair value plus any directly attributable transaction costs and are measured at amortised cost using the effective interest rate method at each reporting date. If the investments no longer qualify as held-to-maturity investments, any remaining held-to-maturity investments are reclassified as available-for-sale financial assets.

When reclassifying available-for-sale financial assets to held-to-maturity investments, the fair value carrying amount of the available-for-sale financial assets on the date of reclassification becomes the new amortised cost of the held-to-maturity investments. Any previous gain or loss on these investments recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investments. Any difference between the new amortised cost and maturity amount is amortised over the remaining life of the investment using the effective interest method.

(C) 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.

(D) AVAILABLE-FOR-SALE FINANCIAL ASSETS

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.

(E) DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risk and rewards of ownership.

(F) REPURCHASE AGREEMENTS

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 as a financial asset and the obligation to repurchase recognised as a liability.

3.1.11 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 include foreign exchange contracts, forward rate agreements and interest rate and currency swaps.

All derivatives are initially recognised at fair value on 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.

Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss (note 3.1.10 (a)) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 3.1.12).

EMBEDDED DERIVATIVES

Where a derivative is embedded in another financial instrument, the economic characteristics and risks of the derivative are not closely related to those of the host contract and the host contract is not carried at fair value, the embedded derivative is separated from the host contract and carried at fair value through profit or loss. Otherwise, the embedded derivative is accounted for on the same basis as the host contract.

3.1.12 HEDGE ACCOUNTING

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. 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. On an ongoing basis, hedges are assessed for whether they are highly effective in achieving offsetting changes in fair values or cash flows of hedged items. A hedge is considered highly effective when the actual results of the hedge are within a range of 80–125%.

(A) CASH FLOW HEDGES

A cash flow hedge is a hedge of the exposure to variability of cash flows that:

- is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and
- could affect profit or loss.

Changes in the fair value associated with the effective portion of a hedging instrument 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 hedging instrument 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.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or, the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(B) FAIR VALUE HEDGES

A fair value hedge is a hedge of the exposure to changes in fair value of:

- a recognised asset or liability;
- an unrecognised firm commitment; or
- an identified portion of such an asset, liability or firm commitment,

that is attributable to a particular risk and could affect profit and loss.

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. The hedged item attributable to the hedged risk is carried at fair value with the gain or loss recognised in profit or loss.

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 profit or loss over the period to when the hedged item will mature.

3.1.13 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

These are non-current assets and liabilities that are expected to be recovered primarily through sale rather than continuing use. Once classified, the assets and liabilities are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.1.14 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%

3.1.15 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 at cost from business combinations as described in note 3.1.2 and is subsequently measured at cost less accumulated impairment losses. Goodwill on equity accounted investments is included in the carrying value of the investment.

INTERNALLY GENERATED INTANGIBLE ASSETS

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	BRANDS	CUSTOMER CONTRACTS AND OTHER RELATIONSHIPS	OUTSTANDING CLAIMS LIABILITIES INTANGIBLE	SOFTWARE
Useful life	1-50 years	1-30 years	20 years	3-7 years

Intangible assets deemed to have an infinite useful life are not amortised but are tested for impairment at least annually.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1.16 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.

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. 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.

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 is recognised in the equity reserve for credit losses.

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.

(B) 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.

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 non-financial 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.

3.1.17 NON-DERIVATIVE 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 held for 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 statements 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 financial 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.

(D) DERECOGNITION OF FINANCIAL LIABILITIES

Non-derivative financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

3.1.18 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.

3.1.19 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 (**RPS**) and Convertible Preference Shares (**CPS**) are recognised as liabilities at amortised cost. The capital is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. Dividends are charged as an interest expense as accrued.

RPS are exchangeable on specific dates at the option of the holder. Once an exchange request is received, the Group can elect to exchange the RPS for cash or a variable number of SGL ordinary shares, exhibiting characteristics of a financial liability.

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 financial liability.

3.1.20 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.

3.1.21 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.

3.2 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2.1 GENERAL INSURANCE REVENUE AND EXPENSE RECOGNITION (CONTINUED)

(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, premiums outstanding and reinsurance and other recoveries.

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.

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.

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 companies 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 statements 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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*.

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.

3.3.6 POLICY LIABILITIES

(A) 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.

- 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. Adoption of this standard will have an immaterial effect to the Group.
- 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 potential effects on adoption of the amendments are yet to be determined.
- AASB 9 *Financial Instruments* was issued and introduced changes in the classification and measurement of financial assets and financial liabilities. This standard becomes mandatory for the Group's 30 June 2016 financial statements. The potential effects on adoption of the amendments are yet to be determined.

Other new standards, and amendments to standards effective for annual reporting periods after 1 July 2012 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.

Notes to the consolidated financial statements

For the financial year ended 30 June 2012 (continued)

4. SEGMENT REPORTING (CONTINUED)

4.1 OPERATING SEGMENTS (CONTINUED)

OPERATING SEGMENTS	DISCONTINUED SEGMENTS	BANKING	TOTAL
	$m	$m	$m
2012			
Revenue from external customers	**-**	**4,228**	**4,228**
Inter-segment revenue	**-**	**-**	**-**
Total segment revenue	**-**	**4,228**	**4,228**
Segment profit before income tax	**-**	**39**	**39**
Segment income tax expense	**-**	**(13)**	**(13)**
Segment profit after income tax	**-**	**26**	**26**
Other segment disclosures			
Interest revenue	**-**	**4,025**	**4,025**
Interest expense	**-**	**(3,097)**	**(3,097)**
Depreciation and amortisation expense	**-**	**(40)**	**(40)**
Impairment losses on loans and advances	**-**	**(405)**	**(405)**
Segment assets	**-**	**62,250**	**62,250**
Segment liabilities	**-**	**59,510**	**59,510**
2011			
Revenue from external customers	5,505	4,549	10,054
Inter-segment revenue	48	65	113
Total segment revenue	5,553	4,614	10,167
Segment profit before income tax	542	145	687
Segment income tax expense	(177)	(61)	(238)
Segment profit after income tax	365	84	449
Other segment disclosures			
Interest revenue	315	4,404	4,719
Interest expense	(2)	(3,494)	(3,496)
Depreciation and amortisation expense	(49)	(44)	(93)
Impairment losses on loans and advances	-	(325)	(325)
Segment assets	-	61,107	61,107
Segment liabilities	-	58,202	58,202

4.2 RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT BEFORE INCOME TAX, ASSETS AND LIABILITIES

	CONSOLIDATED	
	2012	2011
	$m	$m
Segment revenue – continuing operations	**4,228**	4,614
Consolidated total	**4,228**	4,614
Segment revenue – discontinued operations	**-**	5,553
Consolidated total	**-**	5,553
Segment profit after income tax – continuing operations	**26**	84
Non-banking segment expenses	**(4)**	(4)
Profit from continuing operations	**22**	80
Segment profit after income tax – discontinued operations	**-**	365
General insurance corporate costs and joint venture income	**-**	(17)
Amortisation of acquisition intangible assets	**-**	(76)
Fair value remeasurement of assets and liabilities classified as held for sale	**-**	(106)
Consolidation eliminations	**-**	8
Income tax (expense) benefit	**-**	53
Profit from discontinued operations	**-**	227
Profit for the financial year	**22**	307
Segment assets	**62,250**	61,107
Consolidated total	**62,250**	61,107
Segment liabilities	**59,510**	58,202
Consolidated total	**59,510**	58,202

4.3. GEOGRAPHICAL SEGMENTS

The Group operates in one geographical segment being Australia. Revenue from overseas customers is not material to the Group.

4.4. 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. SUBSIDIARIES

ACQUISITIONS

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

DISPOSALS

The Group did not dispose of any investment in subsidiaries during the financial year ended 30 June 2012.

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 was recognised in the common control reserve.

5.2. 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

During the period, the Group disposed of its 50% interest in the Polaris Data Centre joint venture asset. The investment in the joint venture asset was classified as property, plant and equipment, with a carrying amount of $69 million. A gain on sale of $34 million has been recognised in other income.

Notes to the consolidated financial statements

For the financial year ended 30 June 2012 (continued)

6. INCOME

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Interest income				
Cash and cash equivalents	**17**	28	**17**	28
Trading securities [1]	**195**	296	**195**	296
Investment securities	**353**	306	**353**	306
Loans, advances and other receivables	**3,460**	3,774	**3,406**	3,709
	4,025	4,404	**3,971**	4,339
Interest expense				
Deposits and short-term borrowings[1]	**(2,008)**	(1,929)	**(2,010)**	(1,947)
Derivatives	**(365)**	(597)	**(365)**	(597)
Securitisation liabilities	**(214)**	(243)	**-**	-
Debt issues	**(410)**	(593)	**(412)**	(593)
Subordinated notes	**(54)**	(82)	**(54)**	(82)
Preference shares	**(46)**	(50)	**(46)**	(50)
	(3,097)	(3,494)	**(2,887)**	(3,269)
Net interest income	**928**	910	**1,084**	1,070
Other operating income				
Banking fee and commission income	**186**	196	**180**	192
Banking fee and commission expense	**(90)**	(78)	**(89)**	(78)
Net banking fee and commission expense	**96**	118	**91**	114
Dividends	**-**	-	**89**	315
Net profits on derivative and other financial instruments: [2,3]				
Realised	**(23)**	-	**(19)**	-
Unrealised	**5**	10	**5**	10
Gain on disposal of property, plant and equipment	**34**	-	**-**	-
Other fees and commissions	**-**	-	**252**	255
Other revenue	**1**	4	**-**	-
	17	14	**327**	580
Total other operating income	**113**	132	**418**	694
Total net operating income	**1,041**	1,042	**1,502**	1,764

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 $196 million (2011: $296 million) and liabilities designated at fair value through profit and loss of $25 million (2011: $21 million) respectively for both Company and Consolidated.

2. Included within net profits on derivatives and other financial instruments for both Company and Consolidated are losses on derivatives held in qualifying fair value hedging relationships of $74 million (2011: $36 million) and gains representing changes in fair value of the hedged items attributable to the hedged risk of $74 million (2011: $35 million).

3. Net gains (losses) on financial assets and liabilities carried at fair value through profit and loss are those related to trading assets of $nil (2011: ($1 million)) and liabilities designated at fair value through profit and loss of $nil (2011: ($1 million)) respectively for both Company and Consolidated.

7. EXPENSES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Staff expenses				
Wages, salaries and other staff costs	**343**	324	**343**	324
	343	324	**343**	324
Occupancy and equipment expenses				
Operating lease rentals	**67**	59	**67**	62
Other	**-**	3	**-**	3
	67	62	**67**	65
Information technology and communication	**43**	31	**43**	31
Depreciation and amortisation				
Depreciation	**40**	44	**40**	44
	40	44	**40**	44
Other expenses				
Advertising and promotion expenses	**35**	37	**35**	37
Inter-group expenses	**-**	-	**446**	516
Financial expenses	**14**	12	**14**	12
Other	**61**	67	**81**	48
	110	116	**576**	613
Total operating expenses	**603**	577	**1,069**	1,077

Operating expenses such as staff expenses and depreciation and amortisation are incurred directly by Suncorp Group's corporate service subsidiaries and recharged to the Group via an internal allocation methodology.

Notes to the consolidated financial statements
For the financial year ended 30 June 2012 (continued)

8. INCOME TAX

8.1 INCOME TAX EXPENSE

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Profit before tax	**33**	491	**34**	369
Income tax using the domestic corporation tax rate of 30% (2011: 30%)	**10**	147	**10**	111
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses	**14**	18	**12**	18
Imputation gross-up on dividends received	**-**	1	**-**	-
Income tax offsets and credits	**-**	(2)	**-**	-
Intercompany dividend elimination	**-**	-	**(26)**	(94)
Amortisation of intangible assets on acquisition	**-**	4	**-**	-
Other	**(12)**	19	**-**	-
	12	187	**(4)**	35
(Over) provision in prior years	**(1)**	(3)	**(1)**	(1)
Income tax expense (benefit) on profit before tax	**11**	184	**(5)**	34
Income tax expense (benefit) recognised in profit or loss consists of:				
Income tax from continuing operations	**36**	52	**10**	27
Temporary differences from deferred tax (benefit) expense	**(21)**	6	**(11)**	10
Adjustment for prior years	**(4)**	2	**(4)**	(3)
Total income tax expense (benefit) attributable to continuing operations	**11**	60	**(5)**	34
Income tax from discontinued operations	**-**	204	**-**	-
Temporary differences from deferred tax expense	**-**	(65)	**-**	-
Adjustment for prior years	**-**	(15)	**-**	-
Total income tax expense (benefit) attributable to discontinuing operations	**-**	124	**-**	-
Total income tax expense (benefit) recognised in the profit or loss	**11**	184	**(5)**	34

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 of the Company for the current and previous years has been assumed by Suncorp Group Limited and there is no current tax liability in the Company.

8.3 DEFERRED TAX ASSETS AND LIABILITIES

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
CONSOLIDATED	**2012**	2011	**2012**	2011	**2012**	2011
	$m	$m	**$m**	$m	**$m**	$m
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Other investments	**68**	12	**-**	-	**68**	12
Provisions	**164**	170	**-**	-	**164**	170
Other items	**10**	17	**(1)**	(17)	**9**	-
Tax assets (liabilities)	**242**	199	**(1)**	(17)	**241**	182
Set-off of tax	**(1)**	(17)	**1**	17	**-**	-
Net tax assets	**241**	182	**-**	-	**241**	182
Movements						
Balance at the beginning of the financial year	**199**	447	**(17)**	(346)		
(Charged) credited to profit or loss	**43**	(54)	**(22)**	113		
Credited (charged) to equity	**-**	-	**38**	(24)		
Acquisition/disposal of subsidiaries	**-**	(194)	**-**	240		
Balance at the end of the financial year	**242**	199	**(1)**	(17)		

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		NET	
COMPANY	**2012**	2011	**2012**	2011	**2012**	2011
	$m	$m	**$m**	$m	**$m**	$m
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Other investments	**68**	18	**-**	-	**68**	18
Provisions	**162**	169	**-**	-	**162**	169
Other items	**14**	10	**(11)**	(15)	**3**	(5)
Tax assets (liabilities)	**244**	197	**(11)**	(15)	**233**	182
Set-off of tax	**(11)**	(15)	**11**	15	**-**	-
Net tax assets (liabilities)	**233**	182	**-**	-	**233**	182
Movements						
Balance at the beginning of the financial year	**197**	252	**(15)**	(22)		
(Charged) credited to profit or loss	**47**	(46)	**(36)**	36		
Credited (charged) to equity	**-**	-	**40**	(29)		
Transfer to ultimate parent entity	**-**	(9)	**-**	-		
Balance at the end of the financial year	**244**	197	**(11)**	(15)		

There are no unrecognised deferred tax assets and liabilities.

Notes to the consolidated financial statements
For the financial year ended 30 June 2012 (continued)

8. INCOME TAX (CONTINUED)

8.4 DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Deferred tax recognised directly in equity				
Relating to available-for-sale financial assets	**(18)**	9	**(18)**	9
Relating to cash flow hedges	**(20)**	15	**(22)**	20
	(38)	24	**(40)**	29

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.

9. DIVIDENDS

COMPANY	**2012**		2011	
	Cents per share	**$m**	Cents per share	$m
Dividend payments on ordinary shares				
2011 final dividend (2011: 2010 final dividend)	**25**	**46**	20	256
2012 interim dividend (Jun 11: 2011 interim dividend)	**24**	**55**	-	-
Special dividend[1]	**215**	**400**	-	-
Total dividends on ordinary shares		**501**		256
Dividends not recognised in the statements of financial position				
Since financial year end, the 2012 final dividend (2011: 2011 final dividend) has been proposed	**-**	**-**	-	-
		-		-

Note: 1. Special dividend paid to the parent entity on 30 September 2011 with concurrent equal investment in new ordinary shares of the Company.

Dividends have been franked at 0% (2011: fully franked at 30%). The franked portion of the 2010 final dividend was franked out of existing franking credits. Franking credits were transferred to Suncorp Group Limited as part of the restructure.

The Group is a member of a tax-consolidated group. Suncorp Group Limited, being the head company of the tax-consolidated group, operates a single franking account for the tax-consolidated group. As such, the Group does not have any franking credits available for use in subsequent financial years (2011: $nil).

10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Cash and balances with the central bank	**104**	125	**104**	122
Other money market placements	**445**	220	**445**	220
Total cash and cash equivalents	**549**	345	**549**	342
Cash and cash equivalents at the end of the financial year in the statements of cash flows is represented by:				
Cash and cash equivalents	**549**	345	**549**	342
Add: Receivables due from other banks	**154**	226	**154**	226
Less: Payables due to other banks	**(41)**	(31)	**(41)**	(31)
	662	540	**662**	537

11. TRADING SECURITIES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Trading securities – current				
Financial assets at fair value through profit and loss				
Interest-bearing securities: Bank bills, certificates of deposits and other negotiable securities	**4,787**	4,952	**4,787**	4,952
Total trading securities	**4,787**	4,952	**4,787**	4,952

12. DERIVATIVES

CONSOLIDATED	2012			2011		
		FAIR VALUE			FAIR VALUE	
	NOTIONAL VALUE	ASSET	LIABILITY	NOTIONAL VALUE	ASSET	LIABILITY
	$m	$m	$m	$m	$m	$m
Exchange rate-related contracts						
Forward foreign exchange contracts	**4,628**	**11**	**(81)**	5,117	19	(58)
Cross currency swaps	**6,979**	**72**	**(1,822)**	8,853	88	(2,306)
Currency options	**17**	**-**	**-**	27	-	-
	11,624	**83**	**(1,903)**	13,997	107	(2,364)
Interest rate-related contracts						
Forward rate agreements	**100**	**-**	**-**	1,000	-	-
Interest rate swaps	**61,583**	**337**	**(465)**	45,607	124	(218)
Interest rate futures	**2,811**	**4**	**(1)**	2,905	2	(1)
Interest rate options	**182**	**-**	**-**	240	-	-
	64,676	**341**	**(466)**	49,752	126	(219)
Total derivative exposures	**76,300**	**424**	**(2,369)**	63,749	233	(2,583)

COMPANY	2012			2011		
		FAIR VALUE			FAIR VALUE	
	NOTIONAL VALUE	ASSET	LIABILITY	NOTIONAL VALUE	ASSET	LIABILITY
	$m	$m	$m	$m	$m	$m
Exchange rate-related contracts						
Forward foreign exchange contracts	**4,628**	**11**	**(81)**	5,117	19	(58)
Cross currency swaps	**6,376**	**72**	**(1,678)**	8,089	88	(2,164)
Currency options	**17**	**-**	**-**	27	-	-
	11,021	**83**	**(1,759)**	13,233	107	(2,222)
Interest rate-related contracts						
Forward rate agreements	**100**	**-**	**-**	1,000	-	-
Interest rate swaps	**61,583**	**337**	**(465)**	45,607	124	(218)
Interest rate futures	**2,811**	**4**	**(1)**	2,905	2	(1)
Interest rate options	**182**	**-**	**-**	240	-	-
	64,676	**341**	**(466)**	49,752	126	(219)
Total derivative exposures	**75,697**	**424**	**(2,225)**	62,985	233	(2,441)

13. INVESTMENT SECURITIES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Investments at cost				
Shares in subsidiaries	**-**	-	**40**	52
	-	-	**40**	52
Available-for-sale financial assets				
Interest-bearing securities	**2,522**	5,731	**2,522**	5,731
Unit trusts	**14**	11	**-**	-
	2,536	5,742	**2,522**	5,731
Held-to-maturity investments				
Interest-bearing securities	**3,772**	-	**3,772**	-
	3,772	-	**3,772**	-
Total investment securities	**6,308**	5,742	**6,334**	5,783
Current	**14**	212	**-**	253
Non-current	**6,294**	5,530	**6,334**	5,530
Total investment securities	**6,308**	5,742	**6,334**	5,783

During the financial year ended 30 June 2012, $2,967 million of available-for-sale financial assets were reclassified to held-to-maturity investments as a result of change in intention to hold these investments to maturity.

14. LOANS, ADVANCES AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Financial assets at amortised cost				
Housing loans [1]	**33,955**	30,994	**33,955**	30,994
Consumer loans	**482**	558	**482**	558
Business loans	**13,392**	15,373	**12,954**	14,758
Other lending [2]	**1,918**	2,333	**1,946**	2,332
Loans to related parties	**201**	370	**201**	370
	49,948	49,628	**49,538**	49,012
Provision for impairment	**(537)**	(564)	**(530)**	(553)
Total loans, advances and other receivables	**49,411**	49,064	**49,008**	48,459
Current	**7,581**	9,587	**7,510**	9,391
Non-current	**41,830**	39,477	**41,498**	39,068
Total loans, advances and other receivables	**49,411**	49,064	**49,008**	48,459

Notes: 1. Includes securitised home loan balances of $4,178 million (2011: $3,980 million) which has an equivalent securitised liability.

2. Includes $1,890 million (2011: $2,274 million) pledged as collateral for derivative liabilities which are governed by standard International Swaps and Derivatives Association (ISDA) agreements.

FINANCE LEASE RECEIVABLES

Included in business loans are the following finance lease receivables:

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Gross investment in finance lease receivables:				
Less than one year	**203**	403	**-**	-
Between one and five years	**298**	392	**-**	-
More than five years	**-**	3	**-**	-
	501	798	**-**	-
Unearned future income on finance leases	**(60)**	(83)	**-**	-
Net investment in finance lease receivables	**441**	715	**-**	-
Net investment in finance lease receivables:				
Less than one year	**195**	387	**-**	-
Between one and five years	**246**	327	**-**	-
More than five years	**-**	1	**-**	-
	441	715	**-**	-

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	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Loans, advances and other receivables				
Collective provision				
Balance at the beginning of the financial year	**177**	201	**172**	194
(Credit) charge against impairment losses	**(32)**	(24)	**(31)**	(22)
Balance at the end of the financial year	**145**	177	**141**	172
Specific provision				
Balance at the beginning of the financial year	**387**	471	**381**	463
Charge against impairment losses	**406**	329	**406**	326
Impaired assets written off	**(255)**	(252)	**(253)**	(248)
Increase in specific provision for impairment	**151**	77	**153**	78
Unwind of discount	**(146)**	(161)	**(145)**	(160)
Balance at the end of the financial year	**392**	387	**389**	381
Total provision for impairment – loans, advances and other receivables	**537**	564	**530**	553

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Impairment expense on loans, advances and other receivables				
(Decrease) increase in collective provision for impairment	**(32)**	(24)	**(31)**	(22)
Increase in specific provision for impairment	**406**	329	**406**	326
Bad debts written off	**39**	25	**32**	19
Bad debts recovered	**(8)**	(5)	**(8)**	(5)
Total impairment expense – loans, advances and other receivables	**405**	325	**399**	318

Notes to the consolidated financial statements
For the financial year ended 30 June 2012 (continued)

16. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL	LAND AND BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
CONSOLIDATED	**2012**	**2012**	**2012**	**2012**	2011	2011	2011	2011
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Gross carrying amount	-	-	-	-	69	-	-	69
Balance at the end of the financial year	-	-	-	-	69	-	-	69
Movements								
Balance at the beginning of the financial year	**69**	-	-	**69**	100	112	146	358
Additions	-	-	-	-	-	-	37	37
Disposals	**(69)**	-	-	**(69)**	-	(1)	(12)	(13)
Depreciation	-	-	-	-	(1)	(13)	(30)	(44)
Transfers between categories	-	-	-	-	-	5	(5)	-
Disposal of subsidiaries	-	-	-	-	(30)	(103)	(136)	(269)
Balance at the end of the financial year	-	-	-	-	69	-	-	69

The Company's property, plant and equipment was $nil (2011: $nil).

17. OTHER ASSETS

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Deferred expenditure – lease brokerage	**2**	3	**-**	-
Current tax receivable	**-**	-	**-**	16
Accrued income	**118**	130	**116**	127
Prepayments	**10**	18	**10**	18
Sundry assets	**184**	77	**163**	63
Development property	**36**	37	**-**	-
Total other assets	**350**	265	**289**	224
Current	**314**	228	**289**	224
Non-current	**36**	37	**-**	-
Total other assets	**350**	265	**289**	224

18. DEPOSITS AND SHORT-TERM BORROWINGS

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Unsecured				
Financial liabilities at amortised cost				
Call deposits	**10,098**	9,520	**10,149**	9,589
Term deposits	**19,960**	18,393	**19,960**	18,393
Short-term securities issued	**7,466**	7,296	**7,466**	7,296
Offshore borrowings at amortised cost	**305**	198	**305**	198
Designated at fair value through profit and loss				
Offshore borrowings	**3,715**	3,840	**3,715**	3,840
Total deposits and short-term borrowings – current	**41,544**	39,247	**41,595**	39,316

Deposits and short-term borrowings outstanding at 30 June 2012 of $nil (2011: $301 million) have been obtained under repurchase agreements with the Reserve Bank of Australia.

19. PAYABLES AND OTHER LIABILITIES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Accrued interest payable	**493**	506	**485**	496
Trade creditors and accrued expenses	**141**	117	**129**	110
Payables due to related parties	**57**	211	**57**	211
Other liabilities	**-**	46	**-**	46
Total payables and other liabilities	**691**	880	**671**	863
Current	**691**	880	**671**	863
Non-current	**-**	-	**-**	-
Total payables and other liabilities	**691**	880	**671**	863

20. SECURITISATION LIABILITIES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Secured				
Class A1 Notes AUD	**2,030**	1,772	**-**	-
Class A2 Notes AUD	**548**	299	**-**	-
Class A2 Notes EUR	**453**	620	**-**	-
Class A3 Notes AUD	**694**	820	**-**	-
Class B Notes AUD	**114**	123	**-**	-
Total securitisation liabilities	**3,839**	3,634	**-**	-
Current	**1,031**	951	**-**	-
Non-current	**2,808**	2,683	**-**	-
Total securitisation liabilities	**3,839**	3,634	**-**	-

21. DEBT ISSUES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Borrowings at amortised cost				
Offshore borrowings	**4,334**	5,333	**4,334**	5,343
Domestic borrowings	**3,666**	4,818	**3,672**	4,818
Total unsecured debt issues	**8,000**	10,151	**8,006**	10,161
Domestic covered bonds issued	**1,598**	-	**1,598**	-
Total secured debt issues	**1,598**	-	**1,598**	-
Total debt issues	**9,598**	10,151	**9,604**	10,161
Current	**3,086**	2,522	**3,092**	2,522
Non-current	**6,512**	7,629	**6,512**	7,639
Total debt issues	**9,598**	10,151	**9,604**	10,161

Covered bonds issued are guaranteed by the Covered Bond Guarantor and are secured over a covered pool which consists of $2,139 million of loans, advances and other receivables. The Covered Bond Guarantor can take possession of the cover pool under certain Title Perfection Events, as detailed in clause 6.1 of the Mortgage Sale Deed.

22. SUBORDINATED NOTES

CONSOLIDATED AND COMPANY	Due date	First call	2012 $m	2011 $m
Finanical liabilities at amortised cost				
Fixed rate notes (USD)	June 2013		**104**	99
Fixed rate notes (GBP)	October 2017	October 2012	**392**	400
Fixed rate notes (EUR)	October 2011	October 2011	**-**	177
Perpetual floating rate notes			**170**	170
Total subordinated notes			**666**	846
Current			**496**	177
Non-current			**170**	669
Total subordinated notes			**666**	846

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.

23. PREFERENCE SHARES

CONSOLIDATED AND COMPANY	2012 No. of shares	2011 No. of shares	2012 $m	2011 $m
Reset preference shares each fully paid	**304,063**	1,022,582	**30**	102
Convertible preference shares each fully paid	**7,350,000**	7,350,000	**732**	728
Total preference shares	**7,654,063**	8,372,582	**762**	830
Current			**732**	102
Non-current			**30**	728
Total preference shares			**762**	830

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.

23.1 RESET PREFERENCE SHARES

The reset preference shares (RPS) are perpetual, paying fixed non-cumulative dividends with certain terms periodically reset. Holders have an option on each reset date to request the preference shares be exchanged. Once a holders' exchange request is received, the Company has the option to elect to exchange for cash or Company ordinary shares 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 (subject to APRA approval).

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.

RPS reset on 14 September 2011 with 718,519 exchange requests received and exchanged for $72 million in cash. The Suncorp Group restructure in the prior financial year was a Control Event as defined in the RPS terms, triggering an option for holders to request exchange. 418,046 exchange requests were received and exchanged for $42 million in cash on 23 March 2011. The exchanged RPS were cancelled on the respective exchange dates. The next reset date is 14 September 2016.

23.2 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 was amended to substitute 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.

Notes to the consolidated financial statements

For the financial year ended 30 June 2012 (continued)

23. PREFERENCE SHARES (CONTINUED)

23.3 PREFERENCE SHARES DIVIDENDS PAID

CONSOLIDATED AND COMPANY	2012		2011	
	Cents per share	$m	Cents per share	$m
Recognised as interest expense				
Reset preference shares				
Period from March to September	**255**	**3**	255	4
Period from September to March	**210**	**1**	251	4
Total dividends on reset preference shares		**4**		8
Convertible preference shares				
September quarter	**145**	**11**	142	10
December quarter	**141**	**10**	140	10
March quarter	**134**	**10**	143	11
June quarter	**136**	**10**	144	11
Total dividends on convertible preference shares		**41**		42

24. SHARE CAPITAL

	CONSOLIDATED		COMPANY	
	2012	2011	2012	2011
	$m	$m	$m	$m
Issued capital				
Balance at the beginning of the financial year	**1,789**	12,675	**1,789**	12,675
Shares issued	**400**	-	**400**	-
Share buyback	**-**	(10,886)	**-**	(10,886)
Balance at the end of the financial year	**2,189**	1,789	**2,189**	1,789
Share-based payments				
Balance at the beginning of the financial year	**-**	53	**-**	53
Share-based remuneration	**-**	5	**-**	5
Transfer arising from restructure	**-**	(58)	**-**	(58)
Balance at the end of the financial year	**-**	-	**-**	-
Treasury shares				
Balance at the beginning of the financial year	**-**	(110)	**-**	-
Treasury shares movements	**-**	(9)	**-**	-
Disposal of subsidiaries	**-**	119	**-**	-
Balance at the end of the financial year	**-**	-	**-**	-
Total share capital	**2,189**	1,789	**2,189**	1,789

CONSOLIDATED AND COMPANY	2012	2011
	NUMBER	NUMBER
Ordinary Shares		
Balance at the beginning of the financial year	**185,634,572**	1,281,390,524
Issued to parent entity	**40,000,000**	-
Share buyback	**-**	(1,095,755,952)
Balance at end of financial year	**225,634,572**	185,634,572

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.

25. RESERVES

	NOTE	CONSOLIDATED 2012 $m	CONSOLIDATED 2011 $m	COMPANY 2012 $m	COMPANY 2011 $m
Equity reserve for credit losses					
Balance at the beginning of the financial year		**157**	226	**157**	226
Transfer to retained profits		**(10)**	(69)	**(10)**	(69)
Balance at the end of the financial year		**147**	157	**147**	157
Hedging reserve					
Balance at the beginning of the financial year		**(66)**	(106)	**(68)**	(124)
Amount recognised in equity		**(59)**	45	**(64)**	62
Amount transferred from equity to profit or loss		**(5)**	14	**(5)**	14
Disposal of subsidiaries		**-**	(4)	**-**	-
Income tax benefit (expense)	8.4	**20**	(15)	**22**	(20)
Balance at the end of the financial year		**(110)**	(66)	**(115)**	(68)
Assets available-for-sale reserve					
Balance at the beginning of the financial year		**38**	15	**37**	15
Change in fair value recognised in equity		**(53)**	51	**(53)**	50
Change in fair value transferred from equity to profit or loss		**(7)**	(19)	**(7)**	(19)
Income tax benefit (expense)	8.4	**18**	(9)	**18**	(9)
Balance at the end of the financial year		**(4)**	38	**(5)**	37
Foreign currency translation reserve					
Balance at the beginning of the financial year		**-**	(61)	**-**	-
Exchange differences on translation of foreign operations		**-**	(51)	**-**	-
Disposal of subsidiaries		**-**	112	**-**	-
Balance at the end of the financial year		**-**	-	**-**	-
Common control reserve					
Balance at the beginning of the financial year		**(372)**	-	**-**	-
Disposal of subsidiaries		**-**	(372)	**-**	-
Balance at the end of the financial year		**(372)**	(372)	**-**	-
Total reserves		**(339)**	(243)	**27**	126

EQUITY RESERVE FOR CREDIT LOSSES

The equity 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.

26. CAPITAL

26.1 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.

The Group capital adequacy position is set out below:

CONSOLIDATED	2012	2011
	$m	$m
Tier 1		
Fundamental Tier 1		
Ordinary share capital	**2,189**	1,789
Retained profits	**517**	902
	2,706	2,691
Residual Tier 1		
Reset preference shares	**30**	102
Convertible preference shares	**735**	736
Preference shares not eligible for inclusion in Tier 1	**-**	(15)
	765	823
Tier 1 deductions		
Goodwill and other intangibles arising on acquisition	**(27)**	(29)
Tier 1 deductions for investments in subsidiaries, capital support	**(13)**	(18)
Other Tier 1 deductions	**(244)**	(176)
	(284)	(223)
Total Tier 1 capital	**3,187**	3,291
Tier 2		
Upper Tier 2		
APRA general reserve for credit losses	**221**	248
Perpetual subordinated notes	**170**	170
Asset revaluation reserves	**-**	17
Preference shares not eligible for inclusion in Tier 1	**-**	15
	391	450
Lower Tier 2		
Subordinated notes	**614**	883
Tier 2 deductions for investments in subsidiaries, capital support	**(13)**	(18)
Total Tier 2 capital	**992**	1,315
Capital base	**4,179**	4,606
Total assessed risk	**33,050**	34,366
	%	**%**
Risk-weighted capital ratios		
Tier 1	**9.64**	9.57
Tier 2	**3.00**	3.83
Total risk-weighted capital ratio	**12.64**	13.40

RISK-WEIGHTED ASSETS

	CARRYING VALUE		RISK-WEIGHTED BALANCE	
CONSOLIDATED	**2012**	2011	**2012**	2011
	$m	$m	**$m**	$m
Assets				
Cash items	**161**	210	**13**	20
Claims on Australian and foreign governments	**1,285**	448	**-**	5
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	**5,954**	6,338	**1,191**	1,268
Claims secured against eligible residential mortgages	**32,284**	29,756	**12,900**	12,087
Past due claims	**2,262**	2,540	**3,041**	3,409
Other assets and claims	**12,107**	14,666	**10,857**	13,125
Total banking assets	**54,053**	53,958	**28,002**	29,914

	NOTIONAL VALUE	CREDIT EQUIVALENT	RISK-WEIGHTED BALANCE	
	2012	**2012**	**2012**	2011
	$m	**$m**	**$m**	$m
Off balance sheet positions				
Guarantees entered into in the normal course of business	**161**	**152**	**152**	144
Commitments to provide loans and advances	**6,122**	**1,366**	**830**	729
Foreign exchange contracts	**11,021**	**258**	**79**	112
Interest rate contracts	**67,170**	**254**	**191**	94
	84,474	**2,030**	**1,252**	1,079
Market risk capital charge			**462**	363
Operational risk capital charge			**3,334**	3,010
Total off balance sheet positions			**1,252**	1,079
Total on balance sheet risk-weighted assets			**28,002**	29,914
Total assessed risk			**33,050**	34,366

26.2. 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.

The Company 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 Limited and its subsidiaries use the standardised framework for calculating RWA in accordance with the relevant prudential standards.

26. CAPITAL (CONTINUED)

26.2 CAPITAL MANAGEMENT (CONTINUED)

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 12.64% (2011: 13.40%).

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

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

27.1 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 3.1.10(a).

- Trading securities
- Certain investment securities designated as available-for-sale
- 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			
	2012		2011		**2012**		2011	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	$m	**$m**	$m	$m	**$m**	**$m**	$m	$m
Financial assets								
Loans, advances and other receivables	**49,411**	**49,632**	49,064	49,225	**49,008**	**49,180**	48,459	48,629
Investment securities	**3,772**	**3,757**	-	-	**3,772**	**3,757**	-	-
Financial liabilities								
Deposits and short-term borrowings	**37,829**	**37,660**	35,407	35,437	**37,880**	**37,660**	35,476	35,437
Securitisation liabilities	**3,839**	**3,839**	3,634	3,634	**-**	**-**	-	-
Debt issues	**9,598**	**9,643**	10,151	10,213	**9,604**	**9,643**	10,161	10,213
Subordinated notes	**666**	**666**	846	846	**666**	**666**	846	846
Preference shares	**762**	**750**	830	850	**762**	**750**	830	850

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.

Fair value of held-to-maturity investments are determined based on quoted market price where available. Where quoted prices are not available, alternative valuation techniques are used.

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 is 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 of non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months approximate their 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 and payables and other liabilities are short term in nature, their carrying value approximates fair value.

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.

27.2 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.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
CONSOLIDATED	**2012**	**2012**	**2012**	**2012**	2011	2011	2011	2011
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Financial assets								
Trading securities	**-**	**4,787**	**-**	**4,787**	-	4,952	-	4,952
Investment securities	**-**	**2,522**	**14**	**2,536**	-	5,731	11	5,742
Derivatives	**4**	**324**	**96**	**424**	2	196	35	233
	4	**7,633**	**110**	**7,747**	2	10,879	46	10,927
Financial liabilities								
Deposits and short-term borrowings	**-**	**(3,715)**	**-**	**(3,715)**	-	(3,840)	-	(3,840)
Derivatives	**(1)**	**(2,146)**	**(222)**	**(2,369)**	(1)	(2,419)	(164)	(2,583)
	(1)	**(5,861)**	**(222)**	**(6,084)**	(1)	(6,259)	(164)	(6,423)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
COMPANY	**2012**	**2012**	**2012**	**2012**	2011	2011	2011	2011
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Financial assets								
Trading securities	**-**	**4,787**	**-**	**4,787**	-	4,952	-	4,952
Investment securities	**-**	**2,522**	**-**	**2,522**	-	5,731	-	5,731
Derivatives	**4**	**324**	**96**	**424**	2	196	35	233
	4	**7,633**	**96**	**7,733**	2	10,879	35	10,916
Financial liabilities								
Deposits and short-term borrowings	**-**	**(3,715)**	**-**	**(3,715)**	-	(3,840)	-	(3,840)
Derivatives	**(1)**	**(2,146)**	**(78)**	**(2,225)**	(1)	(2,419)	(22)	(2,441)
	(1)	**(5,861)**	**(78)**	**(5,940)**	(1)	(6,259)	(22)	(6,281)

There have been no significant transfers between Level 1 and Level 2 during the financial year (2011: nil).

27. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

27.2 FAIR VALUE HIERARCHY (CONTINUED)

Level 3 investment securities for both financial years consist of holdings in unlisted unit trusts which have suspended daily redemptions. The valuation methodology used for these Level 3 investment securities is based on the latest available redemption price published by the external manager for the unlisted unit trusts.

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.

The following table discloses the movements in financial instruments classified as Level 3 in the fair value hierarchy:

FINANCIAL INSTRUMENTS CLASSIFIED AS LEVEL 3 IN THE FAIR VALUE HIERARCHY	ASSET		LIABILITY		ASSET		LIABILITY	
	INVESTMENT SECURITIES	DERIVATIVES	MANAGED FUNDS UNITS ON ISSUE	DERIVATIVES	INVESTMENT SECURITIES	DERIVATIVES	MANAGED FUNDS UNITS ON ISSUE	DERIVATIVES
CONSOLIDATED	**2012**	**2012**	**2012**	**2012**	2011	2011	2011	2011
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Balance at the beginning of the financial year	**11**	**35**	**-**	**(164)**	67	48	(15)	(168)
Total gains or losses included in profit or loss for the financial year[1]								
General insurance investment income								
– insurance funds	**-**	**-**	**-**	**-**	(3)	-	-	-
– shareholder funds	**-**	**-**	**-**	**-**	(3)	-	-	-
Life insurance investment income	**-**	**-**	**-**	**-**	1	-	-	-
Other revenue	**-**	**-**	**-**	**-**	-	-	8	-
Change in fair value recognised in other operating income	**-**	**62**	**-**	**(58)**	11	(13)	-	17
Change in fair value recognised in equity	**-**	**-**	**-**	**(4)**	-	-	-	(13)
Transfer out to level 2	**-**	**-**	**-**	**-**	4	-	-	-
Purchases	**3**	**-**	**-**	**-**	-	-	-	-
Sales	**-**	**(1)**	**-**	**4**	(3)	-	-	-
Issues	**-**	**-**	**-**	**-**	(1)	-	-	-
Settlements	**-**	**-**	**-**	**-**	(19)	-	-	-
Disposal of subsidiaries	**-**	**-**	**-**	**-**	(43)	-	7	-
Balance at the end of the financial year	**14**	**96**	**-**	**(222)**	11	35	-	(164)

Note: 1. All transactions other than those related to General insurance and Life relate to assets and liabilities held as at the end of the financial year.

FINANCIAL INSTRUMENTS CLASSIFIED AS LEVEL 3 IN THE FAIR VALUE HIERARCHY	ASSET	LIABILITY	ASSET	LIABILITY
	DERIVATIVES	DERIVATIVES	DERIVATIVES	DERIVATIVES
COMPANY	**2012**	**2012**	2011	2011
	$m	**$m**	$m	$m
Balance at the beginning of the financial year	**35**	**(22)**	48	(39)
Sales	**(1)**	**4**	-	-
Change in fair value recognised in other operating income	**62**	**(60)**	(13)	17
Balance at the end of the financial year	**96**	**(78)**	35	(22)

28. TRANSFERS OF FINANCIAL ASSETS

(A) ASSETS SOLD UNDER REPURCHASE AGREEMENTS

The Group has entered into repurchase agreements involving the sale of interest-bearing securities in exchange for cash and simultaneously agreeing to buy back the interest-bearing securities at a pre-agreed price on a future date.

In accordance with the agreements, the Group retains the rights to cash flows and credit risk associated with the transferred interest-bearing securities. As substantially all the risks and rewards of these interest-bearing securities remain with the Group, they continue to be recognised as a financial asset and the obligation to repurchase recognised as a financial liability.

(B) SECURITISATION

The Company conducts a loan securitisation program whereby eligible loans are packaged and sold as securities issued by special purpose trusts.

The Company receives the residual income from the Trusts while the interest rate risk associated with the loans is transferred back to the Company by way of fixed interest rate and basis swaps. As such, the Company is deemed to have retained substantially all of the risks and rewards associated with the loans and therefore continues to recognise them as financial assets. The obligation to repay this amount to the Trusts is recognised as a financial liability of the Company.

(C) COVERED BONDS

The Company also conducts a covered bond programs whereby it issues covered bonds which are secured by a cover pool of eligible loans and advances sold to a special purpose trust which guarantees the covered bonds.

The Company receives the residual income from the Trust while the interest rate risk associated with the cover pool is transferred back to the Company by way of a interest rate swap. As such, the Company is deemed to have retained substantially all of the risks and rewards associated with the loans and therefore continues to recognise them as financial assets. The obligation to repay this amount to the Trust is recognised as a financial liability of the Company.

The following table sets out the carrying amount of the transferred financial assets and the associated liabilities at the balance date:

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Interest-bearing securities:				
Loans, advances and other receivables	**-**	-	**5,834**	3,469
Trading securities	**-**	301	**-**	301
	-	301	**5,834**	3,770
Associated financial liabilities:				
Deposits and short-term borrowings	**-**	(301)	**-**	(301)
Due to subsidiaries	**-**	-	**(3,839)**	(3,634)
Debt issues	**-**	-	**(1,598)**	-
	-	(301)	**(5,437)**	(3,935)
For those liabilities that have recourse only to the transferred assets:				
Fair value of transferred financial assets	**-**	301	**3,695**	3,770
Fair value of associated financial liabilities	**-**	(301)	**(3,839)**	(3,935)
Net position	**-**	-	**(144)**	(165)

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 statements 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.

Notes to the consolidated financial statements
For the financial year ended 30 June 2012 (continued)

29. COMMITMENTS (CONTINUED)

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	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Notional amounts				
Guarantees entered into in the normal course of business	**161**	165	**161**	162
Commitments to provide loans and advances	**6,122**	6,062	**6,122**	6,062
	6,283	6,227	**6,283**	6,224
Credit equivalent amounts				
Guarantees entered into in the normal course of business	**152**	164	**152**	160
Commitments to provide loans and advances	**1,366**	1,252	**1,366**	1,252
	1,518	1,416	**1,518**	1,412

29.2 OPERATING LEASE EXPENDITURE COMMITMENTS

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Aggregate non-cancellable operating lease rental payable but not provided in the financial statements:				
Less than one year	**79**	97	**79**	97
Between one and five years	**158**	257	**158**	257
More than five years	**55**	93	**55**	93
	292	447	**292**	447

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 OPERATING LEASE RECEIVABLE COMMITMENTS

There are no operating lease receivable commitments in the current and prior financial years.

29.4 CAPITAL EXPENDITURE COMMITMENTS

There were no capital expenditure commitments in the current and prior financial years.

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 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 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 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.

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 areas (and staff)	• 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	All functions	• Design, implement and manage the ongoing maintenance of Group risk frameworks and 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	• 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 Group 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 & 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 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.
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.

31. RISK MANAGEMENT (CONTINUED)

31.1 GROUP RISK MANAGEMENT OBJECTIVES AND STRUCTURE (CONTINUED)

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.

31.2 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 tables within this section, except for derivatives which represent the current risk exposure (refer note 12).

Credit risk in the Group 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 Bank 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 Group'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 manages 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 International Swaps and Derivatives Association (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 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 statements 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.

31.2.1 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' and 'non-performing loans – not impaired'.

(A) 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.

(B) NON-PERFORMING LOANS – NOT IMPAIRED

These assets include all loans where repayments are past due by more than 90 days, but are not impaired.

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.

The following table provides information regarding the credit quality of the loans, advances and receivables of the Group. Performing loans represent loans that are neither past due more than 90 days nor impaired. Non-performing loans represent loans that are past due and not past due but impaired.

	PAST DUE > 90 DAYS	NOT PAST DUE OR PAST DUE < 90 DAYS
IMPAIRED	NON-PERFORMING LOANS	
NOT IMPAIRED		Performing loans

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Performing loans				
Loans, advances and other receivables	**47,522**	46,733	**47,127**	46,140
Includes amounts with renegotiated terms	**16**	3	**16**	3
Collective allowance for impairment	**(106)**	(130)	**(105)**	(129)
	47,432	46,606	**47,038**	46,014
Non-performing loans – not impaired				
Non-performing – not impaired	**320**	511	**319**	508
Collective allowance for impairment	**(39)**	(47)	**(36)**	(43)
	281	464	**283**	465
Non-performing loans – impaired				
Individually impaired	**2,090**	2,381	**2,076**	2,361
Specific allowance for impairment	**(392)**	(387)	**(389)**	(381)
	1,698	1,994	**1,687**	1,980
Total loans, advances and other receivables	**49,411**	49,064	**49,008**	48,459

31. RISK MANAGEMENT (CONTINUED)

31.2.1 CREDIT QUALITY (CONTINUED)

(C) 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 and 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	PAST DUE BUT NOT IMPAIRED					
	0-30 DAYS	30-60 DAYS	60-90 DAYS	90-180 DAYS	> 180 DAYS	TOTAL
	$m	$m	$m	$m	$m	$m
2012						
Loans, advances and other receivables						
Retail banking	**877**	**256**	**114**	**103**	**134**	**1,484**
Business banking	**138**	**25**	**222**	**74**	**9**	**468**
	1,015	**281**	**336**	**177**	**143**	**1,952**
2011						
Loans, advances and other receivables						
Retail banking	886	301	143	180	119	1,629
Business banking	134	109	45	201	11	500
	1,020	410	188	381	130	2,129

COMPANY	PAST DUE BUT NOT IMPAIRED					
	0-30 DAYS	30-60 DAYS	60-90 DAYS	90-180 DAYS	> 180 DAYS	TOTAL
	$m	$m	$m	$m	$m	$m
2012						
Loans, advances and other receivables						
Retail banking	**877**	**256**	**114**	**103**	**134**	**1,484**
Business banking	**138**	**25**	**215**	**73**	**9**	**460**
	1,015	**281**	**329**	**176**	**143**	**1,944**
2011						
Loans, advances and other receivables						
Retail banking	886	301	143	180	119	1,629
Business banking	134	103	42	198	11	488
	1,020	404	185	378	130	2,117

(D) RESTRUCTURED LOANS

Restructured loans are facilities whereby the original contract terms have been modified due to the financial difficulties or hardship of the customer. Examples of restructuring may include:

- reduction in principal, interest or other payments due; and
- a restructured maturity date to extend the period of repayment.

The carrying value of loans that would otherwise be past due or impaired where terms have been renegotiated is disclosed in note 31.2.1(b).

31.2.2 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 60% of the Group'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.

In the event of customer default, the Group can take possession of any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while the Group seeks to realise its value through the sale of the property. Therefore the Group does not hold any real estate or other assets acquired through the repossession of collateral.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

An estimate of the fair value of collateral and other security enhancements held by the Group against 'Non-performing loans – Impaired' is $2,106 million (2011: $2,305 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'.

Collateral and other credit enhancements held by the Group mitigates the maximum credit exposure to credit risk as detailed by the concentration on credit risk tables in note 31.2.4.

31.2.3 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.

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.

31.2.4 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 Group's corporate exposures (including direct and contingent exposures) which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital) are as follows:

CONSOLIDATED	2012	2011
	Number	Number
25 percent and greater	4	3
20 percent to less than 25 percent	1	-
15 percent to less than 20 percent	-	2
5 percent to less than 10 percent	5	4

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.

31. RISK MANAGEMENT (CONTINUED)

The following table discloses the Group's financial assets by industry credit concentration and impairment status:

CONSOLIDATED

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS[1]	DERIVATIVE INSTRUMENTS[1]	TOTAL RISK	INDIVIDUALLY PROVISIONED IMPAIRED ASSETS	PAST DUE > 90 DAYS BUT NOT IMPAIRED	TOTAL NOT PAST DUE OR IMPAIRED
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
2012										
Agribusiness	-	-	-	**3,644**	**124**	-	**3,768**	**202**	**24**	**3,542**
Construction and development	-	-	-	**2,345**	**77**	-	**2,422**	**1,264**	**26**	**1,132**
Financial services	**154**	**4,787**	**6,308**	**2,491**	**35**	**512**	**14,287**	-	-	**14,287**
Hospitality	-	-	-	**1,093**	**35**	-	**1,128**	**117**	**4**	**1,007**
Manufacturing	-	-	-	**453**	**25**	-	**478**	**14**	-	**464**
Professional services	-	-	-	**286**	**10**	-	**296**	**4**	**4**	**288**
Property investment	-	-	-	**3,129**	**62**	-	**3,191**	**369**	**6**	**2,816**
Real estate – Mortgage	-	-	-	**34,029**	**1,053**	-	**35,082**	**26**	**233**	**34,823**
Personal	-	-	-	**393**	**7**	-	**400**	-	**4**	**396**
Government and public authorities	-	-	-	**1**	-	-	**1**	-	-	**1**
Other commercial and industrial	-	-	-	**2,084**	**90**	-	**2,174**	**94**	**19**	**2,061**
Total gross credit risk	**154**	**4,787**	**6,308**	**49,948**	**1,518**	**512**	**63,227**	**2,090**	**320**	**60,817**
Impairment provisions							**(537)**	**(392)**	**(39)**	**(106)**
							62,690	**1,698**	**281**	**60,711**
2011										
Agribusiness	-	-	-	3,387	15	-	3,402	216	33	3,153
Construction and development	-	-	-	3,123	126	-	3,249	1,421	91	1,737
Financial services	226	4,952	5,742	5,002	30	503	16,455	-	-	16,455
Hospitality	-	-	-	1,143	-	-	1,143	49	7	1,087
Manufacturing	-	-	-	568	-	-	568	15	2	551
Professional services	-	-	-	363	-	-	363	5	2	356
Property investment	-	-	-	4,003	-	-	4,003	538	51	3,414
Real estate – Mortgage	-	-	-	29,332	1,150	-	30,482	21	293	30,168
Personal	-	-	-	354	-	-	354	-	6	348
Government and public authorities	-	-	-	3	-	-	3	-	-	3
Other commercial and industrial	-	-	-	2,350	95	-	2,445	116	26	2,303
Total gross credit risk	226	4,952	5,742	49,628	1,416	503	62,467	2,381	511	59,575
Impairment provisions							(564)	(387)	(47)	(130)
							61,903	1,994	464	59,445

Note: 1. Credit commitments and Derivative instruments represent the credit equivalent amount of the Group's off-balance sheet exposures calculated in accordance with APS 112.

COMPANY	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS[1]	DERIVATIVE INSTRUMENTS[1]	TOTAL RISK	INDIVIDUALLY PROVISIONED IMPAIRED ASSETS	PAST DUE > 90 DAYS BUT NOT IMPAIRED	TOTAL NOT PAST DUE OR IMPAIRED
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
2012										
Agribusiness	**-**	**-**	**-**	**3,644**	**124**	**-**	**3,768**	**199**	**24**	**3,545**
Construction and development	**-**	**-**	**-**	**2,359**	**77**	**-**	**2,436**	**1,262**	**25**	**1,149**
Financial services	**154**	**4,787**	**6,294**	**2,491**	**35**	**512**	**14,273**	**-**	**-**	**14,273**
Hospitality	**-**	**-**	**-**	**1,093**	**35**	**-**	**1,128**	**117**	**4**	**1,007**
Manufacturing	**-**	**-**	**-**	**453**	**25**	**-**	**478**	**12**	**-**	**466**
Professional services	**-**	**-**	**-**	**286**	**10**	**-**	**296**	**2**	**3**	**291**
Property investment	**-**	**-**	**-**	**3,129**	**62**	**-**	**3,191**	**369**	**6**	**2,816**
Real estate – Mortgage	**-**	**-**	**-**	**34,029**	**1,053**	**-**	**35,082**	**26**	**233**	**34,823**
Personal	**-**	**-**	**-**	**393**	**7**	**-**	**400**	**-**	**4**	**396**
Government and public authorities	**-**	**-**	**-**	**1**	**-**	**-**	**1**	**-**	**-**	**1**
Other commercial and industrial	**-**	**-**	**-**	**1,660**	**90**	**-**	**1,750**	**89**	**20**	**1,641**
Total gross credit risk	**154**	**4,787**	**6,294**	**49,538**	**1,518**	**512**	**62,803**	**2,076**	**319**	**60,408**
Impairment provisions							**(530)**	**(389)**	**(36)**	**(105)**
							62,273	**1,687**	**283**	**60,303**
2011										
Agribusiness	-	-	-	3,387	15	-	3,402	214	32	3,156
Construction and development	-	-	-	3,135	123	-	3,258	1,416	90	1,752
Financial services	226	4,952	5,731	3,154	30	503	14,596	-	-	14,596
Hospitality	-	-	-	1,143	-	-	1,143	49	7	1,087
Manufacturing	-	-	-	568	-	-	568	12	2	554
Professional services	-	-	-	363	-	-	363	2	1	360
Property investment	-	-	-	4,070	-	-	4,070	538	51	3,481
Real estate – Mortgage	-	-	-	31,180	1,150	-	32,330	21	293	32,016
Personal	-	-	-	354	-	-	354	-	6	348
Government and public authorities	-	-	-	3	-	-	3	-	-	3
Other commercial and industrial	-	-	-	1,655	95	-	1,750	109	26	1,615
Total gross credit risk	226	4,952	5,731	49,012	1,413	503	61,837	2,361	508	58,968
Impairment provisions							(553)	(381)	(43)	(129)
							61,284	1,980	465	58,839

Note: 1. Credit commitments and Derivative instruments represent the credit equivalent amount of the Group's off-balance sheet exposures calculated in accordance with APS 112.

31. RISK MANAGEMENT (CONTINUED)

31.3 MARKET RISK

Market risk is the risk that changes in market prices or volatilities, such as interest rates, foreign exchange rates, equities 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 to 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 by the Market Risk division and reported to the Bank Chief Risk Officer.

31.3.1 NON-TRADED FOREIGN EXCHANGE RISK

Non-traded foreign exchange risk can arise from having non-AUD items in the banking book, thereby exposing 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 financial derivatives (refer note 12).

31.3.2 TRADED MARKET RATE RISK

The 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, stress testing, scenario analysis, sensitivity limits and stop loss limits.

No one risk metric provides a single sufficient overview of risk and as such VaR forms only a part of the risk framework.

Supplementary risk measures, such as stress tests, sensitivity analysis and scenario analysis are undertaken to ensure a more complete overview of traded market risk for risk management. These measures are monitored and reported to the Bank Chief Risk Officer and Bank ALCO for management oversight.

VaR is a statistical estimate of potential loss using historically observed market volatility and correlations between different markets. 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 VaR for the Group's total interest rate and foreign exchange trading activities for the year are as follows:

CONSOLIDATED	2012			2011		
TRADED MARKET RISKS	INTEREST RATE TRADING DESK	FOREIGN EXCHANGE TRADING DESK	COMBINED RISK [1]	INTEREST RATE TRADING DESK	FOREIGN EXCHANGE TRADING DESK	COMBINED RISK [1]
	$m	$m	$m	$m	$m	$m
VaR at end of the period	**1.02**	**0.20**	**1.03**	0.60	0.45	0.82
Maximum VaR during the period	**1.34**	**0.94**	**1.32**	1.47	0.80	1.60
Minimun VaR during the period	**0.12**	**0.04**	**0.20**	0.41	0.04	0.43
Average VaR during the period	**0.36**	**0.42**	**0.58**	0.75	0.33	0.91

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.

31.3.3 NON-TRADED INTEREST RATE RISK – INTEREST RATE RISK IN THE BANKING BOOK

Non-traded market risk, specifically interest rate risk in the banking book (**IRRBB**), is defined as all on balance sheet items and all off-balance sheet items that create an interest rate risk exposure within the Group. It does not apply to market risk associated with trading book activities within the Group, which are covered in note 31.3.2 Traded market rate risk.

Interest rate risk arises from changes in interest rates that expose the Group to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB which includes:

- **Repricing risk:** the risk of loss of earnings and/or economic value as a result of changes in the overall levels of interest rates. This risk arises from mismatches in the interest rate repricing dates of banking book items;
- **Yield curve risk:** the risk of loss of earnings and/or economic value as a result of changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve). This risk arises from mismatches in the interest rate repricing dates of banking book items;
- **Basis risk:** the risk of loss of earnings and/or economic value as a result of differences between the actual and expected interest margins on banking book items, where 'margin' means the difference between the customer interest rate on the items and the implied cost of funds for those items; and
- **Optionality risk:** the risk of loss of earnings and/or economic value as the result of the existence of stand alone or embedded options, to the extent that the potential for those losses is not included in the measurement of repricing, yield curve or basis risks.

The main objective of IRRBB management is to maximise and stabilise net interest income and the net present value of the balance sheet over time, providing secure and sustainable net interest income in the long term.

The IRRBB framework was substantially enhanced in January 2012 as part of the transition to Basel II internal model accreditation. As a result, the methodology for measuring non-traded interest rate sensitivity has been amended. The sensitivity analyses presented in notes 31.3.5, 31.3.7 and 31.3.8 are prepared based the IRRBB framework applicable to the respective financial periods:

- for the financial year ended 30 June 2011 and for the six months ended 31 December 2011 – Risk appetite was set at a Group level (cash flows inclusive of customer margins), excluding the capital benchmark, and based on contractual pricing information irrespective of the behavioural profile of a position; and
- for the six months ended 30 June 2012 – Risk appetite is defined in terms of risk that can be taken inclusive of the capital benchmark at a transfer priced level. The risk management framework also incorporated behavioural modelling where contractual modelling was not appropriate, optionality risk and basis risk.

31.3.4 IRRBB – NET INTEREST INCOME SENSITIVITY (NIIS)

IRRBB exposures are generated by using underlying reconciled financial position data to generate cash flows using relevant interest rate curves, and a static balance sheet assumption. Contractual cash flows are generated except for products where expected behavioural cash flow modelling is more appropriate, and they are modelled with a profile and at a term that can be statistically supported.

As a measure of shorter term sensitivity, net interest income sensitivity (**NIIS**) measures the sensitivity of the banking book earnings over the next 12 months to an instantaneous parallel and non-parallel shock to the yield curve.

31.3.5 NIIS SCENARIO ANALYSIS

For all financial periods presented below, NIIS is measured using a 2% parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period. In previous financial reports, the sensitivity analysis was prepared using a 1% parallel shock to the yield curve. This assumption is revised as part of the transition to Basel II internal model accreditation.

The results are prepared based on the IRRBB framework applicable to the respective financial period as described in note 31.3.3:

CONSOLIDATED	SIX-MONTHS ENDED 30 JUN 2012 $m	SIX-MONTHS ENDED 31 DEC 2011 $m	YEAR ENDED 30 JUN 2011 $m
IRRBB NIIS (over 12 months) to an adverse 2% parallel or non-parallel instantaneous shock to the yield curve			
Exposure at end of the period	**(21)**	**(69)**	(26)
Average monthly exposure during the period	**(23)**	**(53)**	(31)
High month exposure during the period	**(38)**	**(69)**	(41)
Low month exposure during the period	**(10)**	**(29)**	(18)

31.3.6 IRRBB – PRESENT VALUE SENSITIVITY (PVS)

As a measure of longer term sensitivity, PVS measures the sensitivity of the present value of the net interest income at risk of all known future cash flows in the banking book, to an instantaneous parallel and non-parallel shock to the yield curve. All banking book exposures have their known future cash flows present valued from relevant interest rate curves.

31.3.7 PVS SCENARIO ANALYSIS

The following table indicates the potential adverse change in PVS of the Group's statements of financial position. For all financial periods presented below, the change in PVS is based on an adverse 2% parallel or non-parallel instantaneous shock to the yield curve. In previous financial reports, the sensitivity analysis was prepared using a 1% adverse shock. The assumption is revised as part of the transition to Basel II internal model accreditation.

The results are prepared based on the IRRBB framework applicable to the respective financial period as described in note 31.3.3.

CONSOLIDATED	SIX-MONTHS ENDED 30 JUN 2012 $m	SIX-MONTHS ENDED 31 DEC 2011 $m	YEAR ENDED 30 JUN 2011 $m
IRRBB PVS to an adverse 2% parallel or non-parallel instantaneous shock to the yield curve			
Exposure at end of the period	**(51)**	**(14)**	(20)
Average monthly exposure during the period	**(47)**	**(13)**	(17)
High month exposure during the period	**(57)**	**(14)**	(25)
Low month exposure during the period	**(29)**	**(12)**	(4)

31. RISK MANAGEMENT (CONTINUED)

31.3.8 VALUE AT RISK (VAR)

The 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 the banking book under a range of possible interest rate scenarios. The interest rate scenarios are derived from historical analysis of interest rates using a one month holding period, and the most adverse of either a 3 month or 2 year history set, at a 97.5% confidence level. A static balance sheet assumption is used.

The results are prepared based on the IRRBB framework applicable to the respective financial period as described in note 31.3.3:

CONSOLIDATED	SIX-MONTHS ENDED		YEAR ENDED
	30 JUN 2012	31 DEC 2011	30 JUN 2011
	$m	$m	$m
IRRBB – VaR – 1 month holding period, 97.5% confidence interval			
Exposure at end of the period	**(17)**	**(3)**	(6)
Average monthly exposure during the period	**(15)**	**(5)**	(8)
High month exposure during the period	**(19)**	**(11)**	(16)
Low month exposure during the period	**(10)**	**(3)**	(1)

31.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group has insufficient funds available to meet all its known and potential commitments on a going concern basis and in a name crisis situation.

Funding risk is the risk that the Group is unable to refinance itself to fund its business operations and growth plans.

The Group's liquidity risk is managed using a framework that includes going concern, name crisis scenario, LCR and NSFR analysis, minimum high quality liquid asset ratios, minimum liquid asset ratios, liquidity concentration limits and other supplementary management trigger limits.

The Group's funding risk is managed through the sourcing of retail deposits and long tem funding to provide the majority of core asset lending funds. Non-core liabilities are managed in line with the management run-off profile expectations to ensure a suitable commensurate run off profile. Funding capacity is monitored and diversity in our funding portfolio is managed with a consideration for product, tenor, geography and customer concentrations.

The Board Risk Committee approves liquidity and funding policies and reviews relevant risk limits. Liquidity and funding policies are also subject to APRA review. Executive management of liquidity and funding 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 and funding risk is delegated to the Balance Sheet Management section of the Bank Treasury. Liquidity and funding risk is independently monitored against approved policies on a daily basis by the Market Risk division and reported to the Bank Chief Risk Officer.

31.4.1 CONCENTRATIONS OF DEPOSITS AND BORROWINGS

Details of the concentration of financial liabilities used by the consolidated Group to raise funds are as follows:

CONSOLIDATED AND COMPANY	2012	2011
	$m	$m
Australian funding sources		
Retail deposits	**29,588**	27,699
Wholesale funding	**8,699**	8,341
Covered bond program	**1,598**	-
AUD domestic program	**3,836**	4,988
Securitisation [1]	**3,386**	3,014
	47,107	44,042
Overseas wholesale funding sources		
FX Retail Deposits	**305**	198
European commercial paper and medium term note market	**5,924**	7,049
Subordinated note program	**496**	676
United States 144a medium term note market	**2,125**	2,124
Securitisation [1]	**453**	620
	9,303	10,667
	56,410	54,709
Comprised of the following:		
Deposits from other banks	**-**	301
Other money market deposits	**5,371**	3,752
Amounts owed to other depositors	**24,907**	24,293
Certificates of deposits	**7,466**	6,995
Promissory notes and other liabilities evidenced by paper	**3,715**	3,840
Bonds, notes and long-term borrowings	**8,000**	10,152
Covered bonds	**1,598**	-
Other borrowed funds	**5,353**	5,376
	56,410	54,709

Note: 1. Funds raised from securitisation through the Apollo trusts are on-lent to the Company through intercompany loan arrangements.

31.4.2. MATURITY ANALYSIS

The following table summarises the maturity profile of the consolidated 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 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.

31. RISK MANAGEMENT (CONTINUED)

31.4.2 MATURITY ANALYSIS (CONTINUED)

CONSOLIDATED	CARRYING AMOUNT	AT CALL	0 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL CASH FLOWS
	$m	$m	$m	$m	$m	$m	$m
2012							
Deposits and short-term borrowings	**41,544**	**10,051**	**23,075**	**8,038**	**973**	**1**	**42,138**
Payables due to other banks	**41**	**41**	**-**	**-**	**-**	**-**	**41**
Payables and other liabilities	**691**	**-**	**691**	**-**	**-**	**-**	**691**
Derivative financial instruments (trading)	**356**	**-**	**356**	**-**	**-**	**-**	**356**
Securitisation liabilities	**3,839**	**-**	**284**	**925**	**2,425**	**757**	**4,391**
Debt issues	**9,598**	**-**	**1,518**	**1,938**	**6,922**	**-**	**10,378**
Subordinated notes	**666**	**-**	**2**	**512**	**216**	**-**	**730**
Preference shares	**762**	**-**	**9**	**767**	**36**	**-**	**812**
	57,497	**10,092**	**25,935**	**12,180**	**10,572**	**758**	**59,537**
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		**-**	**198**	**387**	**698**	**-**	**1,283**
Contractual amounts receivable		**-**	**(79)**	**(322)**	**(559)**	**-**	**(960)**
	2,013	**-**	**119**	**65**	**139**	**-**	**323**
Off balance sheet positions							
Guarantees entered into in the normal course of business	**-**	**161**	**-**	**-**	**-**	**-**	**161**
Commitments to provide loans and advances	**-**	**6,122**	**-**	**-**	**-**	**-**	**6,122**
	-	**6,283**	**-**	**-**	**-**	**-**	**6,283**
2011							
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

COMPANY	CARRYING AMOUNT	AT CALL	0 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL CASH FLOWS
	$m	$m	$m	$m	$m	$m	$m
2012							
Deposits and short-term borrowings	**41,595**	**10,052**	**23,075**	**8,038**	**973**	**1**	**42,139**
Payables due to other banks	**41**	**41**	**-**	**-**	**-**	**-**	**41**
Payables and other liabilities	**671**	**-**	**671**	**-**	**-**	**-**	**671**
Derivative financial instruments (trading)	**356**	**-**	**356**	**-**	**-**	**-**	**356**
Payables to subsidiaries [1]	**3,928**	**-**	**373**	**925**	**2,425**	**757**	**4,480**
Debt issues	**9,604**	**-**	**1,518**	**1,938**	**6,922**	**-**	**10,378**
Subordinated notes	**666**	**-**	**2**	**512**	**216**	**-**	**730**
Preference shares	**762**	**-**	**9**	**767**	**36**	**-**	**812**
	57,623	**10,093**	**26,004**	**12,180**	**10,572**	**758**	**59,607**
Derivative financial instruments (hedging relationship)							**-**
Contractual amounts payable		**-**	**198**	**387**	**698**	**-**	**1,283**
Contractual amounts receivable		**-**	**(79)**	**(322)**	**(559)**	**-**	**(960)**
	1,869	**-**	**119**	**65**	**139**	**-**	**323**
Off-balance sheet positions							
Guarantees entered into in the normal course of business	**-**	**161**	**-**	**-**	**-**	**-**	**161**
Commitments to provide loans and advances	**-**	**6,122**	**-**	**-**	**-**	**-**	**6,122**
	-	**6,283**	**-**	**-**	**-**	**-**	**6,283**
2011							
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

Note: 1. Funds raised from securitisation through the Apollo trusts are on-lent to the Company through intercompany loan arrangements.

31. RISK MANAGEMENT (CONTINUED)

31.5 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 2012 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 Group 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 reporting date, the Group had one (2011: one) swap designated as a fair value hedge of a fixed rate note issue and 13 (2011: one) swaps designated as fair value hedges of fixed rate bonds 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 Group 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 Group 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 Group 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 Group 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 2012 was $70 million (30 June 2011: $39 million).

	CONSOLIDATED				COMPANY			
	2012		2011		2012		2011	
	FAIR VALUE HEDGES	CASH FLOW HEDGES	FAIR VALUE HEDGES	CASH FLOW HEDGES	FAIR VALUE HEDGES	CASH FLOW HEDGES	FAIR VALUE HEDGES	CASH FLOW HEDGES
	$m	**$m**	$m	$m	**$m**	**$m**	$m	$m
Hedging of fluctuations in interest rates								
Notional value of interest rate swaps designated as hedges	**950**	**11,276**	150	14,105	**950**	**11,276**	150	14,105
Fair value:								
net receive interest rate swaps	**4**	**24**	2	12	**4**	**24**	2	12
net pay interest rate swaps	**(58)**	**(133)**	(1)	(102)	**(58)**	**(133)**	(1)	(102)
	(54)	**(109)**	1	(90)	**(54)**	**(109)**	1	(90)

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	SPLIT APPROACH	SPLIT APPROACH	SPLIT APPROACH	SPLIT APPROACH
	$m	$m	**$m**	$m
Hedging of fluctuations in foreign exchange rates				
Notional value of cross currency swaps designated as hedges	**6,979**	8,853	**6,376**	8,089
Fair value:				
net receive cross currency swaps	**72**	88	**72**	88
net pay cross currency swaps	**(1,822)**	(2,306)	**(1,678)**	(2,164)
	(1,750)	(2,218)	**(1,606)**	(2,076)

The Group 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 Group 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 2012 the unrealised loss from foreign currency fluctuation deferred to equity was $14 million (2011: $37 million). During the current financial year the Group deferred to equity $2 million (2011: $25 million), and released $21 million (2011: $17 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:

CONSOLIDATED AND COMPANY	0 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL EXPECTED CASH FLOWS
	$m	**$m**	**$m**	**$m**
2012				
Forecast receivable cash flows	**282**	**329**	**-**	**611**
Forecast payable cash flows	**(339)**	**(378)**	**-**	**(717)**
	(57)	**(49)**	**-**	**(106)**
2011				
Forecast receivable cash flows	468	209	-	677
Forecast payable cash flows	(535)	(211)	-	(746)
	(67)	(2)	-	(69)

Notes to the consolidated financial statements
For the financial year ended 30 June 2012 (continued)

32. NOTES TO THE STATEMENTS OF CASH FLOWS

32.1 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$m	$m	**$m**	$m
Profit for the year	**22**	307	**39**	335
Non-cash items				
Amortisation of share-based payments	**-**	6	**-**	5
Change in fair value of trading securities	**(51)**	3	**(51)**	7
Change in fair value of investments	**-**	(107)	**-**	-
Change in fair value of subordinated debt	**(19)**	(30)	**(19)**	(40)
Change in fair value of investment property	**-**	(2)	**-**	-
Impairment losses on loans and advances	**405**	325	**399**	318
Depreciation/amortisation of property, plant and equipment and intangible assets	**3**	140	**-**	44
Profit on disposal of subsidiaries, associates and joint ventures	**-**	97	**-**	-
Profit on disposal of property, plant and equipment	**(34)**	-	**-**	-
Share of net (profit) loss of joint ventures and associates accounted for using the equity method	**-**	(3)	**-**	-
Dividends received from associates and joint ventures	**-**	3	**-**	-
Change in assets and liabilities				
Net movement in tax balances	**(70)**	(81)	**(29)**	48
(Increase) in other assets	**12**	(79)	**25**	(66)
Decrease (increase) in trading securities	**216**	3,278	**217**	3,278
Decrease (increase) in loans, advances and other receivables	**(752)**	1,943	**(948)**	1,398
(Increase) decrease in receivables and other financial assets	**(91)**	-	**(113)**	-
Increase in deposits and short-term borrowings and payables and other liabilities	**2,281**	5,168	**2,772**	4,415
(Decrease) increase in sundry creditors and accrued expenses	**(172)**	-	**(232)**	-
Net cash from operating activities	**1,750**	10,968	**2,060**	9,742

33. FINANCING ARRANGEMENTS

CONSOLIDATED AND COMPANY	**2012**	**2012**	2011	2011
	PROGRAM LIMIT	UNUSED	PROGRAM LIMIT	UNUSED
	$m	**$m**	$m	$m
The Group had the following debt programs outstanding at end of the financial year:				
USD $15 billion program	**14,743**	**9,245**	13,968	7,141
USD $5 billion program	**4,914**	**2,509**	4,656	2,561
USD $5 billion Covered Bond program	**4,914**	**3,314**	-	-
US144a MTN program	**14,743**	**12,618**	13,968	11,844
AUD TCD program	**5,000**	**1,180**	5,000	180
	44,314	**28,866**	37,592	21,726

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.

34.2 SIGNIFICANT SUBSIDIARIES OF SUNCORP-METWAY LIMITED

SUBSIDIARIES	CLASS OF SHARES	COUNTRY OF INCORPORATION	EQUITY HOLDINGS 2012	EQUITY HOLDINGS 2011
			%	%
APOLLO Series Trusts (various) [2]	Units	Australia	**100**	100
Graham and Company Limited	Ordinary	Australia	**100**	100
Polaris Data Centre Unit Trust	Units	Australia	**100**	100
SME Management Pty Limited	Ordinary	Australia	**100**	100
Suncorp Covered Bond Trust	Units	Australia	**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**	100

Notes: 1. Non-operating and minor operating subsidiaries are excluded from the above list.

2. The Company 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 2012, the Company held interests in ten Trusts (2011: ten).

35. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ENTITIES

35.1 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	ASSOCIATES		JOINT VENTURES	
CONSOLIDATED	**2012**	2011	**2012**	2011
	$m	$m	**$m**	$m
Summary of financial information of equity accounted investees				
Total assets (100%)	**-**	-	**-**	-
Total liabilities (100%)	**-**	-	**-**	-
Revenues (100%)	**-**	-	**-**	-
Expenses (100%)	**-**	-	**-**	-
Share of net profit (loss) recognised	**-**	-	**-**	-

There are no material lease commitments, other commitments or contingent liabilities of the associates or joint venture entities.

Notes to the consolidated financial statements
For the financial year ended 30 June 2012 (continued)

35. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ENTITIES (CONTINUED)

35.1 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

		OWNERSHIP INTEREST	
CONSOLIDATED	PRINCIPAL ACTIVITY	2012	2011
		%	%
Joint venture assets			
Polaris data centre	Property investment	-	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:

	CARRYING AMOUNT	
CONSOLIDATED	**2012**	2011
	$m	$m
Other assets – development property	**36**	37
Property, plant and equipment	**-**	69
Total joint venture assets	**36**	106

The Group has sold its investment in the Polaris data centre joint venture asset during the financial year ended 30 June 2012. Details of the disposal can be found in note 5.3.

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	**2012**	2011
	$000	$000
Short-term employee benefits	**17,484**	16,566
Long-term employee benefits	**5,553**	3,011
Post employment benefits	**318**	1,311
Equity compensation benefits	**5,199**	4,787
Termination benefits	**241**	1,318
	28,795	26,993

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:

CONSOLIDATED	BALANCE AT 1 JULY 2011	BALANCE AT 30 JUNE 2012	INTEREST CHARGED DURING THE YEAR	HIGHEST BALANCE DURING THE YEAR	BALANCE AT 1 JULY 2010	BALANCE AT 30 JUNE 2011	INTEREST CHARGED DURING THE YEAR	HIGHEST BALANCE DURING THE YEAR
	$000	**$000**	**$000**	**$000**	$000	$000	$000	$000
Directors								
C Herbert [1,2]	**-**	**-**	**-**	**-**	-	-	12	344
Senior Executives								
M Milliner	**1,355**	**1,089**	**75**	**1,399**	1,849	1,355	99	1,897
A Revis	**-**	**1,475**	**59**	**3,755**	-	-	-	-
J Smith	**900**	**900**	**54**	**900**	900	900	59	900
R Stribling	**-**	**3,008**	**8**	**3,008**	-	-	-	-

Notes: 1. Interest charged in above table reflects the amounts charged during the period in which the individuals were considered KMP.

2. Mr Herbert was a director of Suncorp Group Limited for the period from incorporation until 22 December 2010. During this period, the Company was dormant.

New loan facilities made to key management personnel and their related parties during the year were $6,950 thousand (2011: $nil).

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
CONSOLIDATED	**2012**	**2012**	2011	2011
	$000	**$000**	$000	$000
Opening balance	**2,255**	**-**	2,749	-
Closing balance	**6,472**	**-**	2,255	-
Interest charged	**196**	**-**	170	-
	Number	**Number**	Number	Number
Number of individuals at 30 June	**4**	**-**	2	-

Notes to the consolidated financial statements

For the financial year ended 30 June 2012 (continued)

36. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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 on 7 January 2011) held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

	BALANCE 1 JULY 2011		1 JULY 2011 – 30 JUNE 2012			BALANCE 30 JUNE 2012	
	ORDINARY SHARES	PERFORMANCE RIGHTS [1]	RECEIVED AS COMPENSATION [2]	PURCHASES (SALES)	OTHER CHANGES	ORDINARY SHARES	PERFORMANCE RIGHTS [1]
	Number	Number	Number	Number	Number	Number	Number
Directors							
Executive director							
P Snowball	66,123	900,000	-	21,210	-	87,333	900,000
Non-executive directors							
J Story [7]	138,803	-	-	-	(138,803)	-	-
I Atlas	-	-	-	6,370	-	6,370	-
W Bartlett	26,968	-	-	-	-	26,968	-
M Cameron [3]	-	-	-	-	-	-	-
P Dwyer [4]	20,000	-	-	-	(20,000)	-	-
A Excel [5]	-	-	-	-	-	-	-
S Grimshaw [6]	24,314	-	-	-	(24,314)	-	-
E Kulk	20,173	-	-	-	-	20,173	-
D McTaggart [3]	-	-	-	(3,922)	3,922	-	-
G Ricketts	23,654	-	-	1,196	-	24,850	-
Dr Z Switkowski	201,599	-	-	-	-	201,599	-
Senior Executives							
A Day	377	112,063	47,161	19	-	396	159,224
G Dransfield	-	39,078	31,441	-	-	-	70,519
D Foster	25,542	279,936	47,161	-	(23,883)	25,542	303,214
M Milliner	68,026	302,060	49,047	11,543	(33,037)	79,569	318,070
J Nesbitt	-	401,121	52,317	-	-	-	453,438
A Revis	5,093	58,920	33,641	257	-	5,350	92,561
J Smith	116,513	282,339	49,047	618	-	117,131	331,386
R Stribling	10,000	66,079	37,729	-	-	10,000	103,808
G Summerhayes	-	203,801	43,262	-	-	-	247,063

Notes:
1. *The number of performance rights disclosed for the executive director 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 directors and Senior Executives compensation includes shares held under the EPSP. These shares are recorded in the Suncorp Group's share register in the name of the EPSP Trustee and vest only when performance hurdles are met. No shares vested during the 2012 financial year (2011: nil). The remuneration disclosure includes the fair value of the shares amortised over the vesting period.*
3. *Appointed 16 April 2012.*
4. *Left office on 28 February 2012. Shares held upon retirement are shown in 'Other changes'.*
5. *Appointed 27 June 2012.*
6. *Left office on 23 August 2011. Shares held upon retirement are shown in 'Other changes'.*
7. *Left office on 27 October 2011. Shares held upon retirement are shown in 'Other changes'.*

	BALANCE 1 JULY 2010		1 JULY 2010 – 30 JUNE 2011			BALANCE 30 JUNE 2011	
	ORDINARY SHARES	PERFORMANCE RIGHTS [1]	RECEIVED AS COMPENSATION [2]	PURCHASES (SALES)	OTHER CHANGES	ORDINARY SHARES	PERFORMANCE RIGHTS [1]
	Number	Number	Number	Number	Number	Number	Number
Directors							
Executive director							
P Snowball	66,123	900,000	-	-	-	66,123	900,000
C Herbert [3]	-	-	19,823	-	(19,823)	-	-
Non-executive directors							
J Story	138,803	-	-	-	-	138,803	-
I Atlas [4]	-	-	-	-	-	-	-
W Bartlett	19,968	-	-	7,000	-	26,968	-
Dr I Blackburne [5]	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 [6]	83,999	196,921	71,585	-	(352,505)	-	-
D Chandran	-	-	-	-	-	-	-
A Day	362	40,478	71,585	15	-	377	112,063
G Dransfield [7]	-	-	-	-	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 [8]	-	-	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 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 Suncorp Group'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. Mr Herbert was a director of Suncorp Group Limited for the period from incorporation until 22 December 2010. During this period, the Company was dormant. Of the 111,529 shares and performance rights held at the date of appointment, 94,244 performance rights remained subject to performance hurdles. Of the 131,352 shares and performance rights held on leaving office, 114,067 performance rights remain subject to performance hurdles.

4. Appointed 1 January 2011.

5. Left office on 31 August 2010. Shares held upon retirement are shown in 'Other changes'.

6. Left office on 22 May 2011. Shares and performance rights 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.

7. Appointed 23 May 2011.

8. Appointed 16 August 2010.

Notes to the consolidated financial statements

For the financial year ended 30 June 2012 (continued)

36. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

36.3 MOVEMENT IN SHARES (CONTINUED)

Movements in the number of Suncorp-Metway Limited Convertible Preference Shares held directly, indirectly or beneficially by each key management personnel, including their related parties, are noted in the table below:

	2012	2011
	Number	Number
Senior executives		
D Foster [1]	**90**	90

Note: 1. There were no movements during the 2011 and 2012 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.

37. OTHER RELATED PARTY DISCLOSURES

The restructuring transactions as a result of the Suncorp Group restructure (see note 1) were related party transactions with the ultimate parent entity, Suncorp Group Limited.

37.1 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).

37.2 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 and are on terms equivalent with those made on an arm's length basis. 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 and interest received and paid. All these transactions were on a normal commercial basis except that some advances may be interest free.

COMPANY	**2012**	2011
	$000	$000
Current amounts receivable (unsecured)		
Current amounts receivable	**617,690**	871,092
Loans receivable	**15,147**	18,191
	632,837	889,283
Current amounts payable (unsecured)		
Current amounts payable	**3,985,428**	3,772,354
Deposits and short-term borrowings	**837,602**	209,983
Debt issues	**-**	120,409
Loans payable	**-**	9,404
	4,823,030	4,112,151
Other income received or receivable		
Interest	**25,767**	63,706
Other income	**238,496**	256,612
Dividends	**89,296**	314,800
	353,559	635,118
Other expense paid or payable		
Interest	**6,699**	10,140
Operating expenses	**402,047**	430,819
Dividends	**500,946**	-
	909,692	440,959

37.3 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 and property development finance facilities.

CONSOLIDATED	2012	2011
	$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	-	-
Joint venture entities	**3,979**	7,268
Other expenses paid or due and payable:		
Associates	-	-
Joint venture entities	**5,246**	5,074
Aggregate amounts receivable from, and payable to, each class of related parties at balance date:		
Receivables:		
Associates	-	-
Joint venture entities	**2,263**	79,045
Payables:		
Associates	-	-
Joint venture entities	-	-

38. AUDITORS' REMUNERATION

	CONSOLIDATED		COMPANY	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Audit and review services				
Audit and review of financial reports	**1,382**	1,270	**1,100**	1,028
Other regulatory audits	**618**	276	**618**	276
	2,000	1,546	**1,718**	1,304
Other services				
in relation to other assurance,				
actuarial, taxation and other non-audit services	**269**	421	**153**	201
Total auditors' remuneration	**2,269**	1,967	**1,871**	1,505
Total auditors' remuneration from discontinuing operations	-	3,862	-	-

Notes to the consolidated financial statements

For the financial year ended 30 June 2012 (continued)

39. 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.

40. 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 Limited (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.

	CONSOLIDATED	
	2012	2011
	$m	$m
Results of discontinued operations		
Income	-	5,747
Expenditure	-	(5,396)
Results from operating activities before tax	-	351
Income tax	-	(124)
Profit (loss) for the period	-	227

The profit from discontinued operations of $227 million in 2011 is attributable entirely to the owners of the Company.

	CONSOLIDATED	
	2012	2011
	$m	$m
Cash flows from (used in) discontinued operations		
Net cash (used in) from operating activities	-	259
Net cash (used in) from investing activities	-	121
Net cash (used in) from financing activities	-	(478)
Net cash flows for the year	-	(98)

	CONSOLIDATED	
	2012	2011
	$m	$m
Effect of disposal on the financial position of the Group		
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)

41. DISCONTINUED OPERATIONS – PROFIT DISCLOSURES

41.1 GENERAL INSURANCE – NET INCURRED CLAIMS

CONSOLIDATED GENERAL INSURANCE	**2012**			2011		
	CURRENT YEAR	PRIOR YEAR	TOTAL	CURRENT YEAR	PRIOR YEAR	TOTAL
	$m	**$m**	**$m**	$m	$m	$m
Direct business						
Gross claims undiscounted	-	-	-	4,029	(733)	3,296
Discount	-	-	-	(212)	131	(81)
Gross claims discounted	-	-	-	3,817	(602)	3,215
Reinsurance and other recoveries undiscounted	-	-	-	(1,243)	276	(967)
Discount	-	-	-	49	(19)	30
Reinsurance and other recoveries discounted	-	-	-	(1,194)	257	(937)
Total direct business	-	-	-	2,623	(345)	2,278
Net inwards reinsurance business			-			-
Total net claims incurred			-			2,278

The $345 million reduction in 2011 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.

41. DISCONTINUED OPERATIONS – PROFIT DISCLOSURES (CONTINUED)

41.2 SOURCES OF LIFE BUSINESS OPERATING PROFIT

CONSOLIDATED LIFE	LIFE INSURANCE CONTRACTS	INVESTMENT LINKED CONTRACTS	OTHER LIFE INVESTMENT CONTRACTS	TOTAL STATUTORY FUNDS
	$m	$m	$m	$m
2012				
Shareholders' operating profit in the statutory funds	-	-	-	-
	-	-	-	-
Life Act policyowners' operating profit in the statutory funds	-	-	-	-
	-	-	-	-
2011				
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	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
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 (loss)	2	-	-	2
	54	-	-	54

42. DISCONTINUED OPERATIONS – GENERAL INSURANCE LIABILITIES

42.1 UNEARNED PREMIUM LIABILITIES

42.1.1 RECONCILIATION OF MOVEMENT

CONSOLIDATED GENERAL INSURANCE	2012	2011
	$m	$m
Balance at the beginning of the financial year	-	3,670
Premiums written during the year	-	3,563
Premiums earned during the year	-	(3,547)
Foreign currency exchange movement	-	(21)
Liabilities disposed of	-	(3,665)
Balance at the end of the financial year	-	-

42.1.2 OUTSTANDING GENERAL INSURANCE CLAIMS LIABILITIES

(A) RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITIES

CONSOLIDATED GENERAL INSURANCE	2012	2011
	$m	$m
Opening net outstanding claims liabilities	-	6,335
Prior periods		
Net change in prior period	-	(1,474)
Current period		
Net change in current period	-	1,515
Closing net outstanding claims liabilities	-	6,376
Reinsurance and other recoveries on outstanding claims liabilities	-	1,824
Liabilities disposed of	-	(8,200)
Gross outstanding claims liabilities – discounted	-	-

43. DISCONTINUED OPERATIONS – LIFE BUSINESS LIABILITIES

43.1 RECONCILIATION OF MOVEMENT IN GROSS LIFE POLICY LIABILITIES

	INVESTMENT CONTRACTS		INSURANCE CONTRACTS		TOTAL POLICY LIABILITIES	
CONSOLIDATED LIFE	2012	2011	2012	2011	2012	2011
	$m	$m	$m	$m	$m	$m
Policy liabilities						
Policy liabilities at beginning of financial year	-	3,672	-	1,911	-	5,583
Net change for current period	-	48	-	19	-	67
Disposal during financial year	-	(3,720)	-	(1,930)	-	(5,650)
Policy liabilities at end of financial year	-	-	-	-	-	-
Liabilities ceded under reinsurance						
Liabilities ceded under reinsurance opening balance					-	327
Movement in reinsurance assets reflected in the income statement					-	14
Disposal during financial year					-	(341)
Liabilities ceded under reinsurance closing balance					-	-

Directors' declaration

1. In the opinion of the directors of Suncorp-Metway Limited (the Company):
   (a) the financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 8 to 109, 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 2012 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 2012.
3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dr Zygmunt E Switkowski
Chairman

Patrick J R Snowball
Managing Director and Group CEO

22 August 2012

KPMG

Independent auditor's report to the members of Suncorp-Metway Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Suncorp-Metway Limited (the Company), which comprises the statements of financial position as at 30 June 2012, 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 43 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 Limited 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 2012 and of its 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 8 to 27 of the Directors' Report for the year ended 30 June 2012 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 Limited included on pages 8 to 27 of the Directors' Report for the year ended 30 June 2012 that are described as audited, comply with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Robert S Jones

Robert S Jones

Partner
Brisbane

22 August 2012

Financial calendar
and other shareholder information

CHANGING SHAREHOLDER DETAILS#

The Company's share registry is
Link Market Services Limited (**Link**).

Shareholders can go to Link's website to:

- view details of their holdings
- change their details
- view notices of shareholder meetings, annual reports and other communications
- register an email address for dividend advices
- obtain and complete forms to have dividends paid directly to their bank, building society or credit union account.

CONTACT DETAILS

Link Market Services Limited
Ph 1300 882 012
+61 2 8280 7450 (from overseas)

Mailing address
PO Box A50 Sydney South NSW 1235 Australia

Email
suncorp@linkmarketservices.com.au

Online
www.linkmarketservices.com.au
www.suncorpgroup.com.au

 # Shareholders will need their securityholder reference number (SRN) or holder identification number (HIN) to change their details.

Issuer-sponsored holders can change their address via Link's website (some conditions apply), or by notifying Link.

Shareholders who are sponsored by a broker (CHESS) should advise their broker of their change of address.

COMPANY NAME: Suncorp-Metway Limited
ASX CODES: SBKPA, SBKPB, SBKHB
REGISTERED OFFICE:
Level 18, Suncorp Centre, 36 Wickham Terrace,
Brisbane Qld 4000 Australia

Ph 07 3362 1222
Fax 07 3135 2940
website: www.suncorpgroup.com.au

AUDITORS

KPMG, Level 16, Riparian Plaza, 71 Eagle Street,
Brisbane Qld 4000 Australia

ANNUAL GENERAL MEETING

Date: Thursday 25 October 2012

Time: at the conclusion of the Suncorp Group Limited Annual General Meeting which is scheduled to begin at 2.30pm

Venue: Great Hall, Brisbane Convention & Exhibition Centre, Corner Merivale and Glenelg Streets, South Brisbane, Qld 4101

DIVIDENDS

The Company encourages shareholders to have cash dividends credited directly to their bank/building society/credit union account. This is more cost-effective, convenient and secure.

SECURITIES INFORMATION

The Company's securities listed on the ASX as at 17 August 2012 are:

CLASS OF SECURITY	ASX CODE	NUMBER
Reset Preference Shares	SBKPA	304,063
Convertible Preference Shares	SBKPB	7,350,000
Floating Rate Capital Notes	SBKHB	1,698,008

FINANCIAL CALENDAR AND KEY DIVIDEND DATES*

Full year results lodged with ASX 22 August 2012
Annual Report mailing 25 September 2012
Half-year results announcement 20 February 2013
Financial year end 30 June 2013

Dividend dates
Reset Preference Shares (SBKPA)

2012

Ex dividend date 27 August 2012
Record date 31 August 2012
Dividend payment 14 September 2012

2013

Ex dividend date 25 February 2013
Record date 1 March 2013
Dividend payment 14 March 2013

Convertible Preference Shares (SBKPB)

2012

Ex dividend date 27 August 2012
Record date 31 August 2012
Dividend payment 14 September 2012
Ex dividend date 28 November 2012
Record date 4 December 2012
Dividend payment 14 December 2012

2013

Ex dividend date 25 February 2013
Record date 1 March 2013
Dividend payment 14 March 2013
Ex dividend date 28 May 2013
Record date 3 June 2013
Dividend payment 14 June 2013

**The financial calendar may be updated from time to time throughout the year. Please refer to the website www.suncorpgroup.com.au for up-to-date details. Dates for dividends may be subject to change and will be confirmed upon their declaration.*

SHAREHOLDER ANALYSIS AS AT 17 AUGUST 2012

RESET PREFERENCE SHARES

TOP 20 SHAREHOLDERS

NAME	TOTAL UNITS	% ISSUED CAPITAL
UBS Wealth Management Australia Nominees Pty Ltd	10,611	3.49
Cambuskenneth Pty Ltd	4,800	1.58
Mr William Rodney Harris and Mrs Jean Harris	4,551	1.50
HSBC Custody Nominees (Australia) Limited	4,311	1.42
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
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
St Hedwig Village	2,307	0.76
Citicorp Nominees Pty Limited <DPSL A/C>	2,109	0.69
Navigator Australia Ltd <MLC Investment Sett A/C>	2,015	0.66
David J Worley Pty Ltd <David Worley Family A/C>	2,000	0.66
Geriatric Medical Foundation of Queensland Limited	2,000	0.66
Mr Malcolm Edward Heather	2,000	0.66
Invia Custodian Pty Limited <Hoult Super Fund A/C>	2,000	0.66
Leigh Trust	2,000	0.66
Woodhorse Nominees Pty Ltd <Wood Horse S/F A/C>	1,830	0.60

DISTRIBUTION OF SHAREHOLDINGS

RANGES	INVESTORS	NO. OF SECURITIES	% ISSUED CAPITAL
1 to 1,000	713	217,489	71.53
1,001 to 5,000	37	75,963	24.98
5,001 to 10,000	0	0	0.00
10,001 to 100,000	1	10,611	3.49
100,001 and over	0	0	0.00
Total	**751**	**304,063**	**100.00**

The number of security investors holding less than a marketable parcel of 6 securities ($96.00 on 17 August 2012) is 1 and they hold 2 securities.

CONVERTIBLE PREFERENCE SHARES

TOP 20 SHAREHOLDERS

NAME	TOTAL UNITS	% ISSUED CAPITAL
UBS Wealth Management Australia Nominees Pty Ltd	277,649	3.78
HSBC Custody Nominees (Australia) Limited	166,091	2.26
Questor Financial Services Limited <TPS RF A/C>	136,860	1.86
Navigator Australia Ltd <MLC Investment Sett A/C>	123,106	1.67
National Nominees Limited	116,228	1.58
J P Morgan Nominees Australia Limited	105,140	1.43
UCA Cash Management Fund Ltd	100,000	1.36
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	87,864	1.20
BNP Paribas Noms Pty Ltd <Master Cust DRP>	74,669	1.02
Koll Pty Ltd	50,000	0.68
UBS Nominees Pty Ltd	50,000	0.68
Milton Corporation Limited	48,000	0.65
The Australian National University	40,000	0.54
Netwealth Investments Limited <Wrap Services A/C>	38,565	0.52
Australian Executor Trustees Limited <No 1 Account>	38,346	0.52
Citicorp Nominees Pty Limited	34,686	0.47
JP Morgan Nominees Australia Limited <Cash Income A/C>	34,050	0.46
Chaberol Pty Ltd <Saragossi Investment A/C>	33,800	0.46
Washington H Soul Pattinson and Company Limited	33,000	0.45
Domer Mining Co Pty Ltd	30,000	0.41

DISTRIBUTION OF SHAREHOLDINGS

RANGES	INVESTORS	NO. OF SECURITIES	% ISSUED CAPITAL
1 to 1,000	16,347	3,651,882	49.68
1,001 to 5,000	770	1,497,152	20.37
5,001 to 10,000	37	275,828	3.75
10,001 to 100,000	34	1,000,064	13.61
100,001 and over	6	925,074	12.59
Total	**17,194**	**7,350,000**	**100.00**

The number of security investors holding less than a marketable parcel of 6 securities ($99.25 on 17 August 2012) is 0 and they hold 0 securities.

STAY UP TO DATE ONLINE

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 it electronically. Shareholders may also opt to receive a printed copy. To change an election, or to receive communications electronically, please contact Link.

This Annual Report is complemented by a range of online information and resources.

The Suncorp Group's corporate website is **www.suncorpgroup.com.au**. Key sections include Investors, Media and Careers. The banking and insurance website is **www.suncorp.com.au**.

For shareholder information or to give feedback on the Annual Report, please contact **investor.relations@suncorp.com.au**.

suncorpgroup.com.au

www.suncorpgroup.com.au
www.suncorp.com.au

One Company
Many Brands

SUNCORP GROUP

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