Suncorp-Metway Ltd ABN 66 010 831 722

Consolidated Financial Results

for the year ended 30 June 2010

Release date 25 August 2010

Basis of Preparation

The Suncorp-Metway Ltd Group (Suncorp Group) comprises Suncorp-Metway Ltd and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The results have been determined in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars unless otherwise denoted and have been rounded to the nearest million.

All figures relate to the year to 30 June 2010 and comparatives are for the year ended 30 June 2009 unless otherwise stated.

The Core and Non-core Bank results are presented separately in this report, with the consolidated result available in Appendix 8. The Core and Non-core banking tables represent an indicative view of relative performance. Whilst every effort has been made to ensure that the tables are as accurate as possible, necessary assumptions around the allocation of funding and expenses have been made.

Disclaimer

This report contains general information which is current as at 25 August 2010. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to Suncorp-Metway Ltd or any product or service offered by the Suncorp Group. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp-Metway Ltd filed with the Australian Securities Exchange.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied. Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances, after the date of this report (subject to securities exchange disclosure requirements).

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Full Year Results Summary

- Group net profit after tax (NPAT) of $780 million
- Profit after tax from business lines of $823 million, up 37%
- Cash earnings per share (excluding proceeds of divestments) of 60.8 cents, up 29%
- Final ordinary dividend of 20 cents per share, fully franked, bringing total dividend for the year to 35 cents per share, representing a payout ratio of 58.1% of cash earnings excluding divestments
- General Insurance NPAT of $557 million, up 34% despite natural hazard claims significantly exceeding natural hazard allowances
- Gross Written Premium up 3.1% on a headline basis and 6.5% excluding Covermore
- Insurance Trading Result of $605 million, representing a margin of 9.6% on Net Earned Premium
- Combined Bank NPAT before one-offs of $44 million, up 19%
- Core Bank NPAT of $268 million. Deposit to lending ratio increased to 71%
- Non-core Bank loss after tax of $224 million. Non-core run-off progressing ahead of plan with gross loans reducing to $12.6 billion
- Suncorp Life NPAT of $222 million including underlying profit of $192 million, up 7%
- Suncorp Life Embedded Value of $2.4 billion, up 12.2%
- Disposal of LJ Hooker and the RACQI/RAAI joint ventures contributed a combined profit before tax of $215 million
- Capital levels significantly improved with the General Insurance MCR coverage at 1.89 times and the Bank Adjusted Fundamental Tier 1 Ratio at 7.03%
- Changes have been made to the Dividend Reinvestment Plan to remove the dilutionary impact on future earnings

Review of Consolidated Operations

The financial year to June 2010 represented a period of stabilisation and consolidation for the Suncorp Group with the appointment of Patrick Snowball as Group Chief Executive and an overhaul of the operating strategies of the three lines of business.

Mr Snowball, who commenced on 1 September 2009, moved quickly to confirm the Group's operating model indicating that the General Insurance, Banking and Life Insurance operations were all core to the Group's future strategy. He outlined his five immediate priorities for the Group were to: **stabilise** the business, **appoint** a new executive team, **strengthen** the balance sheet, provisions and reserves; **simplify the business**, and outline a **plan for future growth**.

In the year to June 2010 significant progress has been achieved in meeting these priorities.

Stabilising the business

The Group's general insurance operations were stabilised with operational improvements, prudent provisioning, a multi-layered reinsurance program, and a stronger capital position providing a buffer against major catastrophe events in the second half of the financial year.

Essential to stabilising the business was to remove speculation about the future of the Group assets. In October, Mr Snowball declared that the Bank was core to the business and an important part of the Group's future strategy. This had an immediate impact on customer and employee confidence and contributed to a significant improvement in the Bank's ability to compete for retail deposits and restore stability in its personal, SME and agribusiness customer bases. During the year the Bank re-shaped its balance sheet by increasing its retail deposits to core lending ratio above 70% and completed the match funding of its non-core portfolio which is running off well ahead of plan.

While more hard work needs to be undertaken and challenges remain, the sense of direction provided by new leadership coupled with an improving economic outlook have provided the Group with a stable platform for growth.

A new executive team for Suncorp

During the year, the Suncorp Senior Leadership Team was strengthened with the appointment of the following executives:

Mark Milliner	CEO Personal Insurance	Appointed 21 October 2009
Anthony Day	CEO Commercial Insurance	Appointed 21 October 2009
Robert Stribling	Group Chief Risk Officer	Appointed 4 January 2010
John Nesbitt	Group Chief Financial Officer	Appointed 3 May 2010
Amanda Revis	Group Executive Human Resources	Appointed 16 August 2010

Together with David Foster, CEO Suncorp Bank; Geoff Summerhayes, CEO Suncorp Life; Roger Bell, CEO Vero New Zealand and Jeff Smith, CEO Suncorp Business Services these executives have operational experience relevant to the businesses they have been appointed to lead.

Strengthening the balance sheet, provisions and reserves

In an environment of continuing economic and regulatory uncertainty, the Group has focused on further strengthening its balance sheet and capital reserves. The decision to retain additional capital into the second half of the financial year by setting a dividend payout ratio at the lower end of the Group's target range proved to be correct given the number of major claims events in March 2010. The proceeds of asset sales have also supported the capital position over the course of the year and, along with improved operational earnings, provide a strong buffer during uncertain times.

During the year, the Group increased provisions for outstanding claims by increasing the assumption for wage inflation and reviewed the methodology used to calculate deferred acquisition costs. These decisions reduce the likelihood of further adjustments affecting earnings in the medium term.

In the Bank, collective provisioning methodology has been improved to enable earlier identification of emerging portfolio trends while specific provisions have been adjusted to reflect updated valuations. The Group capital position has also been supported by the run-off of non-core assets which continues to track ahead of target. Liquidity levels remain high meaning the business is well placed to meet upcoming borrowing maturities without the need to access wholesale funding markets and to respond to any regulator imposed strengthening of liquidity requirements.

Simplification

During the year the Group moved to simplify its structures and eliminate management distractions. The second stage of legal entity restructuring has aligned organisational and legal structures providing clear operational accountability for line businesses. The Group is now well placed should it decide to move to a Non-Operating Holding Company (NOHC) structure which will further simplify capital management, improve transparency and enhance strategic flexibility.

Suncorp Life re-focused its business as a life insurance specialist in June 2009, providing a clear strategy and direction. Life has simplified its business model with a customer focused orientation and implemented a structure to support strategy execution. Suncorp Life has positioned itself as a unique business operating in an industry with significant growth potential.

The Group divested its ownership of LJ Hooker, and its 50% joint venture (JV) stakes in the insurance arms of the Royal Automobile Club of Queensland (RACQI) and the Royal Automobile Association of South Australia (RAAI) were sold to their respective motoring clubs under the terms of the JV agreements.

During the year Suncorp commenced a number of projects referred to as “building blocks” which are designed to provide a single view of the Group’s employees, customers, financial management and insurance pricing and claims. Later in the year, at a series of presentations, business line CEOs outlined strategic and operational plans for the Group’s five operating divisions.

Plans for growth

Each of the businesses is uniquely placed to grow in their respective markets. Aggregation of central services at the Suncorp Group level uses scale to drive down costs while initiatives like the Group Customer Data Program give each division access to sophisticated market and customer data across all brands. Businesses derive further benefits through having access to internally generated capital to fund growth while the Bank, for example, obtains rating benefits from being part of the Group.

On 6 May 2010, **Suncorp Bank** outlined plans to capitalise on its regional bank leadership position and realise its vision to be recognised as the best bank for middle Australia within its chosen areas of personal banking, SME and agribusiness. To achieve this the Bank has set key targets including:

- 1 to 1.3 times system housing lending growth by December 2010.
- By 2013:
  - grow total customer base to greater than one million;
  - in WA and NSW, double the branch footprint and treble the number of customers;
  - increase ‘main financial institution’ bank customers by 50%; and
  - cost to income ratio in the mid 40s.
- Deliver sustained Return on Equity greater than 15% in the Core Bank.

At an Investor Day on 21 May 2010, the three **General Insurance** (GI) businesses outlined their operational strategies and demonstrated how the Group's building blocks projects would drive improvements in operating margins. The business committed to:

- At least 3% improvement in underlying GI margins by FY12. (The FY10 Underlying Margin of 9% is shown at Appendix 7);
- $235 million in annual benefits from the building blocks program with project costs of $120 million absorbed within current budgets;
- A personal insurance business with one functionally aligned, customer focused team delivering portfolio growth and using its scale in pricing and claims;
- A commercial insurance business targeting market share growth of 3% based on a significant opportunity in SME and targeted growth in Corporate and Speciality sectors; and
- The potential to double the Group's scale and profit footprint in New Zealand through Vero NZ.

On 23 June 2010, **Suncorp Life** outlined its plans to lead the Independent Financial Adviser (IFA) market and build a direct distribution business of scale. The business outlined how it is well positioned to maximise market opportunities and leverage the Group's customer relationships to realise its goals. Life is committed over the next three years to:

- More than double new business volumes;
- Reduce acquisition expenses as a percentage of new business premium;
- Reduce expenses as a percentage of in-force premium;
- Generate double digit in-force premium growth with an active focus on retention; and
- Improve disability claims experience.

Driving each of these metrics will enhance profit, improve Return on Equity and grow Embedded Value.

Financial performance for the year to 30 June 2010

The **General Insurance** profit after tax was $557 million up 34%. This result has been achieved despite adverse natural hazard events that were $165 million above natural hazard allowances, a $75 million pre-tax charge as a result of increasing the expectation for wage inflation to 4.5% and a revision to the methodology in deferring acquisition costs which resulted in a one-off $47 million charge.

In the **Core Bank**, profit after tax was $268 million, with a full year net interest margin of 1.80%. The margin against lending assets was 2.06% for the year. Both measures improved during the second half of the year.

The **Non-core Bank** incurred a loss after tax of $224 million. The run-off of the portfolio progressed ahead of expectations with total lending reducing 28% or $4.9 billion over the year. Impairment losses continued to trend lower over the course of the year.

Momentum is building in the **Life** business, with solid underlying profit after tax of $192 million, up 6.7%. Market adjustments came to $30 million, resulting in net profit after tax, including non-controlling interests, of $222 million. The embedded value of Suncorp Life grew 12.2% to $2.4 billion.

The combined **profit after tax from business lines** was $823 million, up 36.7%.

The sale of the LJ Hooker subsidiary and the Group's joint venture interests in RACQ Insurance and RAA Insurance contributed pre-tax profits of $215 million. Other significant items included the amortisation of intangible assets of $210 million and the final costs of integration totaling $59 million.

The Group net profit after tax of $780 million was up 124% on the prior year. Cash earnings per share (excluding the proceeds of divested assets) which forms the basis of the Group's dividend payout policy was 60.8 cents.

Contribution to Profit by Division for the Year Ended 30 June 2010

	FULL YEAR ENDED JUN-10 $M	FULL YEAR ENDED JUN-09 $M	JUN-10 vs JUN-09 %
General Insurance			
Gross written premium	7,027	6,815	3.1
Net earned premium	6,310	5,981	5.5
Net incurred claims	(4,637)	(4,610)	0.6
Operating expenses	(1,670)	(1,642)	1.7
Investment income - insurance funds	602	733	(17.9)
Insurance trading result	605	462	31.0
Managed schemes net income	4	19	(78.9)
Joint venture and other income	53	1	large
Investment income - shareholder funds	194	130	49.2
Profit before tax and capital funding	856	612	39.9
Capital funding	(82)	(39)	110.3
Profit before tax	774	573	35.1
Income tax	(217)	(157)	38.2
General Insurance profit after tax	**557**	**416**	**33.9**
Banking			
Core Bank profit after tax	268	n/a	n/a
Non-core Bank profit/(loss) after tax	(224)	n/a	n/a
Consolidated Bank profit after tax before one-offs	44	37	18.9
One-off non-recurring bank items after tax	-	32	(100.0)
Total Bank profit after tax	**44**	**69**	**(36.2)**
Life			
Underlying profit after tax	192	180	6.7
Market adjustments after tax	30	(63)	n/a
Life profit after tax	**222**	**117**	**89.7**
Profit after tax from business lines	**823**	**602**	**36.7**
Other			
Contribution from LJ Hooker	4	8	(50.0)
Sale of subsidiary and investment in joint ventures (1)	215	-	n/a
Consolidation adjustments (2)	9	3	200.0
Amortisation of Promina acquisition intangible assets	(210)	(245)	(14.3)
Integration costs	(59)	(147)	(59.9)
Profit/(loss) before tax	(41)	(381)	(89.2)
Income tax benefit	7	132	(94.7)
Profit/(loss) on other items	**(34)**	**(249)**	**(86.3)**
Profit after tax before non-controlling interests	**789**	**353**	**123.5**
Non-controlling interests	(9)	(5)	80.0
Net profit after tax	**780**	**348**	**124.1**

(1) Includes profit before tax from sale of LJ Hooker of $50 million in the half year to 31 December 2009 and profit before tax from the sale of the RACQI and RAAI joint ventures of $165 million in the half year to 30 June 2010.

(2) Represents elimination of Group transactions including treasury shares and transactions between lines of business.

Contribution to Profit by Division for the Year Ended 30 June 2010

	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	$M	$M	%	%
General Insurance						
Gross written premium	3,537	3,490	3,472	3,343	1.3	1.9
Net earned premium	3,166	3,144	2,993	2,988	0.7	5.8
Net incurred claims	(2,446)	(2,191)	(1,855)	(2,755)	11.6	31.9
Operating expenses	(858)	(812)	(803)	(839)	5.7	6.8
Investment income - insurance funds	342	260	(31)	764	31.5	n/a
Insurance trading result	204	401	304	158	(49.1)	(32.9)
Managed schemes net income	(4)	8	3	16	n/a	n/a
Joint venture and other income	30	23	11	(10)	30.4	172.7
Investment income - shareholder funds	94	100	(24)	154	(6.0)	n/a
Profit before tax and capital funding	324	532	294	318	(39.1)	10.2
Capital funding	(41)	(41)	26	(65)	-	n/a
Profit before tax	283	491	320	253	(42.4)	(11.6)
Income tax	(73)	(144)	(88)	(69)	(49.3)	(17.0)
General Insurance profit after tax	**210**	**347**	**232**	**184**	**(39.5)**	**(9.5)**
Banking						
Core Bank profit after tax	114	154	n/a	n/a	(26.0)	n/a
Non-core Bank profit/(loss) after tax	(74)	(150)	n/a	n/a	(50.7)	n/a
Consolidated Bank profit after tax before one-offs	40	4	(20)	57	large	n/a
One-off non-recurring bank items after tax	-	-	29	3	n/a	(100.0)
Total Bank profit after tax	**40**	**4**	**9**	**60**	**large**	**344.4**
Life						
Underlying profit after tax	106	86	79	101	23.3	34.2
Market adjustments after tax	11	19	(98)	35	(42.1)	n/a
Life profit after tax	**117**	**105**	**(19)**	**136**	**11.4**	**n/a**
Profit after tax from business lines	**367**	**456**	**222**	**380**	**(19.5)**	**65.3**
Other						
Contribution from LJ Hooker	-	4	5	3	(100.0)	(100.0)
Sale of subsidiary and investment in joint ventures (1)	165	50	-	-	230.0	n/a
Consolidation adjustments (2)	10	(1)	(11)	14	n/a	n/a
Amortisation of Promina acquisition intangible assets	(98)	(112)	(123)	(122)	(12.5)	(20.3)
Integration costs	-	(59)	(62)	(85)	(100.0)	(100.0)
Profit/(loss) before tax	77	(118)	(191)	(190)	n/a	n/a
Income tax	(22)	29	63	69	n/a	n/a
Profit/(loss) on other items	**55**	**(89)**	**(128)**	**(121)**	**n/a**	**n/a**
Profit after tax before non-controlling interests	**422**	**367**	**94**	**259**	**15.0**	**348.9**
Non-controlling interests	(6)	(3)	(4)	(1)	100.0	50.0
Net profit after tax	**416**	**364**	**90**	**258**	**14.3**	**362.2**

(1) Includes profit before tax from sale of LJ Hooker of $50 million in the half year to 31 December 2009 and profit before tax of the sale from the RACQI and RAAI joint ventures of $165 million in the half year to 30 June 2010.

(2) Represents elimination of Group transactions including treasury shares and transactions between lines of business.

Statement of Financial Position

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Assets						
Cash and cash equivalents	883	1,499	2,356	1,295	(41.1)	(62.5)
Receivables due from other banks	232	123	118	68	88.6	96.6
Trading securities	8,233	7,050	6,694	8,336	16.8	23.0
Derivatives	833	384	552	960	116.9	50.9
Investment securities	21,091	20,469	20,330	18,687	3.0	3.7
Loans, advances and other receivables	53,724	55,552	56,753	57,194	(3.3)	(5.3)
Reinsurance and other recoveries	1,878	1,560	1,622	1,616	20.4	15.8
Deferred insurance assets	748	880	799	717	(15.0)	(6.4)
Assets classified as held for sale	-	-	-	56	n/a	n/a
Investments in associates and joint ventures	62	220	201	155	(71.8)	(69.2)
Property, plant and equipment	358	367	407	338	(2.5)	(12.0)
Deferred tax assets	101	159	260	94	(36.5)	(61.2)
Investment property	144	156	160	175	(7.7)	(10.0)
Other assets	425	414	375	632	2.7	13.3
Goodwill and intangible assets	6,627	6,707	6,836	6,971	(1.2)	(3.1)
Total assets	95,339	95,540	97,463	97,294	(0.2)	(2.2)
Liabilities						
Deposits and short-term borrowings	34,098	34,638	37,866	46,538	(1.6)	(10.0)
Derivatives	2,461	2,460	1,556	214	0.0	58.2
Payables due to other banks	28	20	29	24	40.0	(3.4)
Payables and other liabilities	1,874	1,635	2,345	1,722	14.6	(20.1)
Current tax liabilities	1	72	154	5	(98.6)	(99.4)
Employee benefit obligations	280	239	251	305	17.2	11.6
Unearned premium liabilities	3,672	3,582	3,528	3,367	2.5	4.1
Outstanding claims liabilities	8,028	7,550	7,506	7,856	6.3	7.0
Gross policy liabilities	5,583	5,888	5,547	5,782	(5.2)	0.6
Unvested policyowner benefits	404	452	397	341	(10.6)	1.8
Managed funds units on issue	437	788	506	527	(44.5)	(13.6)
Securitisation liabilities	4,710	4,336	5,711	6,593	8.6	(17.5)
Debt issues	16,759	17,236	15,661	8,034	(2.8)	7.0
Total liabilities excluding loan capital	78,335	78,896	81,057	81,308	(0.7)	(3.4)
Loan capital						
Subordinated notes	2,182	2,207	2,312	2,824	(1.1)	(5.6)
Preference shares	869	867	865	863	0.2	0.5
Total loan capital	3,051	3,074	3,177	3,687	(0.7)	(4.0)
Total liabilities	81,386	81,970	84,234	84,995	(0.7)	(3.4)
Net assets	**13,953**	**13,570**	**13,229**	**12,299**	**2.8**	**5.5**
Equity						
Share capital	12,618	12,526	12,425	11,307	0.7	1.6
Reserves	74	93	(123)	(202)	(20.4)	n/a
Retained profits	1,241	942	921	1,187	31.7	34.7
Total equity attributable to owners of the Company	13,933	13,561	13,223	12,292	2.7	5.4
Non-controlling interests	20	9	6	7	122.2	233.3
Total equity	**13,953**	**13,570**	**13,229**	**12,299**	**2.8**	**5.5**

The consolidated statement of financial position includes the assets and liabilities of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the *Life Insurance Act 1995.*

Ratios and Statistics for the Year Ended 30 June 2010

		FULL YEAR ENDED		JUN-10
		JUN-10	JUN-09	vs JUN-09
				%
Performance ratios				
Earnings per share [1]				
Basic	(cents)	61.81	31.62	95.5
Diluted	(cents)	60.10	31.11	93.2
Cash earnings per share [1]				
Basic	(cents)	73.46	47.21	55.6
Diluted	(cents)	67.64	41.94	61.3
Cash earnings per share excluding divestments				
Basic	(cents)	60.80	47.21	28.8
Diluted	(cents)	55.99	41.94	33.5
Return on average shareholders' equity	(%)	5.7	2.7	
Cash return on average shareholders' equity	(%)	6.8	4.1	
Return on average total assets	(%)	0.81	0.36	
Insurance trading ratio	(%)	9.6	7.7	
Core bank net interest margin (interest earning assets)	(%)	1.80	n/a	
Shareholder summary				
Dividend per ordinary share	(cents)	35.0	40.0	(12.5)
Payout ratio				
Net profit after tax	(%)	57.1	143.7	
Cash earnings	(%)	48.1	96.3	
Cash earnings excluding divestments	(%)	58.1	96.3	
Weighted average number of shares				
Basic	(million)	1,262.1	1,100.5	14.7
Diluted	(million)	1,370.6	1,238.8	10.6
Number of shares at end of period	(million)	1,273.2	1,250.2	1.8
Net tangible asset backing per share	($)	5.74	5.11	12.3
Share price at end of period	($)	8.04	6.70	20.0
Productivity				
Banking cost to income ratio	(%)	49.5	40.8	
General Insurance expense ratio	(%)	26.4	27.5	
Financial position				
Total assets	($ million)	95,339	97,463	(2.2)
Net Assets	($ million)	13,953	13,229	5.5
Capital				
Bank capital adequacy ratio - Total	(%)	14.71	12.77	
Bank capital adequacy ratio - Tier 1	(%)	13.23	11.31	
Adjusted Fundamental Tier 1 ratio	(%)	7.03	5.78	
General Insurance Group MCR coverage	(times)	1.89	1.67	

[1] Refer Appendix 2 for details of earnings per share and return on average shareholders' equity calculations. Refer Appendix 9 for definitions.

Ratios and Statistics for the Year Ended 30 June 2010

		HALF YEAR ENDED				JUN-10	JUN-10
		JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
						%	%
Performance ratios							
Earnings per share [1]							
Basic	(cents)	32.81	28.97	7.60	25.35	13.3	331.7
Diluted	(cents)	31.90	28.28	7.60	24.73	12.8	319.7
Cash earnings per share [1]							
Basic	(cents)	38.22	35.21	14.87	33.74	8.5	157.0
Diluted	(cents)	35.21	32.53	14.87	30.29	8.2	136.8
Cash earnings per share excluding divestments							
Basic	(cents)	28.38	32.43	14.87	33.74	(12.5)	90.9
Diluted	(cents)	26.14	29.97	14.87	30.29	(12.8)	75.8
Return on average shareholders' equity	(%)	6.1	5.4	1.4	4.2		
Cash return on average shareholders' equity	(%)	7.1	6.6	2.7	5.5		
Return on average total assets	(%)	0.88	0.75	0.19	0.54		
Insurance trading ratio	(%)	6.4	12.8	10.2	5.3		
Core bank net interest margin (interest earning assets)	(%)	1.84	1.76	n/a	n/a		
Shareholder summary							
Dividend per ordinary share	(cents)	20.0	15.0	20.0	20.0	33.3	-
Payout ratio							
Net profit after tax	(%)	61.2	52.0	277.8	78.0		
Cash earnings	(%)	52.5	42.8	142.0	58.6		
Cash earnings excluding divestments	(%)	70.8	46.5	142.0	58.6		
Weighted average number of shares							
Basic	(million)	1,267.8	1,256.4	1,184.5	1,017.9	0.9	7.0
Diluted	(million)	1,376.4	1,359.8	1,184.5	1,133.7	1.2	16.2
Number of shares at end of period	(million)	1,273.2	1,262.6	1,250.2	1,006.2	0.8	1.8
Net tangible asset backing per share	($)	5.74	5.43	5.11	5.29	5.7	12.3
Share price at end of period	($)	8.04	8.70	6.70	8.40	(7.6)	20.0
Productivity							
Banking cost to income ratio	(%)	49.9	49.1	42.3	39.6		
General Insurance expense ratio	(%)	27.1	25.8	26.8	28.0		
Financial position							
Total assets	($ million)	95,339	95,540	97,463	97,294	(0.2)	(2.2)
Net Assets	($ million)	13,953	13,570	13,229	12,299	2.8	5.5
Capital							
Bank capital adequacy ratio - Total	(%)	14.71	13.70	12.77	10.67		
Bank capital adequacy ratio - Tier 1	(%)	13.23	11.96	11.31	8.83		
Adjusted Fundamental Tier 1 ratio	(%)	7.03	6.24	5.78	3.89		
General Insurance Group MCR coverage	(times)	1.89	1.88	1.67	1.79		

[1] Refer Appendix 2 for details of Earnings per share and Return on average shareholders' equity calculations. Refer Appendix 9 for definitions.

Group Capital

The Group's capital position has strengthened considerably over the past twelve months due to improved operational earnings, the run-off of the non-core banking portfolio and the disposal of LJ Hooker and the motoring club joint ventures.

The Bank's capital adequacy ratio is 14.71% and has increased nearly 2% during the year. Similarly, the Bank's Tier 1 ratio at 13.23% is up nearly 2%. The Bank's Adjusted Fundamental Tier 1 ratio, which removes hybrid capital and eliminates 100% of the investments in subsidiaries from Tier 1, is 7.03%. This has improved from 5.78% at 30 June 2009.

The General Insurance Minimum Capital Requirement (MCR) has increased to 1.89 times from 1.67 times, reflecting the solid business earnings and profits from the sale of the motor club joint ventures.

Although these capital levels are above both current regulatory and internal targets, the Board has determined that it is prudent to retain appropriate capital buffers while financial markets remain volatile and as Australian regulators finalise their response to global regulatory changes. Once regulatory uncertainties are resolved the Group believes it will be in a position to provide further clarity regarding revised capital targets and its capital management strategy. The Board remains strongly of the view that capital, surplus to the requirements of the Group, should be returned to shareholders.

Given the strength of the capital position, and the improved outlook for the Group's operational businesses, the Board has:

- Declared a final ordinary dividend of 20 cents per share, bringing the full year dividend to 35 cents per share, representing a payout of cash earnings at the top end of the stated 50% to 60% target range of cash earnings per share excluding divestments.
- Decided to neutralise the effect of the Dividend Reinvestment Plan (DRP) by purchasing shares on-market.
- Agreed to call $220 million of subordinated medium term notes at their first call date on 15 September 2010.

An important component of the Group's strategy has been the simplification of the Group capital management and reporting. Currently, the Bank is the holding company for the Group and its capital position is complicated by the legal ownership of the General Insurance and Life subsidiaries. The Group has made good progress with the evaluation of moving to a formal Non-Operating Holding Company (NOHC) structure to reduce this complexity.

In disclosing capital ratios as at 30 June 2010 for consolidated segments below, the impact of eliminating the Bank's investments in subsidiaries has been shown. Detailed Group capital tables (including consolidation entries) are provided at Appendix 3.

	GENERAL INSURANCE	BANKING	LIFE	CONSOLIDATION & NON REGULATED ENTITIES	TOTAL
	$M	$M	$M	$M	$M
Total Tier 1 capital	3,004	4,925	1,654	(1,265)	8,318
Less preference shares	-	(879)	-	-	(879)
Less Tier 2 deductions for investments in subsidiaries, capital support	-	(1,428)	-	1,427	(1)
Adjusted Fundamental Tier 1 core capital	**3,004**	**2,618**	**1,654**	**162**	**7,438**
Tier 1 core capital ratios	**1.51 times**	**7.03%**			
Total capital	**3,782**	**5,478**	**1,654**	**163**	**11,077**
Total capital ratios	**1.89 times**	**14.71%**			

Dividends

The final dividend of 20 cents per share is fully franked and due to be paid on 1 October 2010. This amounts to dividends for the full year of 35 cents per share fully franked. The record date for determining entitlements to the final dividend is 3 September 2010.

	HALF YEAR ENDED			
	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% after proposed dividend	**521**	**561**	**523**	**407**

Income Tax

	JUN-10 $M	JUN-09 $M	JUN-10 vs JUN-09 %
Profit before income tax expense	1,118	407	174.7
Income tax using the domestic corporation tax rate of 30%	335	122	174.6
Increase in income tax expense due to:			
Non-deductible expenses	15	21	(28.6)
Imputation gross-up on dividends received	12	4	200.0
Statutory funds	(1)	(54)	(98.1)
Income tax offsets and credits	(39)	(12)	225.0
Amortisation of Promina acquisition intangible assets	7	7	-
Other	13	(34)	n/a
	342	54	large
(Over) provision in prior years	(13)	-	n/a
Income tax expense on pre-tax net profit	**329**	**54**	**large**
Effective tax rate	**29.4%**	**13.3%**	
Income tax expense by segment			
General Insurance	217	157	38.2
Banking	34	48	(29.2)
Life	85	(19)	n/a
Other	(7)	(132)	(94.7)
Total income tax expense	329	54	large

The Group's consolidated effective tax rate for the year ended 30 June 2010 was 29.4%. The effective tax rate varies from the corporate tax rate mainly due to the following:

- Income tax expense has increased due to non-deductible distributions from the Convertible Preference Shares ($11 million) and Reset Preference Shares ($2 million).
- A net tax credit of $24 million arising from a dividend imputation gross up of $10 million and an associated tax offset of $34 million realised from a fully franked pre sale dividend of $80.5 million received from RACQI.
- A tax cost base adjustment on the sale of RACQI and RAAI joint ventures increasing "Other" tax expense by $14 million.

The income tax expense rate of 13.3% in the prior year was primarily due to the fact that accounting standards require a tax benefit to be recognised in the Group's income tax expense relating to a decrease in net market values of policyholder assets.

Segment Information – General Insurance

Basis of preparation

During the year, for statutory reporting purposes, the general insurance operations were segmented into Commercial Insurance, Personal Insurance and New Zealand. This aligns with the internal management structure and results in the Compulsory Third Party (CTP) product now being included in Commercial Insurance. Comparatives have been adjusted to reflect this change.

Financial information in this section includes both fire service levies and the impact of discount rate movements. These impacts are eliminated in the General Insurance profit contribution table in Appendix 4.

Appendices 4 to 7 contain supplementary General Insurance tables and include the underlying General Insurance ITR calculation.

Result overview

General Insurance recorded an after tax profit of $557 million for the year to June 2010.

The Insurance Trading Result (ITR) was $605 million, representing an insurance trading ratio of 9.6%. The headline ITR has improved despite the continuation of adverse natural hazard claims experience and some methodology changes to ensure a prudent approach to balance sheet management. During the year, the outstanding claims provision has been strengthened by increasing the assumption for wage inflation to 4.5% from 4% at a cost of $75 million. Additionally, a revision to the methodology for deferring acquisition costs resulted in an additional one-off cost of $47 million.

Gross Written Premium (GWP) increased 3.1% to $7 billion. As previously announced, Suncorp withdrew from a number of underperforming product lines from 1 July 2009, including Covermore travel insurance. Adjusting for Covermore, underlying GWP growth was 6.5%.

Short-tail classes experienced strong growth, with Home up 13.6% and Motor up 6.4%. Premium rates in these classes increased following several years of adverse weather experience and higher reinsurance costs. Despite these premium increases, retention rates have remained strong.

In long-tail classes, Compulsory Third Party (CTP) rates increased in both New South Wales and Queensland resulting in an overall GWP increase of 13.3%. Commercial insurance lines remained flat due to exits from underperforming classes.

Net claims were $4.6 billion. Short-tail claims expenses were impacted by a number of major weather events resulting in natural hazard claims being $165 million above the Group's natural hazard allowance. In long-tail claims, favourable releases from the commercial liability and workers' compensation portfolios were partially offset by the increase in the assumption for wage inflation.

Total operating expenses marginally increased to $1.7 billion. Acquisition expenses reduced by $31 million despite the $47 million one-off charge following the revision to the methodology for deferring acquisition costs. Other underwriting expenses increased by $59 million to $746 million primarily due to an increase in the fire service levies (FSL) of $29 million and one-off costs of $34 million relating to the restructure of the General Insurance operations.

Investment income on insurance funds was $602 million. This included a benefit of $105 million from the narrowing of credit spreads and other mismatches. Investment returns on shareholder funds was $194 million, reflecting an increase in interest rate yields.

Joint ventures and other income contributed $53 million including a $15 million referral services fee for the transfer of the heavy motor book to National Transport Insurance.

The Group's New Zealand businesses produced a strong result with premium growth of 6.5% and an ITR of $70 million representing an ITR ratio of 12.2%.

Profit contribution – General Insurance

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	7,027	6,815	3.1	3,537	3,490	3,472	3,343	1.3	1.9
Gross unearned premium movement	(138)	(273)	(49.5)	(85)	(53)	(182)	(91)	60.4	(53.3)
Gross earned premium	6,889	6,542	5.3	3,452	3,437	3,290	3,252	0.4	4.9
Outwards reinsurance expense	(579)	(561)	3.2	(286)	(293)	(297)	(264)	(2.4)	(3.7)
Net earned premium	6,310	5,981	5.5	3,166	3,144	2,993	2,988	0.7	5.8
Net incurred claims									
Claims expense	(5,966)	(5,647)	5.6	(3,299)	(2,667)	(2,462)	(3,185)	23.7	34.0
Reinsurance and other recoveries revenue	1,329	1,037	28.2	853	476	607	430	79.2	40.5
	(4,637)	(4,610)	0.6	(2,446)	(2,191)	(1,855)	(2,755)	11.6	31.9
Total operating expenses									
Acquisition expenses [(1)]	(924)	(955)	(3.2)	(493)	(431)	(458)	(497)	14.4	7.6
Other underwriting expenses [(1)]	(746)	(687)	8.6	(365)	(381)	(345)	(342)	(4.2)	5.8
	(1,670)	(1,642)	1.7	(858)	(812)	(803)	(839)	5.7	6.8
Underwriting result	3	(271)	n/a	(138)	141	335	(606)	n/a	n/a
Investment income - insurance funds	602	733	(17.9)	342	260	(31)	764	31.5	n/a
Insurance trading result	605	462	31.0	204	401	304	158	(49.1)	(32.9)
Managed schemes net contribution	4	19	(78.9)	(4)	8	3	16	n/a	n/a
Joint venture and other income	53	1	large	30	23	11	(10)	30.4	172.7
General Insurance operational earnings	662	482	37.3	230	432	318	164	(46.8)	(27.7)
Investment income - shareholder funds	194	130	49.2	94	100	(24)	154	(6.0)	n/a
General Insurance profit before tax and capital funding	856	612	39.9	324	532	294	318	(39.1)	10.2
Capital funding [(2)]	(82)	(39)	110.3	(41)	(41)	26	(65)	-	n/a
General Insurance profit before tax	774	573	35.1	283	491	320	253	(42.4)	(11.6)
Income tax	(217)	(157)	38.2	(73)	(144)	(88)	(69)	(49.3)	(17.0)
General Insurance profit after tax	**557**	**416**	**33.9**	**210**	**347**	**232**	**184**	**(39.5)**	**(9.5)**

(1) Comparative information has been restated to be consistent with the current treatment of expense disclosures between acquisition costs and underwriting expenses.

(2) Includes interest expense on subordinated notes and preference shares allocated to General Insurance. The capital funding charge for 30 June 2009 and 30 June 2010 includes gains of $78 million and $5 million respectively for the redemption of subordinated notes.

Statement of financial position – General Insurance

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Assets						
Cash and cash equivalents	156	515	760	588	(69.7)	(79.5)
Investment securities	11,151	10,455	10,277	10,464	6.7	8.5
Derivatives	36	28	66	144	28.6	(45.5)
Loans, advances and other receivables	2,273	1,654	1,783	1,813	37.4	27.5
Reinsurance and other recoveries	1,551	1,249	1,310	1,278	24.2	18.4
Deferred insurance assets	726	858	718	707	(15.4)	1.1
Investments in associates and joint ventures (1)	61	217	157	156	(71.9)	(61.1)
Due from subsidiaries	-	-	-	224	n/a	n/a
Investment property	144	156	160	186	(7.7)	(10.0)
Property, plant and equipment	39	41	46	56	(4.9)	(15.2)
Other assets	138	146	174	184	(5.5)	(20.7)
Goodwill and intangible assets (2)	5,616	5,690	5,778	5,877	(1.3)	(2.8)
Total assets	21,891	21,009	21,229	21,677	4.2	3.1
Liabilities						
Payables and other liabilities	705	419	943	820	68.3	(25.2)
Derivatives	49	95	69	73	(48.4)	(29.0)
Due to subsidiaries (2)	237	193	177	-	22.8	33.9
Deferred tax liabilities (2)	119	96	85	169	24.0	40.0
Employee benefit obligations	104	107	92	111	(2.8)	13.0
Unearned premium liabilities	3,670	3,582	3,527	3,366	2.5	4.1
Outstanding claims liabilities	7,886	7,410	7,369	7,729	6.4	7.0
Other financial liabilities	56	55	39	45	1.8	43.6
Subordinated notes	689	695	729	985	(0.9)	(5.5)
Total liabilities	13,515	12,652	13,030	13,298	6.8	3.7
Net assets	**8,376**	**8,357**	**8,199**	**8,379**	**0.2**	**2.2**

(1) This reflects the revaluation in the National Transport Insurance joint venture as well as the sale of the RACQI and RAAI joint ventures.
(2) Certain asset and liability balances in the prior periods have been restated to include the Promina acquisition intangible assets and related tax balances allocated to General Insurance as part of the Legal Entity Restructure project.

General Insurance ratios

	FULL YEAR ENDED		HALF YEAR ENDED			
	JUN-10 %	JUN-09 %	JUN-10 %	DEC-09 %	JUN-09 %	DEC-08 %
Acquisition expenses ratio	14.6	16.0	15.6	13.7	15.3	16.6
Other underwriting expenses ratio	11.8	11.5	11.5	12.1	11.5	11.4
Total operating expenses ratio	26.4	27.5	27.1	25.8	26.8	28.0
Loss ratio	73.5	77.1	77.3	69.7	62.0	92.2
Combined operating ratio	99.9	104.6	104.4	95.5	88.8	120.2
Insurance trading ratio	**9.6**	**7.7**	**6.4**	**12.8**	**10.2**	**5.3**

Gross written premium

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09 [1]	vs JUN-09	JUN-10	DEC-09	JUN-09 [1]	DEC-08 [1]	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by product									
Australia									
Motor	2,320	2,187	6.1	1,180	1,140	1,119	1,068	3.5	5.5
Home	1,571	1,382	13.7	780	791	690	692	(1.4)	13.0
Commercial	1,389	1,404	(1.1)	667	722	691	713	(7.6)	(3.5)
Compulsory third party	837	739	13.3	431	406	392	347	6.2	9.9
Workers' compensation	222	210	5.7	143	79	136	74	81.0	5.1
Other [2]	31	276	(88.8)	17	14	158	118	21.4	(89.2)
	6,370	**6,198**	**2.8**	**3,218**	**3,152**	**3,186**	**3,012**	**2.1**	**1.0**
New Zealand									
Motor	131	117	12.0	66	65	57	60	1.5	15.8
Home	154	137	12.4	78	76	68	69	2.6	14.7
Commercial	320	306	4.6	146	174	135	171	(16.1)	8.1
Other	52	57	(8.8)	29	23	26	31	26.1	11.5
	657	**617**	**6.5**	**319**	**338**	**286**	**331**	**(5.6)**	**11.5**
Total									
Motor	2,451	2,304	6.4	1,246	1,205	1,176	1,128	3.4	6.0
Home	1,725	1,519	13.6	858	867	758	761	(1.0)	13.2
Commercial	1,709	1,710	(0.1)	813	896	826	884	(9.3)	(1.6)
Compulsory third party	837	739	13.3	431	406	392	347	6.2	9.9
Workers' compensation	222	210	5.7	143	79	136	74	81.0	5.1
Other [2]	83	333	(75.1)	46	37	184	149	24.3	(75.0)
	7,027	**6,815**	**3.1**	**3,537**	**3,490**	**3,472**	**3,343**	**1.3**	**1.9**

(1) The June 2009 and December 2008 periods have been restated as the Five Star product now forms part of Commercial and was previously Motor.

(2) The decrease is due to the business exiting from its partnership with Covermore effective 1 July 2009. Gross written premium for the year to 30 June 2009 was $215 million and for the half year to 31 December 2008 was $95 million.

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by geography									
Queensland	1,857	1,752	6.0	936	921	905	847	1.6	3.4
New South Wales [1]	2,256	2,374	(5.0)	1,142	1,114	1,242	1,132	2.5	(8.1)
Victoria	1,472	1,359	8.3	739	733	691	668	0.8	6.9
Western Australia	394	326	20.9	204	190	145	181	7.4	40.7
South Australia	202	190	6.3	103	99	97	93	4.0	6.2
Tasmania	106	99	7.1	51	55	48	51	(7.3)	6.3
Other	83	98	(15.3)	43	40	58	40	7.5	(25.9)
Total Australia	6,370	6,198	2.8	3,218	3,152	3,186	3,012	2.1	1.0
New Zealand	657	617	6.5	319	338	286	331	(5.6)	11.5
Total	**7,027**	**6,815**	**3.1**	**3,537**	**3,490**	**3,472**	**3,343**	**1.3**	**1.9**

(1) The New South Wales result includes the impact of the exit of the Covermore travel insurance partnership which has been previously treated as entirely attributable to New South Wales.

Gross written premium (continued)

Motor

Motor insurance premiums increased by 6.4% to $2,451 million.

In Australia, both net written units and average written premiums increased by around 3.0% for the year. This was a satisfying result considering the increased competition caused by the aggressive pricing tactics of new entrants.

Net written units were underpinned by new business growth particularly in the AAMI brand and in Suncorp Group's online offering, Bingle. Retention softened slightly as an increased focus on profitable portfolio management led to shedding of some underperforming segments. Average written premiums for the year also increased indicating success in sustaining, and in some portfolios, expanding margins while maintaining market share.

GWP growth was particularly strong in the key mass market brand AAMI and across the niche offerings.

In New Zealand, growth of 12.0% is due to rate increases from intermediated personal line segments as well as strong unit growth in AAI and the partnership with ANZ National Bank.

Home

Home insurance premiums increased by 13.6% to $1,725 million.

In Australia, this strong growth is largely attributable to an increase in average premiums of 11.6%. Despite these price increases, the Group was able to deliver net written unit growth of 1.2%. Premium rates increased for home insurance across all brands following several years of adverse natural hazard claims and higher reinsurance costs. Furthermore these price increases were targeted to support better risk selection across the portfolio.

GWP growth in home insurance was particularly strong in the key mass market brand AAMI and across the niche offerings in general.

In New Zealand, a 12.4% increase in unit growth reflects increasing market share due to the partnership with ANZ National Bank.

Commercial Insurance

Commercial insurance premium income was flat at $1,709 million and Australian commercial insurance premium income was down 1.1% for the year.

During the previous year, commercial insurance benefited from a number of large infrastructure project wins. Excluding the impact of these one-off premiums and exited lines such as Farm and Aviation, Australian commercial insurance grew by 3.9%. Stable retention, rate increases and a targeted focus on broker business contributed to the growth.

The packaged business performed well, with strong results in the property portfolio due to average rate increases of 5%. Market share remains strong, with sums insured increasing for critical business covers such as fire, business interruption and liability.

GWP growth on corporate portfolios was impacted by limited business infrastructure opportunities and product exits. Retention was positive across the majority of the portfolio and policy numbers were stable.

The New Zealand commercial portfolio grew by 4.6% due to a combination of new business and rate increases.

Compulsory Third Party (CTP)

The CTP portfolio increased 13.3% to $837 million.

Queensland average premiums increased by 11.2%. New South Wales average premiums were 6.7% higher. Retention has been strong in all markets.

Suncorp continues to be the leading CTP insurance provider in Queensland. New business in the Queensland market was boosted by an increase in new dealer sales due to an improvement in economic conditions. Overall market share has remained stable despite competitors targeting fleet and motor dealers.

In New South Wales, the Group remains the second largest CTP insurer, utilising a two-brand strategy, primarily focused on attracting and retaining preferred risks.

Workers' Compensation

Workers' compensation premium income increased by 5.7% to $222 million as a result of premium rate increases of around 2% and wage growth.

The Group's workers' compensation is underwritten by GIO in Western Australia, ACT, Tasmania and Northern Territory. Western Australia is the largest market and has seen some price hardening; however, other regions continue to be soft.

Other premium income

The $83 million of other premium income is attributable to the direct travel insurance and deposit power products.

From 1 July 2009, Suncorp ceased to write travel insurance in partnership with Covermore. This partnership contributed $215 million of premium income in the prior year.

Reinsurance expense

Outwards reinsurance expense for the year was $579 million, an increase of $18 million over the prior year, primarily due to increased rates on the property catastrophe and aggregate program.

In 2010/11, the property catastrophe treaty continues to be the Group's largest reinsurance treaty, protecting losses on home, motor and commercial property claims due to single events over $200 million which include windstorm, hail, bushfire and earthquake in both Australia and New Zealand.

Additionally, for 2010/11, the Group has purchased an aggregate catastrophe reinsurance cover. The cost of events above $10 million is aggregated until the retention of $300 million is exceeded. The policy then provides $400 million of capacity cover for events with claim losses above $10 million. This program operates in the same manner as the prior year, except that the retention has increased by $50 million to $300 million, and there is an additional $45 million of cover.

Reinsurance security has been maintained for the 2011 financial year program, with over 87% of long-tail business and 83% of short-tail business protected by reinsurers rated 'A+' or better.

	MAXIMUM SINGLE RISK RETENTION JUN-10 $M	MAXIMUM EVENT RISK RETENTION JUN-10 $M
Property [1]	10	200
General liability	10	10
Global liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor [1]	10	200
Home owners' warranty	5	5
Professional Indemnity	10	10
Travel & Personal Accident	5	5
Marine	3	3

[1] $200 million is the maximum retention. These classes are also protected by the property aggregate treaty. Once the $300 million aggregate deductible is eroded, the maximum event retention is $10 million.

Net incurred claims

Total claims costs were stable at $4,637 million.

The allowance for natural hazard claims was exceeded by $165 million (FY09 $225 million). This allowance was predominantly exceeded as a result of major storm events in Victoria and Western Australia in March 2010, along with other natural hazard events throughout the year.

There have been some signs of claims inflation in Victoria and Western Australia following the major weather events, however, this is isolated and inflation remains generally constrained. Working loss claims have reduced, particularly in motor, and reflects ongoing business initiatives designed to reduce costs.

Short-tail claims have benefited from prior period releases of $100 million primarily due to a downward revision in costs as a result of improved claims management processes in reducing average claims costs.

The valuation of outstanding claims in the Australian long-tail business as at 30 June 2010 resulted in a full year central estimate release of $164 million, primarily from commercial liability and workers' compensation, including a $27 million release at central estimate due to reduced claims handling expenses.

Risk margins

The Group has not significantly changed its approach to setting risk margins during the year and they remain at approximately 18% of outstanding claim reserves providing an approximate level of confidence of 90%.

Risk margins increased by $53 million over the year. The assets notionally backing the risk margins returned $62 million in investment income.

Outstanding claims provisions over time

This table shows the gross and net outstanding claim liabilities and their movement over time. The net outstanding claim liabilities are shown split between the net central estimate, the discount on net central estimate and the (90th percentile, discounted) risk margin components. The net outstanding claim liabilities are also shown by major class of insurance business.

	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	$M	$M	%	%
Gross outstanding claims liabilities	7,886	7,410	7,369	7,729	6.4	7.0
Reinsurance and other recoveries	(1,551)	(1,249)	(1,310)	(1,278)	24.2	18.4
Net outstanding claims liabilities	**6,335**	**6,161**	**6,059**	**6,451**	**2.8**	**4.6**
Expected future claim payments and claims handling expenses	6,385	6,294	6,096	6,175	1.4	4.7
Discount to present value	(1,031)	(1,093)	(965)	(726)	(5.7)	6.8
Risk margin	981	960	928	1,002	2.2	5.7
Net outstanding claims liabilities	**6,335**	**6,161**	**6,059**	**6,451**	**2.8**	**4.6**
Personal						
Australia short-tail	687	661	705	780	3.9	(2.6)
New Zealand	51	41	50	50	24.4	2.0
Commercial						
Australia long-tail	5,224	5,124	4,929	5,237	2.0	6.0
Australia short-tail	250	217	254	255	15.2	(1.6)
New Zealand	123	118	121	129	4.2	1.7
Total	**6,335**	**6,161**	**6,059**	**6,451**	**2.8**	**4.6**

Outstanding claims provision breakdown

This table shows the net outstanding claim reserves split between the net central estimate (discounted) and the risk margin (90th percentile, discounted), broken down by class of business. It also shows the change in net central estimate by class of business.

	ACTUAL	NET CENTRAL ESTIMATE (DISCOUNTED)	RISK MARGIN (90TH PERCENTILE DISCOUNTED)	CHANGE IN NET CENTRAL ESTIMATE (1)
	$M	$M	$M	$M
Personal				
Short-tail and other	687	620	67	(72)
New Zealand	51	45	6	(3)
Commercial				
Australia long-tail	5,224	4,363	861	(164)
Australia short-tail	250	223	27	(28)
New Zealand	123	103	20	11
Total	**6,335**	**5,354**	**981**	**(256)**

(1) This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on net central estimate. A negative sign implies that there has been a release from outstanding reserves.

Operating expenses

Total operating expenses have increased by 1.7% to $1,670 million. This compares favourably to premium growth of 3.1% and, as a result, the operating expense ratio has decreased to 26.4% from 27.5%.

Acquisition costs have decreased 3.2% over the full year to $924 million. These costs have decreased due to the business exiting from the Covermore partnership, a tight control of discretionary expenses and a $19 million writeback of an acquisition cost adjustment from the prior year. Offsetting these reductions is a one-off charge of $47 million following the revision of deferred acquisition costs (DAC) rates and a review of DAC balances. The acquisition expenses ratio has decreased to 14.6% from 16.0%.

Other underwriting expenses have increased 8.6% to $746 million. The increase in expenses is due to an increase in the Fire Service Levies of $29 million and one-off costs of $34 million relating to a restructure within the General Insurance business. As a result, the other underwriting expense ratio has increased marginally to 11.8% from 11.5%.

Managed schemes

Net profit from the managed schemes business was $4 million, down from $19 million in the prior year. This is largely due to reduced incentive fees in New South Wales and restructuring costs. Additionally, a provision of $3 million has been made for expected future losses in Victoria.

Joint ventures and other income

The Group participated in insurance joint ventures with motoring clubs in Queensland, South Australia and Tasmania. The joint venture and other income contribution for the year to 30 June 2010 was $53 million, up from $1 million in the prior year. Favourable results are predominately due to improved investment returns and more favourable weather conditions. This result also includes a referral services fee of $15 million from National Transport Insurance as a result of the transfer of the heavy motor book.

During the second half of the year the Group sold its investments in RACQ Insurance and RAA Insurance and, as a result, future income from joint ventures will be minimal.

Investment income on insurance funds

The Australian General Insurance Technical Reserve portfolios of SMIL, GIOG, AAMI and VIL are now managed against a uniform benchmark allocation of 60% credit, 10% inflation, 10% Government and 20% Semi-Government Bonds. The AAI portfolio is managed against an allocation of 68% cash and 32% credit. The credit ratings of these investments are outlined on page 25.

The total investment income on technical reserves was $602 million. This result comprises:

- Underlying yield income of $355 million;
- An increase in investment income due to mark to market movements of $142 million following the reduction in long-term bond yields. This is offset by the increase in claims cost due to the corresponding fall in discount rates;
- An economic mismatch of $85 million owing to reductions in credit spreads; and
- An accounting mismatch of $20 million as a result of lower interest rates on the assets that back liabilities that are not marked to market for accounting purposes, namely unearned premium net of insurance debtors. It is an accounting mismatch because the liability is, in reality, interest rate sensitive, and the $20 million profit will reverse during the year ending 30 June 2011.

Investment income on shareholder funds

Investment income on shareholder funds for the year was $194 million up 49.2%. This is largely attributable to narrowing credit spreads, increased investment yields and is net of a $25 million write down on property assets.

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Allocation of investments held against:						
Insurance funds						
Cash and short-term deposits	129	330	556	351	(60.9)	(76.8)
Interest bearing securities and other	8,193	7,514	7,465	7,815	9.0	9.8
Total	**8,322**	**7,844**	**8,021**	**8,166**	**6.1**	**3.8**
Shareholders' funds						
Cash and short-term deposits	239	146	209	304	63.7	14.4
Interest bearing securities	2,605	2,818	2,291	2,383	(7.6)	13.7
Overseas equities [(1)]	77	67	56	52	14.9	37.5
Property and other	190	137	185	327	38.7	2.7
Total	**3,111**	**3,168**	**2,741**	**3,066**	**(1.8)**	**13.5**

(1) Refers to investments held by the New Zealand entities.

	HALF YEAR ENDED					
	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Investment income on insurance funds						
Cash and short-term deposits	4	8	6	12	(50.0)	(33.3)
Interest bearing securities and other	338	252	(37)	752	34.1	n/a
Total	**342**	**260**	**(31)**	**764**	**31.5**	**n/a**
Investment income on shareholder funds						
Cash and short-term deposits	1	2	1	4	(50.0)	-
Interest bearing securities	105	87	5	136	20.7	large
Australian equities	-	-	-	10	n/a	n/a
Overseas equities	(6)	4	-	11	n/a	n/a
Property	(20)	3	(32)	4	n/a	(37.5)
Other revenue	14	5	2	3	180.0	large
Other expenses	-	(1)	-	(14)	(100.0)	n/a
Total	**94**	**100**	**(24)**	**154**	**(6.0)**	**n/a**
Total investment income	**436**	**360**	**(55)**	**918**	**21.1**	**n/a**

Credit risk exposure – fixed interest investments

The General Insurance fixed interest portfolios are restricted to investment grade securities to ensure there is adequate capital protection of the assets under all market conditions. Below is the summary of the exposure for both investments on technical reserves and shareholders' funds.

	HALF YEAR ENDED			
AVERAGE	JUN-10 %	DEC-09 %	JUN-09 %	DEC-08 %
AAA	44.0	45.3	51.9	64.7
AA	43.2	39.5	31.5	22.7
A	11.6	12.6	14.5	10.6
BBB	1.2	2.6	2.1	2.0
	100.0	**100.0**	**100.0**	**100.0**

Profit contribution – Personal Lines Australia

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	3,922	3,845	2.0	1,977	1,945	1,967	1,878	1.6	0.5
Net earned premium	3,572	3,457	3.3	1,788	1,784	1,733	1,724	0.2	3.2
Net incurred claims	(2,606)	(2,635)	(1.1)	(1,448)	(1,158)	(1,332)	(1,303)	25.0	8.7
Acquisition expenses	(527)	(562)	(6.2)	(279)	(248)	(246)	(316)	12.5	13.4
Other underwriting expenses	(369)	(326)	13.2	(181)	(188)	(166)	(160)	(3.7)	9.0
Total operating expenses	(896)	(888)	0.9	(460)	(436)	(412)	(476)	5.5	11.7
Underwriting result	70	(66)	n/a	(120)	190	(11)	(55)	n/a	large
Investment income - insurance funds	94	101	(6.9)	46	48	63	38	(4.2)	(27.0)
Insurance trading result	164	35	368.6	(74)	238	52	(17)	n/a	n/a
	%	%		%	%	%	%		
Ratios									
Acquisition expenses ratio	14.8	16.3		15.6	13.9	14.2	16.4		
Other underwriting expenses ratio	10.3	9.4		10.1	10.5	9.6	8.9		
Total operating expenses ratio	25.1	25.7		25.7	24.4	23.8	25.3		
Loss ratio	73.0	76.2		81.0	64.9	76.9	91.8		
Combined operating ratio	98.1	101.9		106.7	89.3	100.7	117.1		
Insurance trading ratio	4.6	1.0		(4.1)	13.3	3.0	4.3		

Market overview

Australian Personal Lines experienced another challenging year with multiple weather events. Significant premium increases have been implemented in response to these weather events, particularly in the home portfolio.

The market has seen a number of new entrants seeking to penetrate the motor insurance market particularly through the low cost internet channel. There is little evidence of significant growth in the collective market share of smaller insurers despite aggressive marketing campaigns.

Outlook

Personal Lines Australia has now been restructured into one functionally aligned and customer focused team. The business is now intent on delivering robust portfolio growth through its suite of brands, each with a distinct customer proposition, combined with market leading scale in pricing and claims.

While aiming to maintain overall market share, GWP growth for the coming year will predominantly be driven by premium increases in response to an increased allowance for natural hazards.

The Suncorp Group is well positioned to respond to the emergence of new competitors in personal lines with an aligned portfolio of well known and trusted brands including AAMI, Suncorp, GIO and Bingle.

As mentioned at the General Insurance Investor Day on 21 May 2010, Personal Insurance expects to derive significant benefits from the successful execution of the building blocks projects. Key deliverables during the upcoming year include the rollout of the single pricing engine to the AAMI and APIA brands and the implementation of the single claims system for home insurance across all brands. Although these projects will not deliver significant net benefits in the 2011 financial year, they will contribute to the Group's commitment to increase underlying margins by least 3% by the 2012 financial year.

Profit contribution – Commercial Lines Australia

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	2,448	2,353	4.0	1,241	1,207	1,219	1,134	2.8	1.8
Net earned premium	2,164	1,986	9.0	1,090	1,074	1,004	982	1.5	8.6
Net incurred claims	(1,704)	(1,638)	4.0	(831)	(873)	(377)	(1,261)	(4.8)	120.4
Acquisition expenses	(308)	(266)	15.8	(172)	(136)	(146)	(120)	26.5	17.8
Other underwriting expenses	(275)	(306)	(10.1)	(134)	(141)	(156)	(150)	(5.0)	(14.1)
Total operating expenses	(583)	(572)	1.9	(306)	(277)	(302)	(270)	10.5	1.3
Underwriting result	(123)	(224)	(45.1)	(47)	(76)	325	(549)	(38.2)	n/a
Investment income - insurance funds	494	613	(19.4)	289	205	(96)	709	41.0	n/a
Insurance trading result	371	389	(4.6)	242	129	229	160	87.6	5.7
	%	%		%	%	%	%		
Ratios									
Acquisition expenses ratio	14.2	13.4		15.8	12.7	14.5	12.2		
Other underwriting expenses ratio	12.7	15.4		12.3	13.1	15.5	15.3		
Total operating expenses ratio	26.9	28.8		28.1	25.8	30.0	27.5		
Loss ratio	78.7	82.5		76.2	81.3	37.5	128.4		
Combined operating ratio	105.6	111.3		104.3	107.1	67.5	155.9		
Insurance trading ratio	17.1	19.6		22.2	12.0	22.8	16.3		

Market overview

The Australian commercial insurance market showed some signs of hardening with premium increases across several product lines. Despite continuing price competition and available capacity, severe weather events have continued to drive premium rates up, particularly in the SME packaged business. Retention remains strong despite premium increases.

Large infrastructure opportunities have been limited but there was an improvement in building market activity.

In statutory classes of CTP and workers' compensation, the challenge for insurers remains targeted, profitable growth and optimising return on capital. Workers' compensation underwritten markets (WA, ACT, Tasmania and NT) continue to be competitive, with average premium increases of around 2%.

Outlook

Australian commercial lines' growth strategy is focused on increasing market share in SME packaged business and maximising returns from the stable of strong insurance products and distribution channels. Balancing growth with profitability is crucial and Suncorp continues to utilise expertise in underwriting to ensure growth in preferred markets. Pricing will reflect an increased allowance for natural hazards and greater reinsurance costs.

Costs will be saved through the new functional operating structure, which has reduced internal duplication and maximised the benefits of scale between Commercial and Personal insurance. The use of business-to-business technology and Suncorp's new claims system and pricing engine will also improve efficiency.

Managed Fund income is expected to be lower following the loss of one of the major Treasury Managed Funds contracts from 1 January 2011.

The Queensland CTP Regulator will introduce a consumer choice model from 1 October 2010, with a $24 reduction in CTP premiums and a ban on commission payments. While Suncorp's multi-brand strategy means it is well placed to respond to these changes, the Group maintains an active dialogue with both the Government and the Scheme Regulator in order to ensure an appropriate level of profitability is reflected in its determination of the premium ceiling.

Commercial Insurance expects to deliver market share growth of around 3% over the next three years and contribute to the Group's commitment to improve underlying margins by at least 3% by the 2012 financial year.

Profit contribution – New Zealand

This table is shown in NZ$ at Appendix 5.

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	657	617	6.5	319	338	286	331	(5.6)	11.5
Net earned premium	574	538	6.7	288	286	255	283	0.7	12.9
Net incurred claims	(327)	(337)	(3.0)	(167)	(160)	(146)	(191)	4.4	14.4
Acquisition expenses	(89)	(127)	(29.9)	(42)	(47)	(66)	(61)	(10.6)	(36.4)
Other underwriting expenses	(102)	(55)	85.5	(50)	(52)	(22)	(33)	(3.8)	127.3
Total operating expenses	(191)	(182)	4.9	(92)	(99)	(88)	(94)	(7.1)	4.5
Underwriting result	56	19	194.7	29	27	21	(2)	7.4	38.1
Investment income - insurance funds	14	19	(26.3)	7	7	2	17	-	250.0
Insurance trading result	70	38	84.2	36	34	23	15	5.9	56.5
	%	%		%	%	%	%		
Ratios									
Acquisition expenses ratio	15.5	23.6		14.6	16.4	25.9	21.6		
Other underwriting expenses ratio	17.8	10.2		17.4	18.2	8.6	11.7		
Total operating expenses ratio	33.3	33.8		32.0	34.6	34.5	33.3		
Loss ratio	57.0	62.6		58.0	55.9	57.3	67.5		
Combined operating ratio	90.3	96.4		90.0	90.5	91.8	100.8		
Insurance trading ratio	12.2	7.1		12.5	11.9	9.0	5.3		

Market overview

The New Zealand operation produced a strong result for the year to June 2010 despite a competitive New Zealand market. The Insurance Trading Result of $70 million results in an ITR ratio of 12.2% mainly due to a relatively benign claims experience with few natural hazard losses.

GWP grew 6.5% reflecting both rate increases and new business growth in both Commercial and Personal lines. During the year, Vero NZ exited the Travelsure product which had contributed NZ$17 million in the prior year.

In 2010, Vero New Zealand again won the New Zealand 'Insurer of the Year' award, its fifth win in the past seven years.

Outlook

Vero New Zealand remains committed to its market leading approach to risk selection and pricing. It will continue to focus on providing its customers with world class service and processes while focusing on reducing operational costs. The current high levels of customer satisfaction and high calibre and engagement of its employees continue to give Vero New Zealand a competitive edge over other underwriters in the New Zealand market.

The New Zealand market is variable with some markets showing good hardening while others remain very competitive. However, the New Zealand operations are confident in contributing to the Group's underlying margin improvement of at least 3% over the next two years. Additionally, due to the growth in the AA Insurance joint venture and the Vero New Zealand leading distribution arrangements with AMP and ANZ National Bank, these operations have the potential to double their sustainable net profit after tax over the next three years.

Segment Information – Core Bank

Basis of preparation

Accounting for the segmentation of Core and Non-core banking businesses commenced on 1 April 2009. As a result, profit and loss data for the full year to June 2009 is not contained in the Core and non-core sections of this document but is available in the consolidated bank result at Appendix 8.

Result overview

Core Bank profit after tax for the full year to 30 June 2010 was $268 million.

Operating conditions for the Core Bank have been stable with a slight improvement in net interest margins, strong retail deposit growth and good cost control. Activities undertaken during the first half have reshaped the Bank for sustained profitability, providing a solid balance sheet and simplified operations for future growth.

In the personal customer segment, housing loan receivables (including securitised assets) grew 2.8% over the year to $29.1 billion. Lending was constrained in the first half as the Bank focused on rebalancing its funding mix at the top end of its target 60-70% deposit to core lending ratio range. With the desired funding mix in place, the Bank moved to restore lending growth across the core portfolio and achieved annualised growth of 5.0% during the second half of the 2010 year. Consumer lending decreased 6.7% during the year to $569 million as customers continued to exercise caution with discretionary expenditure.

Core Bank business lending assets totalled $7.7 billion at 30 June 2010, representing a decrease of 3.1% for the 2010 year but an increase of 1.1% during the second half of the year.

The Bank maintained its focus on attracting retail deposits and achieved an 8.5% increase in core retail deposits to $23.2 billion, resulting in an improvement in the deposit to core lending ratio to 71%.

Net interest income for the year was $753 million, representing a net interest margin of 1.80%. The margin trend was positive in the second half, being 8 basis points higher than the first half, at 1.84%. Net interest income to lending assets for the half year was 2.10%, representing an increase of 9 basis points in the second half.

Underlying fee income was relatively stable half on half, with full year non-interest income of $140 million including mark-to-market impacts of $17 million in the first half that were not repeated in the second half.

Operating expenses in the Core Bank were $451 million for the year, representing a cost-to-income ratio of 50.5%. During the second half, the focus was on investment in the business to stimulate growth through increased advertising and promotion, new branch openings and refurbishment of existing branches.

Credit quality in the Core Bank remains strong despite higher bad debt charges in the second half. Rising interest rates, reduced Government stimulus and higher costs of living resulted in increased arrears levels over the period. The book is well secured over physical property and actual losses remain well within the Bank's expectations and risk tolerance.

Outlook

Over the last eighteen months, the Bank has taken significant steps to re-shape its strategy and transform its balance sheet, in terms of both funding mix and portfolio/customer mix, in response to the changed economic environment. The Core Bank has successfully demonstrated its deposit gathering capacity and will look for continued strong momentum in the retail deposit market as a key foundation of long-term growth.

Having achieved the desired retail deposit mix target during the last financial year, the Core Bank has set a target to return to lending growth of 1 to 1.3 times system growth by the end of December 2010, while maintaining its retail deposit to lending ratio around current levels. Lending growth improvement towards the end of the June 2010 half places the Core Bank on a good trajectory to achieve this target.

While the Core Bank achieved a pleasing increase in margin over the second half of the year, the outlook for margins is clouded by the complexity of the current environment. The market for both deposits and lending is extremely competitive, with wholesale funding markets remaining volatile and placing increased cost pressures on the industry. The possible implications of impending regulatory change add to the uncertainty. The sound structure of the Core Bank's balance sheet places it in a good position to address the changing market dynamics.

The Core Bank will continue its focus on cost control. Benefits of simplification initiatives are expected to enable the branch expansion plans to double metropolitan Sydney and Perth representation by 2013 to be achieved, while delivering a cost to income ratio below the current level.

Credit quality in the Core Bank is expected to remain strong. The recent increase in impairment charges reflects the stage of the retail and small business bad debt cycle that appears to have been delayed by the Government stimulus measures in the first half of the 2010 financial year.

Profit contribution – Core Bank

	FULL YEAR ENDED	HALF YEAR ENDED		JUN-10
	JUN-10	JUN-10	DEC-09	vs DEC-09
	$M	$M	$M	%
Net interest income	753	382	371	3.0
Non-interest income				
Net banking fee income	113	55	58	(5.2)
MTM on financial instruments	17	-	17	(100.0)
Other income	10	7	3	133.3
Total non-interest income	140	62	78	(20.5)
Total income	893	444	449	(1.1)
Operating expenses	(451)	(228)	(223)	2.2
Profit before impairment losses on loans and advances	442	216	226	(4.4)
Impairment losses on loans and advances	(51)	(49)	(2)	large
Core Bank profit before tax	**391**	**167**	**224**	**(25.4)**
Income tax	(123)	(53)	(70)	(24.3)
Core Bank profit after tax	**268**	**114**	**154**	**(26.0)**

Ratios and statistics

	FULL YEAR ENDED	HALF YEAR ENDED	
	JUN-10	JUN-10	DEC-09
	%	%	%
Net interest margin (interest earning assets)	1.80	1.84	1.76
Net interest (lending assets)	2.06	2.10	2.01
Cost to income ratio	50.50	51.35	49.67
Impairment losses to gross loans and advances	0.14	0.26	0.01
Impairment losses to risk weighted assets	0.26	0.51	0.02
Deposit to loan ratio	71.11	71.11	68.98

Loans, advances and other receivables

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Housing loans	23,904	23,756	22,191	0.6	7.7
Securitised housing loans	5,202	4,638	6,111	12.2	(14.9)
Total housing loans	29,106	28,394	28,302	2.5	2.8
Consumer loans	569	596	610	(4.5)	(6.7)
Retail loans	29,675	28,990	28,912	2.4	2.6
Commercial (SMEs)	4,273	4,147	4,271	3.0	0.0
Agribusiness	3,397	3,440	3,646	(1.3)	(6.8)
Business loans	7,670	7,587	7,917	1.1	(3.1)
Total lending	**37,345**	**36,577**	**36,829**	**2.1**	**1.4**
Other receivables [1]	111	451	1,015	(75.4)	(89.1)
Gross banking loans, advances and other receivables	37,456	37,028	37,844	1.2	(1.0)
Provision for impairment	(102)	(79)	(94)	29.1	8.5
Loans, advances and other receivables	**37,354**	**36,949**	**37,750**	**1.1**	**(1.0)**
Risk weighted assets	**19,488**	**19,002**	**18,468**	**2.6**	**5.5**

(1) Other receivables are primarily collateral deposits provided to derivative counterparties.

Total Core bank lending was $37.3 billion at 30 June 2010, an increase of 1.4% over the year.

Lending was constrained in the first half as the Bank focused on rebalancing its funding mix at the top end of the target 60% – 70% range. With the desired funding mix in place, the Bank moved to restore lending growth during the second half. Increased advertising and promotional activity at local market level helped the Bank to increase home lending to 0.9 times system in June (as measured by the Reserve Bank of Australia), providing positive momentum into the 2011 financial year.

The Bank continued to focus on achieving its strategic objectives in its core markets by expanding the branch network throughout the year, opening eight new branches.

Personal Lending

Housing lending

Home loan receivables, including securitised assets grew 2.8% over the year, with the majority of the growth being achieved in the second half.

Re-focusing the distribution network on lending to customers once the desired funding mix was achieved, supported by attractive offerings and increased marketing activity, resulted in growth improving to near system levels in June. The lending pipeline has increased over the second half, providing solid momentum leading into the 2011 financial year.

Consumer lending

Consumer lending decreased 6.7% over the year. Consumer confidence remains below previous levels, with falls experienced in recent months. Consumers remain cautious in taking on new debt, instead focusing on repaying existing debt.

The recent volatility in capital markets has constrained margin lending balances growth.

Business Lending

Business lending conditions remain challenging, with lower levels of business confidence in the Core Bank's target markets.

Core Bank business lending assets decreased 3.1% during the 2010 year but improved 1.1% over the second half.

Commercial (SME)

Commercial loans to small to medium business were flat for the year.

The Commercial (SME) balances were adjusted positively by $192 million during the second half as approximately 50 high credit quality accounts previously forming part of the non-core book were reviewed and returned to the core book based on the customer's main financial institution (MFI) relationship status.

Lower levels of business confidence have resulted in customers continuing to delay investment expenditure, instead focusing on paying down debt.

The Bank continues to expand its business lending capability by opening new business centres in Western Australia and New South Wales as well as re-establishing full service business banking centres in other locations. Competitive offerings place the Core Bank in a good position to acquire customers from its major bank competitors in its target sub $30 million market.

Agribusiness

The agribusiness portfolio reduced by 6.8% over the year. After an extended period of severe climatic conditions, the environment has improved in recent times. Favourable trading conditions have led to improved cash flows, enabling agribusiness customers to restock, expand operations and repay debt. The replenishment of previously stressed water supplies has improved optimism, indicating a more favourable outlook for the sector and a return to strong operating performance. The agribusiness property market, however, remains patchy and has yet to fully recover.

The Core Bank has increased its presence in regional communities and remains well placed to support customers as conditions improve.

Funding and deposits

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Retail funding					
Retail deposits					
Transaction	5,051	5,646	5,476	(10.5)	(7.8)
Investment	3,670	3,990	4,307	(8.0)	(14.8)
Term	14,518	12,874	11,635	12.8	24.8
Core retail deposits	23,239	22,510	21,418	3.2	8.5
Retail treasury	3,318	2,721	2,202	21.9	50.7
Total retail funding	26,557	25,231	23,620	5.3	12.4
Wholesale funding					
Domestic funding sources					
Short-term wholesale	6,378	4,493	6,672	42.0	(4.4)
Long-term wholesale	323	525	734	(38.5)	(56.0)
Subordinated notes	289	375	378	(22.9)	(23.5)
Preference shares	60	78	78	(23.1)	(23.1)
Convertible preference shares	303	390	390	(22.3)	(22.3)
	7,353	5,861	8,252	25.5	(10.9)
Overseas funding sources [(1)]					
Short-term wholesale	982	1,489	1,429	(34.0)	(31.3)
Long-term wholesale	735	1,472	1,863	(50.1)	(60.5)
Subordinated notes	335	442	477	(24.2)	(29.8)
	2,052	3,403	3,769	(39.7)	(45.6)
Total wholesale funding	9,405	9,264	12,021	1.5	(21.8)
Total funding (excluding securitisation)	**35,962**	**34,495**	**35,641**	**4.3**	**0.9**
Securitised funding					
APS 120 qualifying	3,338	2,902	4,658	15.0	(28.3)
APS 120 non-qualifying	1,568	1,806	1,065	(13.2)	47.2
Total securitised funding	4,906	4,708	5,723	4.2	(14.3)
Total funding (including securitisation)	**40,868**	**39,203**	**41,364**	**4.2**	**(1.2)**
Total funding is represented on the balance sheet by:					
Deposits	26,557	25,231	23,620	5.3	12.4
Short-term borrowings	7,360	5,982	8,101	23.0	(9.1)
Securitisation liabilities	4,906	4,708	5,723	4.2	(14.3)
Bonds, notes and long-term borrowings	1,058	1,997	2,597	(47.0)	(59.3)
Subordinated notes	624	817	855	(23.6)	(27.0)
Preference shares	363	468	468	(22.4)	(22.4)
Total	**40,868**	**39,203**	**41,364**	**4.2**	**(1.2)**
Retail funding as a percentage of total lending	**71%**	**69%**	**64%**		

(1) Foreign currency borrowings are hedged back into Australian dollars.

Retail funding

Core retail deposits grew 8.5% for the year. The Bank's deposit to lending ratio was 71% at June 2010, exceeding the upper end of its retail funding mix target range. The Bank has maintained its strategy of attracting customers through its differentiated customer value proposition and attractive deposit pricing. Customer growth reflects strong success in term deposits and in acquiring MFI customers.

The targeted expansion of the branch network in Queensland, Western Australia and New South Wales, along with the expansion of the ATM network and customer service improvements, places the Bank in a strong position to continue this momentum.

Wholesale funding

The Bank has continued its conservative approach to liquidity management and maintaining a strong wholesale funding profile. The success in growing the Core Bank customer deposit base has resulted in a reduced requirement for wholesale funding.

The Bank completed its term funding program during the first half of the year, but took advantage of the opportunity to issue $1 billion in securitisation in the second half to bring forward the completion of future period term funding requirements. The Bank's credit rating provides access to a large, diversified range of domestic and international investors. The Bank will closely monitor funding markets and will likely complete transactions as opportunities arise, ensuring long-term access to these markets is maintained.

Wholesale funding including securitisation maturity profile

	JUN-10 $M	DEC-09 [1] $M	JUN-10 vs DEC-09 %
Maturity			
0 to 3 Months	7,118	5,900	20.7
3 to 12 Months	2,263	1,921	17.8
1 to 3 years	3,220	3,848	(16.3)
3+ Years	1,710	2,303	(25.7)
Total wholesale funding	14,311	13,972	2.4

(1) Comparative information has been restated to be consistent with current accounting treatment to additionally include subordinated notes, preference shares & convertible preference shares.

Net interest income

	FULL YEAR ENDED JUN-10 $M	HALF YEAR ENDED JUN-10 $M	DEC-09 $M	JUN-10 vs DEC-09 %
Interest revenue lending assets	2,417	1,257	1,160	8.4
Interest revenue other assets [1]	238	131	107	22.4
Interest expense deposits and funding	(1,880)	(994)	(886)	12.2
	775	394	381	3.4
Interest expense preference shares	(22)	(12)	(10)	20.0
Net interest income	**753**	**382**	**371**	**3.0**
Net interest margin (interest earning assets)	**1.80%**	**1.84%**	**1.76%**	
Net interest margin (lending assets)	**2.06%**	**2.10%**	**2.01%**	

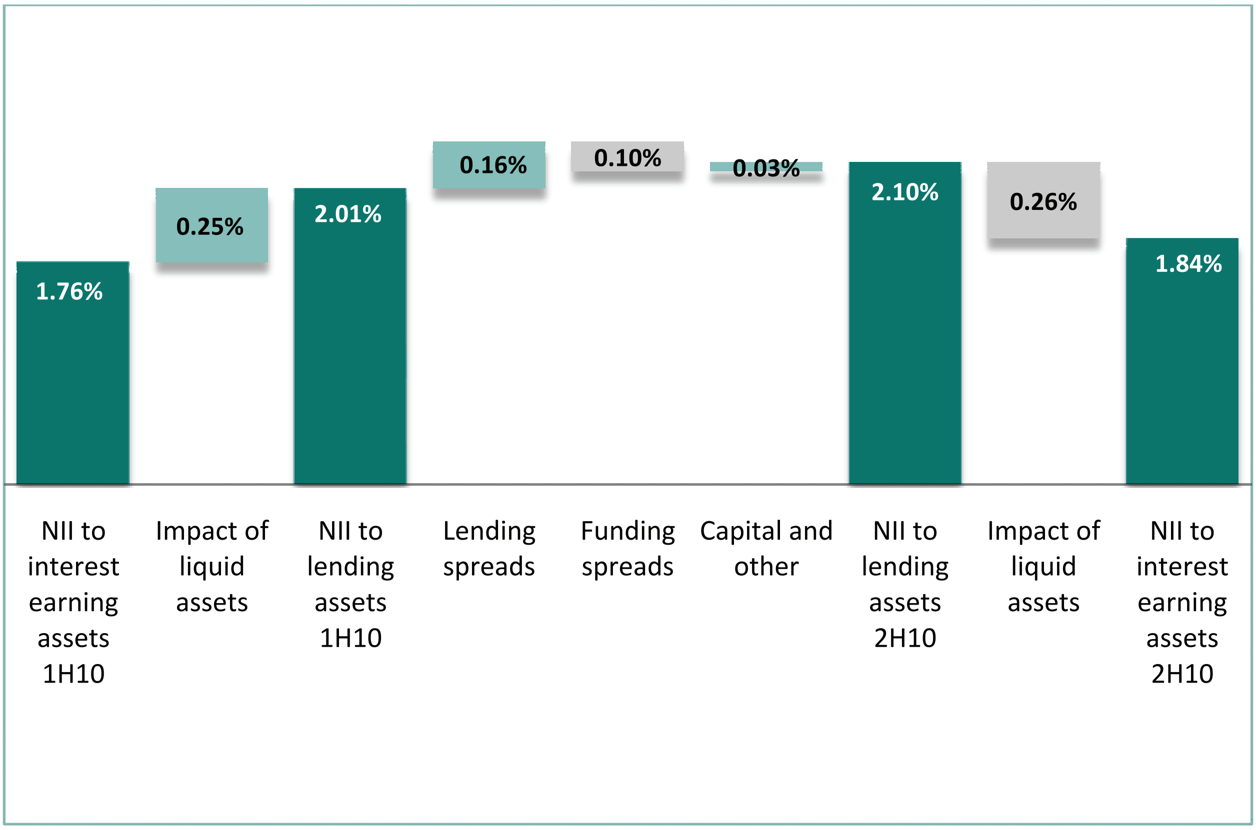
(1) Includes liquid asset portfolio.

Net interest income for the year was $753 million, driven by a higher yield curve and home and business loan pricing which, in part, offset the higher weighted average cost of funding.

The net interest margin as measured against average lending assets was 2.06% for the year, while the net interest margin as measured against average interest earning assets was 1.80%.

For the half year to June 2010, the net interest margin as measured against average lending assets was 2.10%, while the net interest margin as measured against average interest earning assets was 1.84%.

The extent of the difference between the two ratios reflects the Bank's conservative approach to liquidity management, with higher liquid asset balances than the industry average, diluting the margin on average interest earnings assets. It is important to note that the impact and associated cost of holding liquid assets is factored into both measures. As such, the margin on lending assets reflects a better reflection of the total profitability of the Bank against its customer franchise.



Lending spreads (net of yield curve changes) increased by 16 basis points during the half as the Bank continued to increase pricing for risk throughout the portfolio. The full impact of the out of cycle home loan rate movement in December 2009, reflecting a lag in passing on increased funding costs, contributed to the overall increase in lending spreads.

The increase in lending spreads has however been largely offset by a 10 basis point decrease in funding spreads, primarily driven by strong competition for retail deposits.

The absolute increase in yield curve interest rates, as a result of the increase in official interest rates, provided a higher free funding benefit from capital. This contributed a 3 basis point increase in the net interest margin for the half.

Net banking fee income

	FULL YEAR ENDED JUN-10 $M	HALF YEAR ENDED JUN-10 $M	DEC-09 $M	JUN-10 vs DEC-09 %
Net lending fees	17	7	10	(30.0)
Transaction fees	79	39	40	(2.5)
Interchange fees	17	9	8	12.5
	113	**55**	**58**	**(5.2)**

Net banking fee income for the year was $113 million, with lower lending volumes and fee-free banking product propositions reflected in slightly lower fee income in the second half.

Other operating revenue

Net mark-to-market gains for the year were $17 million which included gains of $9 million from trading and $8 million from balance sheet management activities.

As part of its ordinary balance sheet management operations, the Bank purchases liquid assets and uses short-dated hedging instruments for interest rate risk management purposes that do not qualify for hedge accounting and are accounted for on a mark-to-market basis. These instruments are often held to maturity and as such will unwind, with the impact realised in net interest income until maturity.

The movement in the unrealised mark-to-market position on these balance sheet management instruments during the period is as follows:

Unrealised mark-to-market movement

	HALF YEAR ENDED JUN-10 $M	DEC-09 $M
Balance at the beginning of the half year	19	(1)
Unwind to net interest income	(8)	4
Unrealised gains for the period	(4)	16
Balance at the end of the half year	**7**	**19**

Expected unwind profile

	DEC-10 $M	JUN-11 $M	DEC-11 $M	JUN-12 $M
Balance at the beginning of the half year	7	8	5	3
Movement future periods	1	(3)	(2)	(2)
Balance at the end of the half year	**8**	**5**	**3**	**1**

Operating expenses

Operating expenses for the full year were $451 million, resulting in a Core Bank cost to income ratio of 50.5%.

The Bank limited discretionary spending in the first half of the year as it concentrated on simplifying its operations and achieving the desired funding mix.

During the second half the focus was on investment in the business to stimulate growth through increased advertising and promotion, new branch openings and refurbishing existing branches. Additional costs in improving technology, including costs associated with group wide payroll and group general ledger integration, were also incurred in the second half.

The Bank continues to take a prudent approach to cost management while investing in the business to reach its target markets.

Impairment losses on loans and advances

	FULL YEAR ENDED	HALF YEAR ENDED	
	JUN-10	JUN-10	DEC-09
	$M	$M	$M
Collective provision for impairment	13	32	(19)
Specific provision for impairment	1	(3)	4
Actual net write-offs	37	20	17
	51	**49**	**2**
Impairment losses to risk weighted assets	**0.26%**	**0.51%**	**0.02%**

Impairment losses on loans and advances in the Core Bank were $51 million for the year to 30 June 2010.

Losses have increased from a very low base as the first half was buoyed by a low interest rate environment and the Government stimulus package. Higher interest rates, unwind of Government stimulus measures and higher living costs in the second half have impacted arrears levels.

Total movement in specific provisions for the Core Bank were $1 million for the year as impaired assets moved through the cycle. The $1 million is the net of a $26 million increase due to new impaired assets and a $25 million reduction in the specific provision due to the realisation and write-off of previously impaired assets.

Total collective provision balances increased $13 million for the year. The Bank enhanced its collective provisioning methodology during the year, resulting in a write-back of $14 million in the first half and an increase of $10 million in the second half. Excluding these changes in methodology, impairment losses to risk weighted assets would have been 17 basis points in the first half and 40 basis points in the second half.

Collective provision balances have increased, particularly in the agribusiness and commercial lending segments, reflecting some deterioration in risk and security grades. Impaired assets continue to be well secured, with low levels of actual losses.

Impaired assets

Gross impaired assets in the core portfolio remained steady, with marginal increases in the second half to $150 million at 30 June 2010.

Increases were predominantly from agribusiness with some newly impaired assets in housing offset by the recovery of several commercial impaired assets. As business conditions have continued to improve during the half, the Bank continues to resolve accounts with low actual loss levels. Accounts remain well secured over physical property, with outcomes in line with expectations at this stage of the bad debt cycle.

Impaired asset balances

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Gross balances of individually impaired loans					
with specific provisions set aside	150	142	100	5.6	50.0
without specific provisions set aside	-	-	45	n/a	(100.0)
Gross impaired assets	150	142	145	5.6	3.4
Specific provision for impairment	(37)	(46)	(42)	(19.6)	(11.9)
Net impaired assets	113	96	103	17.7	9.7
Size of gross impaired assets					
Less than one million	15	22	22	(31.8)	(31.8)
Greater than one million but less than ten million	101	97	58	4.1	74.1
Greater than ten million	34	23	65	47.8	(47.7)
	150	142	145	5.6	3.4
Past due loans not shown as impaired assets	241	172	249	40.1	(3.2)
Gross non-performing loans	391	314	394	24.5	(0.8)
Interest income on impaired assets recognised in the contribution to profit	1	1	1	-	-
Analysis of movements in gross impaired assets					
Balance at the beginning of the half year	142	145	n/a	(2.1)	n/a
Recognition of new impaired assets	39	35	n/a	11.4	n/a
Increases in previously recognised impaired assets	3	9	n/a	(66.7)	n/a
Impaired assets written off/sold during the half year	(12)	(13)	n/a	(7.7)	n/a
Impaired assets which have been restated as performing assets or repaid	(22)	(34)	n/a	(35.3)	n/a
Balance at the end of the half year	**150**	**142**	**n/a**	**5.6**	**n/a**

Provision for impairment

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Collective provision					
Balance at the beginning of the period	33	52	50	(36.5)	(34.0)
Charge against contribution to profit	32	(19)	2	n/a	large
Balance at the end of the period	65	33	52	97.0	25.0
Specific provision					
Balance at the beginning of the period	46	42	35	9.5	31.4
Charge against impairment losses	9	17	10	(47.1)	(10.0)
Specific provision used	(12)	(13)	-	(7.7)	n/a
Charge against interest income	(6)	-	(3)	n/a	100.0
Balance at the end of the period	37	46	42	(19.6)	(11.9)
Total provision for impairment - Banking activities	102	79	94	29.1	8.5
Equity reserve for credit loss					
Balance at the beginning of the period	55	62	33	(11.3)	66.7
Transfer from retained earnings	29	(7)	29	n/a	-
Balance at the end of the period	84	55	62	52.7	35.5
Pre-tax equivalent coverage	120	79	89	51.9	34.8
Total provision for impairment and equity reserve for credit loss coverage - Core Banking activities	222	158	183	40.5	21.3

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	43.33	23.24	35.86
Specific provision	24.67	32.39	28.97
Total provision	68.00	55.63	64.83
Equity reserve for credit loss coverage	80.00	55.63	61.38
Total provision and equity reserve for credit loss coverage	148.00	111.27	126.21

Average banking balance sheet

	FULL YEAR ENDED JUN-10		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
ASSETS			
Interest earning assets			
Trading securities	5,158	239	4.63
Gross loans, advances and other receivables	36,582	2,406	6.58
Other interest earning assets	164	10	6.10
Total interest earning assets	41,904	2,655	6.34
Non-interest earning assets			
Other assets (inc. loan provisions)	297		
Total non-interest earning assets	297		
TOTAL ASSETS	42,201		
LIABILITIES			
Interest bearing liabilities			
Retail deposits	24,979	1,121	4.49
Wholesale liabilities	14,009	735	5.25
Debt capital	966	46	4.76
Total interest bearing liabilities	39,954	1,902	4.76
Non-interest bearing liabilities			
Other liabilities	854		
Total non-interest bearing liabilities	854		
TOTAL LIABILITIES	40,808		
Analysis of interest margin and spread			
Interest earning assets	41,904	2,655	6.34
Interest bearing liabilities	39,954	1,902	4.76
Net interest spread			1.58
Net interest margin (interest earning assets)	41,904	753	1.80
Net interest margin (lending assets)	36,582	753	2.06

Average banking balance sheet (continued)

	HALF YEAR ENDED JUN-10			HALF YEAR ENDED DEC-09		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
	$M	$M	%	$M	$M	%
ASSETS						
Interest earning assets						
Trading securities	5,224	131	5.06	5,090	108	4.21
Gross loans, advances and other receivables	36,658	1,257	6.91	36,507	1,149	6.24
Other interest earning assets	-	-	n/a	328	10	6.05
Total interest earning assets	41,882	1,388	6.68	41,925	1,267	5.99
Non-interest earning assets						
Other assets (inc. loan provisions)	464			(510)		
Total non-interest earning assets	464			(510)		
TOTAL ASSETS	42,346			41,415		
LIABILITIES						
Interest bearing liabilities						
Retail deposits	26,039	626	4.85	23,919	495	4.11
Wholesale liabilities	13,147	354	5.43	14,204	380	5.31
Debt capital	1,001	26	5.24	933	21	4.46
Total interest bearing liabilities	40,187	1,006	5.05	39,056	896	4.55
Non-interest bearing liabilities						
Other liabilities	782			926		
Total non-interest bearing liabilities	782			926		
TOTAL LIABILITIES	40,969			39,982		
Analysis of interest margin and spread						
Interest earning assets	41,882	1,388	6.68	41,925	1,267	5.99
Interest bearing liabilities	40,187	1,006	5.05	39,056	896	4.55
Net interest spread			1.63			1.44
Net interest margin (interest earning assets)	41,882	382	1.84	41,925	371	1.76
Net interest margin (lending assets)	36,658	382	2.10	36,507	371	2.01

Segment Information – Non-core Bank

Basis of preparation

Accounting for the segmentation of core and non-core banking businesses commenced on 1 April 2009. As a result, profit and loss data for the full year to June 2009 is not contained in the core and non-core sections of this document but is available in the consolidated bank result at Appendix 8.

Result overview

The key priorities in the Non-core Bank have been to responsibly manage the run-off of the portfolio and lengthen the duration of the wholesale funding base to 'match fund' the portfolio.

The management of the portfolio continues to be administered by a separate management team dedicated to prudent run-off. Gross loans and advances in the Non-core Bank reduced by $4.9 billion over the year to $12.6 billion at 30 June 2010. This was pleasing progress in the run-off program and ahead of expectations.

The Bank continues to explore opportunities for sale of individual loans as well as selected portfolios of loans. Opportunities for sale are increasing, with prices improving over the period and growing investor interest in the purchase of loans. During the year some small selected sales were completed, contributing $800 million to run-off. The Bank will continue to pursue sale opportunities where it is economic to do so.

Funding of the non-core portfolio has been managed conservatively, with effective 'match funding' delivering reduced refinancing risk through to portfolio maturity. The Bank also holds strong levels of liquidity in the non-core book to enable repayment of funding maturities. This approach also positions the Bank well to meet any regulator imposed requirements to strengthen liquidity reserves across the industry.

While an outcome of this risk management approach has been an increase in the weighted average cost of wholesale funding and a consequent reduction in net interest margins in the non-core book, the Bank has been successful in repricing loans in line with the inherent risk of the portfolio, increasing customer margins, including an increase of 30 basis points between the first and second half of the year.

In line with the challenging economic and market conditions, selected large corporates and property customers in the non-core book continue to face difficult conditions. The Bank continues to work with clients to manage facilities and reduce outstanding balances.

Non-core impaired assets reduced 5.1% over the six months to 30 June 2010. The Bank divested some impaired exposures in syndicated corporate, property finance and property development segments. The emergence of new impaired assets slowed significantly in the last half compared to prior periods.

Past due loans, which are not impaired assets, decreased 48.5% over the year to $103 million, in line with the maturing bad debts cycle in the corporate and property segments.

Non-core impairment losses for the year were $428 million, with $156 million incurred in the second half to 30 June 2010. Recent experience demonstrates the impairment loss rates on the portfolio have trended down significantly from the peak of the 2009 financial year.

Outlook

The Bank remains optimistic that the momentum achieved on the non-core portfolio run-off will continue, however, it is cognisant that the international markets are volatile and the economic outlook is uncertain.

Signs of improvement in the property investment market, whilst patchy, are promising. However, due to the high concentration of large exposures in the non-core portfolio, it is still too early to predict the profile of realisation of the impaired asset portfolio.

While the net interest margin has been relatively flat over the past year, partly due to repricing success, a number of factors will put downward pressure on the net interest margin over the 2011 financial year. These include the run-off profile, the impact of impaired assets and an increase in the weighted average cost of funding.

Profit contribution – Non-core Bank

	FULL YEAR ENDED	HALF YEAR ENDED		JUN-10
	JUN-10	JUN-10	DEC-09	vs DEC-09
	$M	$M	$M	%
Net interest income	175	80	95	(15.8)
Non-interest income				
Net banking fee income	42	21	21	-
Other income	(7)	(6)	(1)	large
Total non-interest income	35	15	20	(25.0)
Total income	210	95	115	(17.4)
Operating expenses	(95)	(41)	(54)	(24.1)
Profit before impairment losses on loans and advances	115	54	61	(11.5)
Impairment losses on loans and advances	(428)	(156)	(272)	(42.6)
Non-core Bank profit/(loss) before tax	**(313)**	**(102)**	**(211)**	**(51.7)**
Income tax	89	28	61	(54.1)
Non-core Bank profit/(loss) after tax	**(224)**	**(74)**	**(150)**	**(50.7)**

Ratios and statistics

	FULL YEAR ENDED	HALF YEAR ENDED	
	JUN-10	JUN-10	DEC-09
	%	%	%
Net interest margin (interest earning assets)	0.75	0.71	0.78
Net interest (lending assets)	1.12	1.10	1.13
Cost to income ratio	45.24	43.16	46.96
Impairment losses to gross loans and advances	2.98	2.19	3.15
Impairment losses to risk weighted assets	3.38	2.48	3.39

Loans, advances and other receivables

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Corporate	2,548	3,004	3,287	(15.2)	(22.5)
Development finance	4,286	5,579	6,055	(23.2)	(29.2)
Property investment	4,961	5,909	6,647	(16.0)	(25.4)
Lease finance	843	1,153	1,545	(26.9)	(45.4)
Non-core portfolio	12,638	15,645	17,534	(19.2)	(27.9)
Other receivables (1)	1,724	1,508	-	14.3	n/a
Gross banking loans, advances and other receivables	14,362	17,153	17,534	(16.3)	(18.1)
Provision for impairment	(570)	(741)	(665)	(23.1)	(14.3)
Loans, advances and other receivables	**13,792**	**16,412**	**16,869**	**(16.0)**	**(18.2)**
Risk weighted assets	**12,661**	**15,932**	**17,578**	**(20.5)**	**(28.0)**

(1) Other receivables are primarily collateral deposits provided to derivative counterparties.

Non-core loans reduced 28% or $4.9 billion during the year to $12.6 billion.

The separate management of the non-core portfolio has allowed management to focus on the orderly run-off of the book. Run-off has remained ahead of forecast with some signs of improving refinancing opportunities.

The property and development finance market has seen some interest from offshore institutional investors looking to increase exposure to the Australian market by taking on quality assets. International funding market volatility during the year has temporarily slowed activity but interest has returned in recent months.

The market for commercial property investment assets sub $30 million has solid liquidity, especially for assets with low leverage and strong cash flows. Opportunities for large corporate and property asset sales is slowly improving, although investors and financiers remain cautious.

Business Portfolios

Corporate lending

The corporate lending book has continued to run-off ahead of expectations, reducing by 22.5% to $2.5 billion. The return of confidence to funding markets, and increased confidence from investors, has enabled good run-off over the period.

Corporate lending market conditions have stabilised during the year, providing opportunities for customers to sell underlying assets or refinance with other financiers. This has also enabled sales of some syndicated exposures on commercial terms. Funding sources continue to open up from both bank and non-bank markets, but appetite remains exposure specific.

The Bank sold small parcels of loans, reflecting improving confidence levels. The Bank will continue to explore and undertake sales of loans, both individual loans and selected portfolios, where it is economic to do so.

Development finance

The balance of Development Finance loans continued to decline over the year, reducing 29.2% to $4.3 billion.

Conditions in development finance markets remained difficult over the year. Government first home buyer stimulus had previously provided some confidence to the market, allowing developers to reduce stock levels and repay debt. While commercial property vacancy rates remain relatively low, lease up of new developments is still challenging.

Some customers have been able to complete asset sales to reduce leverage levels, enabling them to refinance with other institutions.

Property investment

Property investment includes assets such as shopping centres, commercial offices, and industrial warehouses and excludes construction projects.

Property investment loans reduced 25.4% to $5.0 billion during the year.

Appetite has slowly returned for investors and financiers of property investment as the market outlook has stabilised and with vacancy rates continuing at relatively low rates.

Lease finance

In line with the natural portfolio amortisation, the lease finance receivables balance reduced by 45.4% for the year, to $843 million.

Funding

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Wholesale funding					
Domestic funding sources					
Short-term wholesale	303	2,782	5,337	(89.1)	(94.3)
Long-term wholesale	4,709	4,829	3,788	(2.5)	24.3
Subordinated notes	403	321	321	25.5	25.5
Reset preference shares	84	66	66	27.3	27.3
Convertible preference shares	422	333	331	26.7	27.5
	5,921	8,331	9,843	(28.9)	(39.8)
Overseas funding sources [1]					
Short-term wholesale	47	830	1,145	(94.3)	(95.9)
Long-term wholesale	11,277	10,768	9,616	4.7	17.3
Subordinated notes	465	374	407	24.3	14.3
	11,789	11,972	11,168	(1.5)	5.6
Total funding (excluding securitisation)	**17,710**	**20,303**	**21,011**	**(12.8)**	**(15.7)**
Securitised funding					
APS 120 qualifying	-	-	382	n/a	(100.0)
APS 120 non-qualifying	-	-	88	n/a	(100.0)
Total securitised funding	-	-	470	n/a	(100.0)
Total funding (including securitisation)	**17,710**	**20,303**	**21,481**	**(12.8)**	**(17.6)**
Total funding is represented on the balance sheet by:					
Short-term borrowings	350	3,612	6,482	(90.3)	(94.6)
Securitisation liabilities	-	-	470	n/a	(100.0)
Bonds, notes and long-term borrowings	15,986	15,597	13,404	2.5	19.3
Subordinated notes	868	695	728	24.9	19.2
Total preference shares	506	399	397	26.8	27.5
Total funding (including securitisation)	**17,710**	**20,303**	**21,481**	**(12.8)**	**(17.6)**

[1] Foreign currency borrowings are hedged back into Australian dollars.

	JUN-10 $M	DEC-09 [1] $M	JUN-10 vs DEC-09 %
Maturity			
0 to 3 Months	444	3,027	(85.3)
3 to 12 Months	7,111	4,846	46.7
1 to 3 years	6,526	8,678	(24.8)
3+ Years	3,629	3,752	(3.3)
Total wholesale funding	17,710	20,303	(12.8)

[1] Comparative information has been restated to be consistent with current accounting treatment to additionally include subordinated notes, preference shares & convertible preference shares.

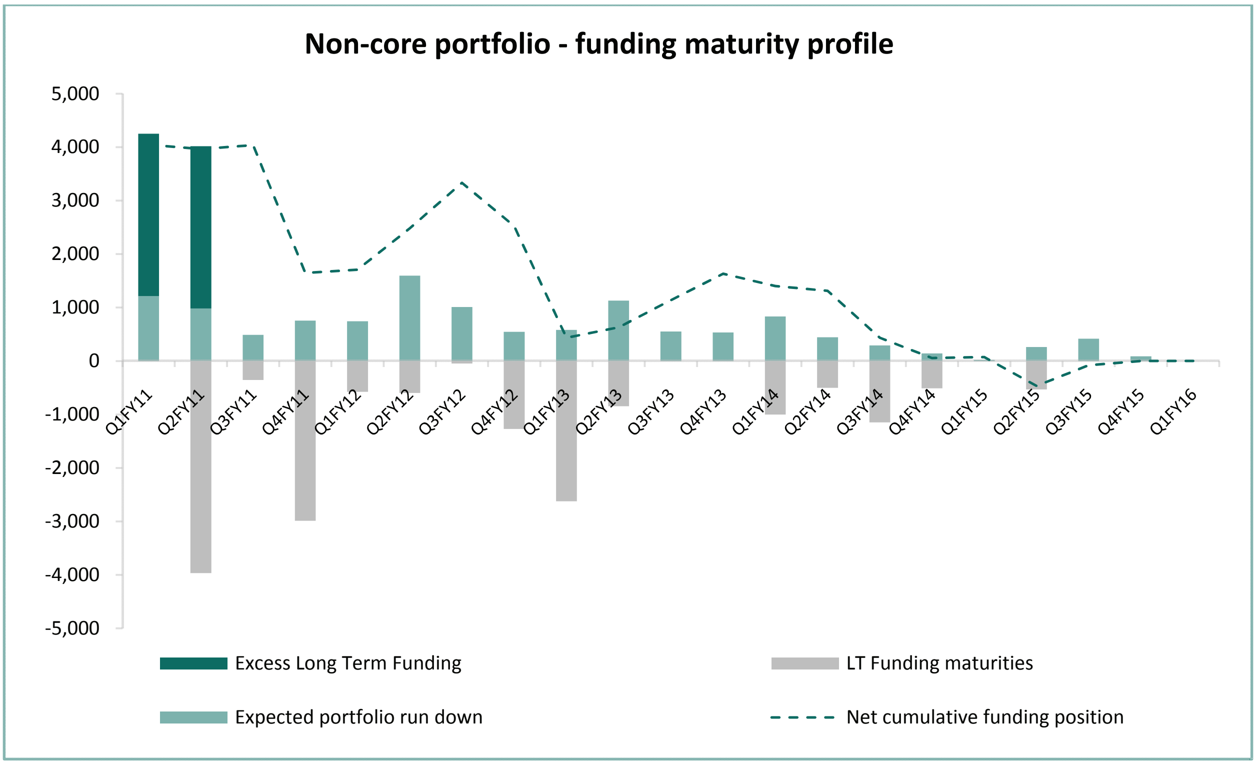
The Bank has maintained its strategy of match funding the non-core book, enabling a reduction in funding risk through to portfolio maturity.

Total wholesale funding across the Bank has been apportioned to the core and non-core portfolios, enabling the separate management of balance sheet and funding risk. The asset maturity of the non-core portfolio has been modelled based upon expected run-off over time, taking into account individual account management plans and repayment profiles. From this, a liability profile has been constructed with regard to the following principles:

- The non-core portfolio is to be positively funded to maturity;
- Short-term funding is to fund liquid assets only; and
- Liquid assets are to be maintained to ensure adequate pay down of maturities as and when they occur.

These principles have allowed the Bank to match fund the non-core portfolio to maturity, reducing refinancing risk and allowing flexibility to repay debt when required.

The chart below illustrates the cumulative funding position of the Non-core Bank, showing that the portfolio remains positively funded to maturity.



The Bank has a significant funding maturity in December 2010 and another in the fourth quarter of the 2011 financial year. Excess liquid assets over prudential requirements are currently held that effectively pre-fund these maturities.

Non-core short-term liquid assets total $8.4 billion. Run-off proceeds in excess of liquidity requirements are used to repay short-term wholesale funding. As a result, the short-term liquid assets are primarily funded by the existing long-term liabilities, having a significant cost impact on the non-core net interest margin. As these long-term funding maturity windows are repaid, the short-term liquid assets will be funded from less expensive short-term wholesale funding.

Net interest income

	FULL YEAR ENDED JUN-10 $M	HALF YEAR ENDED JUN-10 $M	DEC-09 $M	JUN-10 vs DEC-09 %
Interest revenue lending assets	1,057	530	527	0.6
Interest revenue other assets	312	169	143	18.2
Interest expense deposits and funding	(1,176)	(610)	(566)	7.8
	193	89	104	(14.4)
Interest expense preference shares	(18)	(9)	(9)	-
Net interest income	**175**	**80**	**95**	**(15.8)**
Net interest margin (interest earning assets)	**0.75%**	**0.71%**	**0.78%**	
Net interest margin (lending assets)	**1.12%**	**1.10%**	**1.13%**	

Net interest income was $175 million and was impacted by continued higher costs of long-term wholesale funding and declining non-core balances.

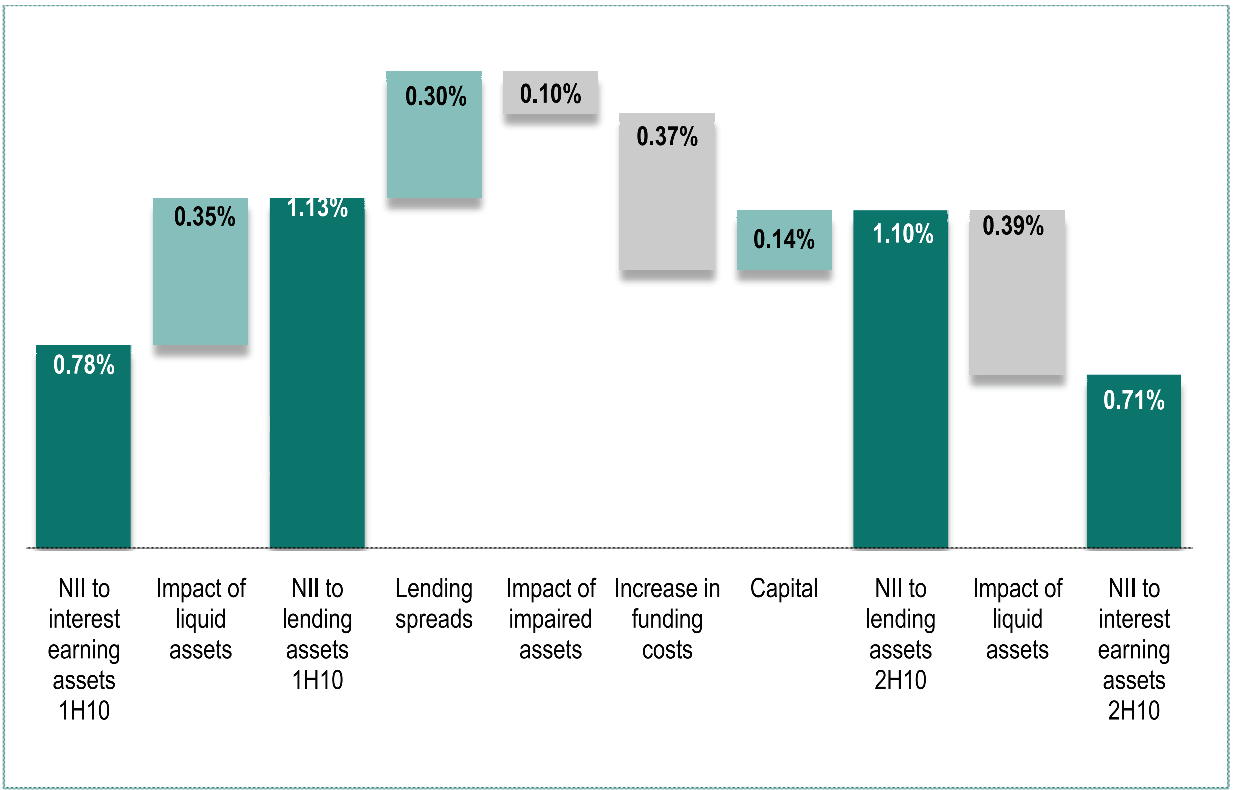
The Bank's strategy to de-risk the funding profile of the non-core book by match funding to maturity has resulted in higher funding costs across the non-core book.

The Bank continues to run down the non-core portfolio ahead of expectations, with lower average balances reducing net interest income over the year.

The net interest margin as measured against average interest earning assets was 0.75% for the year, while the net interest margin as measured against average lending assets was 1.12%.

For the half year to June 2010, the net interest margin as measured against average interest earning assets was 0.71%, while the net interest margin as measured against average lending assets was 1.10%.

The extent of the difference between the two ratios reflects the Bank’s conservative approach to liquidity management, with higher liquid asset balances diluting the margin on average interest earnings assets, however the cost impact of holding liquid assets is factored into both measures.



Lending spreads contributed an increase of 30 basis points to the net interest margin for the half. The Bank continued to revise its pricing approach in non-core segments, repricing facilities for risk and increased funding costs where contractually possible.

The impaired asset portfolio contributed a 10 basis point reduction in the net interest margin as increases in official interest rates magnified the margin impact of interest not being brought to account.

Funding costs increased by 37 basis points during the half. While no new term debt was issued for the non-core portfolio, the full impact of the debt issued during the December 2009 half has flowed through to the net interest margin. As the non-core portfolio matures, the shorter dated funding matching the portfolio and completed using the Government Guarantee matures first. This results in an overall increase in the weighted average cost of funding for the non-core portfolio over time.

As a result of the increase in capital allocated to the non-core portfolio, along with higher yield curve interest rates, the margin benefited by 14 basis points as a result of the 'free-funding' benefit of capital.

Net banking fee income

	FULL YEAR ENDED JUN-10 $M	HALF YEAR ENDED JUN-10 $M	DEC-09 $M	JUN-10 vs DEC-09 %
Net lending fees	39	20	19	5.3
Transaction fees	3	1	2	(50.0)
	42	**21**	**21**	-

Net banking fee income was $42 million for the year, with $21 million earned in each half.

It is expected that future non-core fee income will reduce in line with receivables balances.

Operating expenses

Operating expenses of the non-core portfolio were $95 million for the year to 30 June 2010.

The Bank has undertaken a dedicated program of cost extraction in line with portfolio run-off. This program has reduced the cost base associated with the management of the non-core portfolio, namely direct management and servicing costs. It is anticipated that this cost management program will continue until the end of 2013.

The Bank has also reduced its middle and back office costs as a result of its simplified activities. These programs have reduced costs allocated to non-core by $34 million.

Total costs of restructuring incurred during the year were $21 million, with $16 million incurred in the first half.

Impairment losses on loans and advances

	FULL YEAR ENDED	HALF YEAR ENDED	
	JUN-10	JUN-10	DEC-09
	$M	$M	$M
Collective provision for impairment	(94)	(54)	(40)
Specific provision for impairment	98	(57)	155
Actual net write-offs	424	267	157
	428	**156**	**272**
Impairment losses to risk weighted assets	**3.38%**	**2.48%**	**3.39%**

Impairment losses on non-core loans and advances were $428 million for the year, with $156 million incurred in the second half to 30 June 2010.

The specific provision balance increased $98 million for the year, with a recovery of $57 million in the second half relating to the settlement of two single name exposures and several partial write-downs of impaired assets.

The run-off of performing assets and migration of facilities to impairment has caused a decrease in collective provisions of $94 million over the year. Accounts escalating to impairment status were previously identified on the Bank's watchlist and collectively provided for.

Impaired asset balances

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Gross balances of individually impaired loans					
with specific provisions set aside	1,972	2,077	1,250	(5.1)	57.8
without specific provisions set aside	-	-	79	n/a	(100.0)
Gross impaired assets	1,972	2,077	1,329	(5.1)	48.4
Specific provision for impairment	(434)	(551)	(435)	(21.2)	(0.2)
Net impaired assets	1,538	1,526	894	0.8	72.0
Size of gross impaired assets					
Less than one million	39	33	28	18.2	39.3
Greater than one million but less than ten million	243	211	243	15.2	-
Greater than ten million	1,690	1,833	1,058	(7.8)	59.7
	1,972	2,077	1,329	(5.1)	48.4
Past due loans not shown as impaired assets	103	123	200	(16.3)	(48.5)
Gross non-performing loans	2,075	2,200	1,529	(5.7)	35.7
Interest income on impaired assets recognised in the contribution to profit	-	-	-	n/a	n/a
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	2,077	1,329	n/a	56.3	n/a
Recognition of new impaired assets	479	1,019	n/a	(53.0)	n/a
Increases in previously recognised impaired assets	14	25	n/a	(44.0)	n/a
Impaired assets written off/sold during the half year	(237)	(154)	n/a	53.9	n/a
Impaired assets which have been restated as performing assets or repaid	(361)	(142)	n/a	154.2	n/a
Balance at the end of the half year	**1,972**	**2,077**	**n/a**	**(5.1)**	**n/a**

Impaired assets in the non-core portfolio decreased from $2.1 billion to $2.0 billion over the six months to June 2010.

The early intervention of the Bank's intensive management unit continues to provide early warning of troubled assets and improvement in the Bank's position, thereby reducing potential loss. Past due loans, which are not impaired assets, have decreased 48.5% over the year to $103 million.

Provision for impairment

	JUN-10 $M	DEC-09 $M	JUN-09 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Collective provision					
Balance at the beginning of the period	190	230	235	(17.4)	(19.1)
Charge against contribution to profit	(54)	(40)	(5)	35.0	large
Balance at the end of the period	136	190	230	(28.4)	(40.9)
Specific provision					
Balance at the beginning of the period	551	435	265	26.7	107.9
Charge against impairment losses	169	310	183	(45.5)	(7.7)
Specific provision used	(226)	(155)	-	45.8	n/a
Charge against interest income	(60)	(39)	(13)	53.8	361.5
Balance at the end of the period	434	551	435	(21.2)	(0.2)
Total provision for impairment - Banking activities	570	741	665	(23.1)	(14.3)
Equity reserve for credit loss					
Balance at the beginning of the period	236	133	-	77.4	n/a
Transfer from retained earnings	(94)	103	133	n/a	n/a
Balance at the end of the period	142	236	133	(39.8)	6.8
Pre-tax equivalent coverage	203	337	190	(39.8)	6.8
Total provision for impairment and equity reserve for credit loss coverage - Non-core Banking activities	773	1,078	855	(28.3)	(9.6)

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	6.90	9.15	17.31
Specific provision	22.01	26.53	32.73
Total provision	28.90	35.68	50.04
Equity reserve for credit loss coverage	10.29	16.23	14.30
Total provision and equity reserve for credit loss coverage	39.20	51.90	64.33

Average banking balance sheet

	FULL YEAR ENDED JUN-10		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
ASSETS			
Interest earning assets			
Financial assets	7,595	312	4.11
Gross loans, advances and other receivables	15,662	1,051	6.71
Other interest earning assets	104	6	5.77
Total interest earning assets	23,361	1,369	5.86
Non-interest earning assets			
Other assets (inc. loan provisions)	(952)		
Total non-interest earning assets	(952)		
TOTAL ASSETS	22,409		
LIABILITIES			
Interest bearing liabilities			
Wholesale liabilities	20,174	1,154	5.72
Debt capital	840	40	4.76
Total interest bearing liabilities	21,014	1,194	5.68
Non-interest bearing liabilities			
Other liabilities	14		
Total non-interest bearing liabilities	14		
TOTAL LIABILITIES	21,028		
Analysis of interest margin and spread			
Interest earning assets	23,361	1,369	5.86
Interest bearing liabilities	21,014	1,194	5.68
Net interest spread			0.18
Net interest margin (interest earning assets)	23,361	175	0.75
Net interest margin (lending assets)	15,662	175	1.12

Average banking balance sheet (continued)

	HALF YEAR ENDED JUN-10			HALF YEAR ENDED DEC-09		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
ASSETS						
Interest earning assets						
Financial assets	7,789	169	4.38	7,401	143	3.83
Gross loans, advances and other receivables	14,610	524	7.23	16,714	527	6.25
Other interest earning assets	208	6	5.82	-	-	n/a
Total interest earning assets	22,607	699	6.24	24,115	670	5.51
Non-interest earning assets						
Other assets (inc. loan provisions)	(1,264)			75		
Total non-interest earning assets	(1,264)			75		
TOTAL ASSETS	21,343			24,190		
LIABILITIES						
Interest bearing liabilities						
Wholesale liabilities	18,974	599	6.37	22,041	556	5.00
Debt capital	804	20	5.02	874	19	4.31
Total interest bearing liabilities	19,778	619	6.31	22,915	575	4.98
Non-interest bearing liabilities						
Other liabilities	27			-		
Total non-interest bearing liabilities	27			-		
TOTAL LIABILITIES	19,805			22,915		
Analysis of interest margin and spread						
Interest earning assets	22,607	699	6.24	24,115	670	5.51
Interest bearing liabilities	19,778	619	6.31	22,915	575	4.98
Net interest spread			(0.07)			0.53
Net interest margin (interest earning assets)	22,607	80	0.71	24,115	95	0.78
Net interest margin (lending assets)	14,610	80	1.10	16,714	95	1.13

Segment Information – Life

Basis of preparation

Changes in reporting methodology have been made to more accurately reflect the underlying performance of the business. They are the allocation of:

- Underlying Investment Income between the businesses in accordance with the capital that supports the business; and
- Distribution expenses to the beneficiary businesses.

Result overview

Suncorp Life is a trans-Tasman life risk specialist with complementary businesses in superannuation and investments and asset management. Products are distributed through Independent Financial Advisers (IFAs), and directly to customers via the Group brands and through a joint venture in New Zealand.

In the full year to June 2010 Suncorp Life posted solid underlying results. Suncorp Life has a clear strategy with specific areas of focus including:

- Building distribution capability and reach;
- Improving customer retention; and
- Continuing a program of simplification and cost control.

Life reported underlying profit after tax of $192 million for the full year, up 6.7%. Net profit after tax was $222 million. In-force premium grew by 7% to $784 million, while operating expenses fell 5% to $321 million and embedded value grew by 12.2% to $2.4 billion.

While Life Risk profit was flat at $137 million for the full year, profit growth has strengthened over the latter part of the year with a 28.3% improvement in Life Risk profit half-on-half. Planned profit margins (including policy liability unwind) were up 7.6% to $85 million. Underlying investment income of $50 million was up 13.6% on the previous year primarily due to increased earning rates. ‘Other experience’ losses of $9 million for the year were predominately driven by policy lapses. An allocation of distribution expenses is included in ‘other experience’.

Suncorp Life is focused on building distribution reach and capability. In Life Risk, good progress has been made with sales through the IFA channel up by 15% for the year. Work continues in other channels and lower sales through these channels saw overall Life Risk new business sales flat at $86 million.

Suncorp Life's second area of strategic focus is improving customer retention and this financial year saw a robust action plan put in place to maximise retention, based on customer analytics and new pricing strategies, to address policy lapse rates. The final quarter of the year saw the benefits of these actions begin to flow through.

In Superannuation & Investments (S&I), funds under administration (FUA) are up year on year by 3.8% to $12.3 billion. Profit was up by 28.1% to $41 million despite a weaker equities market in the second half. The S&I result also includes an allocation of distribution expenses.

In Asset Management, funds under management (FUM) are $24.9 billion, up 6.6%, with a profit of $14 million, up 16.7%, underpinned by strong expense management and positive inflows in the second half.

Market Adjustments, while not impacting underlying performance, impact net profit after tax and are favourable at $30 million. This is largely due to the impact of discount rate movements on policy liabilities. Investment experience was neutral due to equity market performance, but was up significantly from an $86 million shortfall in 2009. Suncorp Life has reduced its equity exposure backing risk and annuity business, thus improving the resilience of its core business to market volatility.

Ongoing cost control over discretionary expenditure and simplification of the business saw operating expenses continue to trend downwards by 5% to $321 million. That cost management discipline enabled some reinvestment in business growth during the second half.

Outlook

In June 2010, Suncorp Life presented a strategy update to the market. Having refocused as a life insurance specialist, the business is entering the second phase of its three-phase strategy where it plans to:

- Lead the IFA market; and
- Build a direct distribution business of scale.

Suncorp Life will use the Asteron brand to lead the IFA market and maximise emerging opportunities through specialisation, relationship management, product innovation and delivery.

This year will also see Suncorp Life accelerate the build of its direct distribution business. There is a large growth opportunity to leverage the Group's relationships with its 9 million customers. The direct business in Australia also adapts key learnings from the successful direct joint venture with the Automobile Association (AA) in New Zealand. While expecting to be able to demonstrate progress, Suncorp Life does not anticipate the direct channel making a meaningful contribution to underlying profit in the coming year.

Over the 2010/11 financial year the Life Risk business is focused on delivering against its strategy to maximise the growth opportunity in the life risk market while continuing to focus on customer retention as a key driver of profitability. Suncorp Life acknowledges that there are still risks inherent in the life insurance industry that may impact future profit.

In Superannuation & Investments, regulatory change is anticipated to mandate simplification and streamlining of the superannuation industry. The significant simplification program undertaken over the last two years by Suncorp Life to migrate legacy products and consolidate funds, positions the business well to take advantage of the emerging changes.

In Asset Management, Tyndall takes a strong track record of performance and an excellent industry reputation into the next financial year.

Overall, Suncorp Life is looking to the medium to long-term and over the next three years the business expects to:

- More than double new business volumes;
- Reduce acquisition expenses as a percentage of new business premium;
- Reduce expenses as a percentage of in-force premium;
- Achieve double digit in-force premium growth with active focus on retention; and
- Improve disability claims experience.

Driving each of these metrics will enhance profit, improve ROE and grow embedded value.

Profit contribution – Life
Excluding Life Insurance policyholders' interests

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Life Risk									
Planned profit margin release [1]	85	79	7.6	45	40	40	39	12.5	12.5
Mortality experience	4	4	-	5	(1)	-	4	n/a	n/a
Morbidity experience	6	(1)	n/a	3	3	2	(3)	-	50.0
Other experience	(9)	8	n/a	(2)	(7)	5	3	(71.4)	n/a
Loss capitalisation	1	2	(50.0)	1	-	-	2	n/a	n/a
Underlying investment income	50	44	13.6	25	25	18	26	-	38.9
Life Risk	**137**	**136**	**0.7**	**77**	**60**	**65**	**71**	**28.3**	**18.5**
Superannuation & Investments	41	32	28.1	23	18	9	23	27.8	155.6
Asset Management	14	12	16.7	6	8	5	7	(25.0)	20.0
Total Life underlying profit after tax	**192**	**180**	**6.7**	**106**	**86**	**79**	**101**	**23.3**	**34.2**
Market adjustments									
Annuities market adjustments	3	(16)	n/a	(3)	6	18	(34)	n/a	n/a
Life Risk policy liability discount rate changes [2]	27	39	(30.8)	34	(7)	(87)	126	n/a	n/a
Investment income experience	-	(86)	(100.0)	(20)	20	(29)	(57)	n/a	(31.0)
Market adjustments	**30**	**(63)**	**n/a**	**11**	**19**	**(98)**	**35**	**(42.1)**	**n/a**
Net profit after tax and including non-controlling interests	**222**	**117**	**89.7**	**117**	**105**	**(19)**	**136**	**11.4**	**n/a**

(1) Planned profit margin release includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time. Previous disclosures reported elements of the unwind within both planned profit margin release and net investment income on shareholder assets. For consistency, the entire unwind of policy liabilities now forms part of planned profit margin release. Comparatives have been restated to reflect this change.

(2) Risk free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss whilst a decrease leads to a gain.

Shareholder investment income

	FULL YEAR ENDED JUN-10 $M	JUN-09 $M	JUN-10 vs JUN-09 %	HALF YEAR ENDED JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Shareholder investment income on invested assets	61	(37)	n/a	12	49	(9)	(28)	(75.5)	n/a
Less underlying investment income:									
Life Risk	(50)	(44)	13.6	(25)	(25)	(18)	(26)	-	38.9
Superannuation & Investments	(10)	(4)	150.0	(6)	(4)	(2)	(2)	50.0	200.0
Asset Management	(1)	(1)	-	(1)	-	-	(1)	n/a	n/a
Investment income experience	**-**	**(86)**	**(100.0)**	**(20)**	**20**	**(29)**	**(57)**	**n/a**	**(31.0)**

Investment income experience represents the difference between actual shareholder invested income on invested assets and underlying investment income. Underlying investment income has been derived by applying long-term expected earning rates, consistent with those used in the prior periods embedded value calculations, to actual shareholder assets.

Operating expenses

	FULL YEAR ENDED JUN-10 $M	JUN-09 $M	JUN-10 vs JUN-09 %	HALF YEAR ENDED JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Total operating expenses	**321**	**338**	**(5.0)**	**164**	**157**	**166**	**172**	**4.5**	**(1.2)**

Statement of financial position – Life

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M	JUN-10 vs DEC-09 %	JUN-10 vs JUN-09 %
Total Assets						
Assets						
Invested assets	5,018	5,004	4,489	4,331	0.3	11.8
Assets backing annuity policies	142	138	143	164	2.9	(0.7)
Assets backing participating policies	2,290	2,501	2,491	2,750	(8.4)	(8.1)
Reinsurance ceded	327	311	310	337	5.1	5.5
Other assets (1)	286	263	337	346	8.7	(15.1)
Goodwill and intangible assets (1)	917	944	966	990	(2.9)	(5.1)
	8,980	**9,161**	**8,736**	**8,918**	**(2.0)**	**2.8**
Liabilities						
Payables (1)	232	149	256	281	55.7	(9.4)
Outstanding claims liabilities	141	145	139	130	(2.8)	1.4
Deferred tax liabilities (1)	72	104	49	7	(30.8)	46.9
Policy liabilities	5,583	5,888	5,547	5,782	(5.2)	0.6
Unvested policyholder benefits (2)	404	452	397	342	(10.6)	1.8
	6,432	**6,738**	**6,388**	**6,542**	**(4.5)**	**0.7**
Total Net Assets	**2,548**	**2,423**	**2,348**	**2,376**	**5.2**	**8.5**
Policyholder assets						
Invested assets	3,653	3,791	3,336	3,247	(3.6)	9.5
Assets backing annuity policies	142	138	143	164	2.9	(0.7)
Assets backing participating policies	2,290	2,501	2,491	2,750	(8.4)	(8.1)
Deferred tax assets	34	12	54	75	183.3	(37.0)
Other assets (1)	58	46	39	70	26.1	48.7
	6,177	**6,488**	**6,063**	**6,306**	**(4.8)**	**1.9**
Liabilities						
Payables	-	16	8	6	(100.0)	(100.0)
Policy liabilities	5,773	6,020	5,658	5,958	(4.1)	2.0
Unvested policyholder benefits (2)	404	452	397	342	(10.6)	1.8
	6,177	**6,488**	**6,063**	**6,306**	**(4.8)**	**1.9**
Policyholder Net Assets	**-**	**-**	**-**	**-**	**n/a**	**n/a**
Shareholder Assets						
Assets						
Invested assets	1,365	1,213	1,153	1,084	12.5	18.4
Reinsurance ceded	327	311	310	337	5.1	5.5
Other assets (1)	228	217	298	276	5.1	(23.5)
Goodwill and intangible assets (1)	917	944	966	990	(2.9)	(5.1)
	2,837	**2,685**	**2,727**	**2,687**	**5.7**	**4.0**
Liabilities						
Payables (1)	232	133	248	275	74.4	(6.5)
Outstanding claims liabilities	141	145	139	130	(2.8)	1.4
Deferred tax liabilities (1)	106	116	103	82	(8.6)	2.9
Policy liabilities	(190)	(132)	(111)	(176)	43.9	71.2
	289	**262**	**379**	**311**	**10.3**	**(23.7)**
Shareholder Net Assets	**2,548**	**2,423**	**2,348**	**2,376**	**5.2**	**8.5**

(1) Certain asset and liability balances in the prior periods have been restated to include the Promina acquisition intangible assets and related tax balances allocated to Life as part of the Legal Entity Restructure project.

(2) Consists of participating business policyholder retained profits.

Invested shareholder assets [1]

	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	$M	$M	%	%
Cash	220	232	246	205	(5.2)	(10.6)
Fixed interest securities	907	797	693	546	13.8	30.9
Equities	219	173	199	290	26.6	10.1
Property	18	10	11	39	80.0	63.6
Other	1	1	4	4	-	(75.0)
Total	**1,365**	**1,213**	**1,153**	**1,084**	**12.5**	**18.4**

(1) Excludes assets backing annuity and participating business.

Life Risk – market environment

Suncorp Life's core business of life insurance is a market with double-digit industry growth potential underpinned by under-insurance. The market is consolidating rapidly, with the disappearance of the Aviva, ING and potentially AXA brands.

Additionally, anticipated regulatory reforms resulting from Government reviews will enforce a fiduciary duty on advisers to act in clients' best interests. This reinforces the need for independence and is an opportunity to position Asteron as a viable product alternative for institution-owned dealer groups.

Other factors influence product and service developments across the industry, especially economic conditions, which have put pressure on customer retention rates (policy lapses) and disability claims duration.

Suncorp Life has successfully managed claims duration through process improvement and the effective rehabilitation of claimants and other initiatives. Action taken on retention has seen Suncorp Life remain below the industry average on lapses (based on Plan for Life March 2010 data).

Life Risk new business by product

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Term and TPD	31	31	-	16	15	14	17	6.7	14.3
Trauma	18	17	5.9	9	9	8	9	-	12.5
Disability income	22	20	10.0	11	11	10	10	-	10.0
Other	10	11	(9.1)	5	5	5	6	-	-
Total individual	**81**	**79**	**2.5**	**41**	**40**	**37**	**42**	**2.5**	**10.8**
Group	5	7	(28.6)	3	2	3	4	50.0	-
Total	**86**	**86**	**-**	**44**	**42**	**40**	**46**	**4.8**	**10.0**

Life Risk new business sales were flat at $86 million for the year. Individual new business sales were up by 2.5% to $81 million. Suncorp Life's core IFA distribution channel has seen new business growth of 14% in Australia and 25% in New Zealand (or 15% combined). This demonstrates management focus on the growth and protection of this distribution channel. Other individual channels have underperformed over the past year with the bank primarily focused on deposit growth and the direct business building capabilities. The Group channel also experienced low new business volumes.

Life Risk in-force annual premium (1)

	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	$M	$M	%	%
Term and TPD	290	282	272	263	2.8	6.6
Trauma	118	112	106	101	5.4	11.3
Disability income	190	184	177	175	3.3	7.3
Other	25	24	24	24	4.2	4.2
Total individual	**623**	**602**	**579**	**563**	**3.5**	**7.6**
Group	161	155	154	150	3.9	4.5
Total	**784**	**757**	**733**	**713**	**3.6**	**7.0**

(1) Annual premiums reflect the balance at the end of the period, 30 June 2010.

Overall, in-force premiums on risk products increased 7% to $784 million with individual in-force up 7.6%.

Superannuation & Investments

Despite a recovery in equity markets, Superannuation & Investments sales were down 17.9% largely due to lower sales through the bank channel. Sales of superannuation and pension products fell by 11.7% and 31.3% respectively. Retail investment sales are showing some positive indications with sales up 13.3% to $34 million.

The flow-on impacts of the Global Financial Crisis have had an impact on the profitability of the Participating business, due to both reductions in exposure to growth assets and asset values.

Superannuation & Investments new business

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Superannuation	174	197	(11.7)	83	91	66	131	(8.8)	25.8
Pensions	112	163	(31.3)	56	56	51	112	-	9.8
Investment	34	30	13.3	18	16	12	18	12.5	50.0
Total	**320**	**390**	**(17.9)**	**157**	**163**	**129**	**261**	**(3.7)**	**21.7**

Funds under administration

					JUN-10	JUN-10
	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	$M	$M	%	%
Opening balance at start of period	13,016	11,851	12,445	14,430	9.8	4.6
Net inflows/(outflows)	(1)	(4)	(533)	(340)	(75.0)	(99.8)
Investment income and other	(708)	1,169	(61)	(1,645)	n/a	large
Balance at end of period	**12,307**	**13,016**	**11,851**	**12,445**	**(5.4)**	**3.8**

Funds under administration (FUA) increased 3.8% to $12.3 billion. FUA predominantly comprises the Australian Superannuation and Investments (S&I) business and New Zealand Guardian Trust. This has been underpinned by strong retention through the migration of customers to the WealthSmart product.

Funds under supervision

	JUN-10	DEC-09	JUN-09	DEC-08	JUN-10 vs DEC-09	JUN-10 vs JUN-09
	$M	$M	$M	$M	%	%
Opening balance at start of period	41,772	47,874	29,786	27,502	(12.7)	40.2
Investment income and other	1,241	(6,102)	18,088	2,284	n/a	(93.1)
Balance at end of period	**43,013**	**41,772**	**47,874**	**29,786**	**3.0**	**(10.2)**

Funds under Supervision (FUS) have declined by 10.2% to $43 billion. In the June 2009 half, New Zealand Guardian Trust became trustee for a substantial bank securitisation, a significant amount of which has since been paid down.

Asset Management

Asset Management returned a profit of $14 million, up 16.7%, due to lower expenses and stronger external fee revenue.

Funds under management

	JUN-10	DEC-09	JUN-09	DEC-08	JUN-10 vs DEC-09	JUN-10 vs JUN-09
	$M	$M	$M	$M	%	%
Opening balance at start of period	24,921	23,385	23,408	24,183	6.6	6.5
Net inflows/(outflows)	25	(457)	(559)	(141)	n/a	n/a
Investment income and other	(20)	1,993	536	(634)	n/a	n/a
Balance at end of period	**24,926**	**24,921**	**23,385**	**23,408**	**0.0**	**6.6**

Funds under management by source

	JUN-10	DEC-09	JUN-09	DEC-08	JUN-10 vs DEC-09	JUN-10 vs JUN-09
	$M	$M	$M	$M	%	%
General Insurance	11,216	10,836	10,519	10,839	3.5	6.6
Life Companies	6,651	6,425	6,463	6,675	3.5	2.9
External	7,059	7,660	6,403	5,894	(7.8)	10.2
Total funds under management	**24,926**	**24,921**	**23,385**	**23,408**	**0.0**	**6.6**

Funds under management (FUM) have increased by 6.6% to $24.9 billion since June 2009, with external FUM increasing 10.2% to $7.1 billion over the same period.

Life Embedded Value

Suncorp Life includes the two Australian life companies (Asteron Life Ltd and Suncorp Life & Superannuation Limited), the NZ life company (Asteron NZ Limited) and various other legal entities in the Suncorp Life Group of companies.

The Embedded Value is the sum of the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, the value of franking credits at 70% of face value and the net assets in excess of target capital requirements (adjusted net worth). The Embedded Value differs from what is known as an Appraisal Value, as it does not consider the value of future new business that the company is expected to write.

The components of value are shown in the table below:

Embedded Value

	JUN-10	DEC-09	JUN-09	DEC-08	JUN-10 vs DEC-09	JUN-10 vs JUN-09
	$M	$M	$M	$M	%	%
Adjusted Net Worth	**127**	**191**	**138**	**123**	**(33.5)**	**(8.0)**
Value of distributable profits	1,878	1,766	1,691	1,778	6.3	11.1
Value of imputation credits	401	344	316	274	16.6	26.9
Value of in-force	**2,279**	**2,110**	**2,007**	**2,052**	**8.0**	**13.6**
Traditional Embedded Value [1]	**2,406**	**2,301**	**2,145**	**2,175**	**4.6**	**12.2**
Value of one year's new sales (VOYS)	**38**	**46**	**53**	**95**	**(17.4)**	**(28.3)**

[1] Includes VOYS.

Note that in relation to the above values:

- The components of value relate to Suncorp Life in its entirety.
- The risk discount rate was equal to 4% above risk-free rate.
- Adjusted net worth taken as net assets in excess of target capital requirements.
- Value of in-force is the present value of distributable profits emerging (in excess of target capital), together with value of associated franking credits.
- Value of one year's sales (VOYS) includes an allowance for the cost of holding target capital.

Change in Embedded Value

Embedded value increased from $2,145m at June 2009 to $2,406 million during the period. This represents an increase of 12.2%.

The increase in the Embedded Value between 30 June 2009 and 30 June 2010 was attributable to both positive investment performance over the full year and the expected return (or ‘unwind’ of the discount rate in the starting value). The decrease in the risk free discount rate over the year increased the value but this was offset by economic assumptions (i.e. lower future expected long-term returns). Strengthening of the assumed long-term lapse rates for life risk business has been the main adverse component of the change in value. Strengthening of the assumed long-term lapse rates for the life risk business has also been a significant factor in the reduction in VOYS, although new business added $38 million to the embedded value.

The change in embedded value over the current year is shown in more detail below:

	JUN-09 TO JUN-10 $M
Embedded Value at the start of the period	2,145
Expected return	190
Earnings on net worth	18
Experience	
Economic	66
Other	(15)
Changes in assumptions	
Discount rate	69
Economic	(46)
Expense assumptions	20
Discontinuance and claims assumptions	(58)
Other	51
Value of one year's sales (VOYS)	38
Embedded Value at the end of the period prior to	2,478
Dividends/transfers [1]	(26)
Release of franking credits	(46)
Embedded Value as at end of the period after transfers	2,406

[1] Dividends/transfers include both an injection into Suncorp Life resulting from a legal entity restructure of the Suncorp Life entities within the Suncorp Group offset by a reduction for dividends recommended but not yet paid up to the parent company.

Assumptions

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

Maintenance unit costs were based on assumptions underlying the statement of 30 June profit results for Suncorp Life. These expenses were projected with expense inflation for dollar-related expenses. The valuations do not assume any improvements in future unit costs from efficiency gains. Discontinuance and claim (mortality and morbidity) assumptions are best estimate assumptions based on recent company experience and are consistent with those used for profit reporting.

In relation to VOYS:

- New business is based on the mix and volume of business sold in the year to 30 June 2010.
- Acquisition costs are the actual costs incurred in the year to 30 June 2010.
- New business includes new policies as well as voluntary increases (i.e. benefit increases) to existing policies.

Embedded value includes contractual increases (age and CPI) on retail business but excludes voluntary increases to existing retail policies.

The Australian Life Companies are required to hold regulatory capital in excess of policy liabilities. In addition, they hold an additional amount of capital ('target surplus') based on internal requirements. Asteron Life Ltd New Zealand holds capital as prescribed in Professional Standard 5 (PS5), "Solvency Reserving for Life Insurance Business", issued by the New Zealand Society of Actuaries and an additional amount of target surplus is held within that company. In determining the economic values, the value of this capital is discounted based on the expected time it is required to be held prior to being available for distribution to shareholders.

The Suncorp Life Embedded Value also includes the value of entities other than the life companies, including Suncorp Metway Investment Management Ltd, Tyndall Investment Management Ltd, Tyndall Investment Management New Zealand Ltd, Suncorp Portfolio Services Limited and New Zealand Guardian Trust Ltd, for which values were based on discounted cash flow projections. In addition, a number of smaller entities within the division were valued at net assets.

Economic assumptions are shown below.

	JUN-10		DEC-09	
	AUSTRALIA	NEW ZEALAND	AUSTRALIA	NEW ZEALAND
	% PER ANNUM	% PER ANNUM	% PER ANNUM	% PER ANNUM
Investment return for underlying asset classes (gross of tax)				
Risk free rate (at 10 years)	5.2	5.4	5.7	6.2
Cash	5.7	5.5	6.5	6.3
Fixed interest	5.8	5.8	6.6	6.5
Australian equities (inc. allowance for franking credits) (1)	10.3	10.0	11.0	10.7
International equities	9.2	9.9	9.9	9.7
Property	7.7	8.0	8.4	8.7
Investment returns (net of tax)	5.2	5.2	5.5	5.6
Inflation				
Benefit indexation	3.0	2.5	3.0	2.5
Expenses inflation	3.0	2.5	3.0	2.5
Risk discount rate	9.2	9.4	9.7	10.2

(1) New Zealand assumption covers Australasian equities.

Sensitivity analysis

The tables below set out the sensitivity of the embedded value and value of new business as at 30 June 2010 to changes in key economic and business assumptions.

	AS AT	
	JUN-10 $M	DEC-09 $M
Base Embedded Value	**2,406**	**2,301**
Embedded Value assuming		
Discount rate 1% higher	2,255	2,160
Investment returns 1% higher	2,506	2,365
Discontinuance rates 10% higher	2,215	2,130
Renewal expenses 10% higher	2,317	2,216
Claims 10% higher [1]	2,236	2,138
Base value of one year's new business	**38**	**46**
Value of one year's new business assuming		
Discount rate 1% higher	28	37
Investment returns 1% higher	40	51
Discontinuance rates 10% higher	22	32
Renewal expenses 10% higher	34	44
Claims 10% higher [1]	14	28

[1] Claims decrements includes mortality, lump sum morbidity, disability income incidence and 10% worse for disability income recovery rates.

These sensitivities are indicative only as the variations caused by changes to assumptions are not always linear, symmetrical, or independent.

Appendix 1 – Consolidated income statement for the year ended 30 June 2010

This consolidated income statement presents revenue and expense categories that are reported for statutory purposes.

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Revenue									
Banking interest revenue	4,022	4,676	(14.0)	2,085	1,937	2,003	2,673	7.6	4.1
Banking interest expense	(3,090)	(3,506)	(11.9)	(1,624)	(1,466)	(1,456)	(2,050)	10.8	11.5
	932	1,170	(20.3)	461	471	547	623	(2.1)	(15.7)
Banking fee and commission revenue	234	266	(12.0)	116	118	138	128	(1.7)	(15.9)
Banking fee and commission expense	(79)	(98)	(19.4)	(40)	(39)	(45)	(53)	2.6	(11.1)
General insurance premium revenue	6,889	6,548	5.2	3,452	3,437	3,292	3,256	0.4	4.9
Life insurance premium revenue	756	719	5.1	377	379	356	363	(0.5)	5.9
Reinsurance and other recoveries revenue	1,506	1,187	26.9	942	564	633	554	67.0	48.8
General insurance investment revenue/(loss)	788	801	(1.6)	440	348	(87)	888	26.4	n/a
Life insurance investment revenue/(loss)	764	(698)	n/a	(110)	874	2	(700)	n/a	n/a
Gain on sale of subsidiaries and investments in joint ventures	215	6	large	165	50	2	4	230.0	large
Other revenue	479	659	(27.3)	258	221	349	310	16.7	(26.1)
	12,484	10,560	18.2	6,061	6,423	5,187	5,373	(5.6)	16.8
Expenses									
Operating expenses	(3,231)	(3,386)	(4.6)	(1,621)	(1,610)	(1,677)	(1,709)	0.7	(3.3)
General insurance claims expense	(5,966)	(5,638)	5.8	(3,299)	(2,667)	(2,411)	(3,227)	23.7	36.8
Life insurance claims expense	(477)	(437)	9.2	(225)	(252)	(214)	(223)	(10.7)	5.1
Outwards reinsurance premium expense	(766)	(749)	2.3	(377)	(389)	(400)	(349)	(3.1)	(5.8)
(Increase)/decrease in net policy liabilities	(365)	867	(142.1)	162	(527)	(59)	926	n/a	n/a
(Increase)/decrease in unvested policyowner benefits	(6)	(83)	(92.8)	49	(55)	(56)	(27)	n/a	n/a
Outside beneficial interests in managed funds	(46)	74	n/a	36	(82)	144	(70)	n/a	(75.0)
Non-banking interest expense	(59)	(88)	(33.0)	(39)	(20)	(34)	(54)	95.0	14.7
	(10,916)	(9,440)	15.6	(5,314)	(5,602)	(4,707)	(4,733)	(5.1)	12.9
Share of profits (losses) of associates and joint ventures	29	(3)	n/a	9	20	7	(10)	(55.0)	28.6
Profit before impairment losses on loans and advances and tax	1,597	1,117	43.0	756	841	487	630	(10.1)	55.2
Impairment losses on loans and advances	(479)	(710)	(32.5)	(205)	(274)	(355)	(355)	(25.2)	(42.3)
Profit before tax	**1,118**	**407**	**174.7**	**551**	**567**	**132**	**275**	**(2.8)**	**317.4**
Income tax expense	(329)	(54)	large	(129)	(200)	(38)	(16)	(35.5)	239.5
Profit for the financial year	**789**	**353**	**123.5**	**422**	**367**	**94**	**259**	**15.0**	**348.9**
Attributable to:									
Owners of the Company	780	348	124.1	416	364	90	258	14.3	362.2
Non-controlling interests	9	5	80.0	6	3	4	1	100.0	50.0
Profit for the financial year	**789**	**353**	**123.5**	**422**	**367**	**94**	**259**	**15.0**	**348.9**

Appendix 2 – Ratio Calculations

Earnings per share

Numerator	FULL YEAR ENDED			HALF YEAR ENDED		
	JUN-10 $M	JUN-09 $M	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Earnings:						
Earnings used in calculating basic earnings per share	780	348	416	364	90	258
Interest expense on reset preference shares (net of tax)	7	5	3	4	-	3
Interest expense on convertible preference shares (net of tax)	37	32	20	17	-	19
Earnings used in calculating diluted earnings per share	824	385	439	385	90	280

Denominator	FULL YEAR ENDED			HALF YEAR ENDED		
	JUN-10 NO. OF SHARES	JUN-09 NO. OF SHARES	JUN-10 NO. OF SHARES	DEC-09 NO. OF SHARES	JUN-09 NO. OF SHARES	DEC-08 NO. OF SHARES
Weighted average number of shares:						
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,262,068,396	1,100,499,476	1,267,822,711	1,256,407,901	1,184,505,264	1,017,863,348
Effect of conversion of reset preference shares	18,015,915	22,959,116	18,015,915	17,159,799	-	19,233,129
Effect of conversion of convertible preference shares	90,523,478	115,361,284	90,523,478	86,221,804	-	96,639,537
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,370,607,789	1,238,819,876	1,376,362,104	1,359,789,504	1,184,505,264	1,133,736,014

Appendix 2 – Ratio Calculations (continued)

Return on average shareholders' equity

Numerator

Earnings for return on average shareholders' equity – is as per "earnings per share" information above.

Denominator

	FULL YEAR ENDED		HALF YEAR ENDED			
	JUN-10	JUN-09	JUN-10	DEC-09	JUN-09	DEC-08
	$M	$M	$M	$M	$M	$M
Adjusted average shareholders' equity						
Opening total equity	13,229	12,366	13,570	13,229	12,299	12,366
Less non-controlling interests	(6)	(6)	(9)	(6)	(7)	(6)
Opening adjusted equity	13,223	12,360	13,561	13,223	12,292	12,360
Closing total equity	13,953	13,229	13,953	13,570	13,229	12,299
Less non-controlling interests	(20)	(6)	(20)	(9)	(6)	(7)
Closing adjusted equity	13,933	13,223	13,933	13,561	13,223	12,292
Average adjusted equity	**13,578**	**12,792**	**13,747**	**13,392**	**12,757**	**12,326**

Issued shares

	HALF YEAR ENDED			
	JUN-10	DEC-09	JUN-09	DEC-08
Ordinary shares each fully paid				
Number at the end of the period	1,281,390,524	1,270,897,282	1,257,377,460	1,013,349,641
Dividend declared for the period (cents per share)	20	15	20	20
Reset preference shares (classified as liability) each fully paid				
Number at the end of the period	1,440,628	1,440,628	1,440,628	1,440,628
Dividend declared for the period ($ per share) [1]	2.51	2.55	2.51	2.55
Convertible preference shares (classified as liability) each fully paid				
Number at the end of the period	7,350,000	7,350,000	7,350,000	7,350,000
Dividend declared for the period ($ per share) [1]	2.65	2.29	2.44	3.85

[1] Classified as interest expense.

Appendix 3 – Group Capital

Group capital position

The Group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the Group has the Bank as the holding company for subsidiaries operating General Insurance, Life Insurance and other businesses.

To assist in understanding the regulatory capital position within the Group the following table (including consolidation entries) demonstrates the distribution of regulatory capital and risk-based capital requirements across the consolidated segments. Consolidated segments include companies that are excluded from regulatory reporting groups.

	AS AT 30 JUNE 2010				
	GENERAL INSURANCE [1] $M	BANKING [1] $M	LIFE $M	CONSOLIDATION $M	TOTAL $M
Tier 1					
Ordinary share capital	-	12,730	-	-	12,730
Subsidiary share capital (eliminated upon consolidation)	8,321	-	2,225	(10,546)	-
Reserves	10	53	253	(257)	59
Retained profits [2]	(81)	886	23	186	1,014
Preference shares	-	879	-	-	879
Insurance liabilities in excess of liability valuation	424	-	-	-	424
Less goodwill, brands	(5,607)	(7,809)	(913)	7,795	(6,534)
Less software assets	(9)	(61)	(23)	-	(93)
Less deductible capitalised expenses	-	(95)	-	-	(95)
Less deferred tax asset	-	(191)	-	141	(50)
Less other required deductions [3]	(16)	-	-	-	(16)
Less Tier 1 deductions for investments in subsidiaries, capital support	-	(1,428)	-	1,428	-
Total Tier 1 capital	3,042	4,964	1,565	(1,253)	8,318
Tier 2					
APRA general reserve for credit losses	-	346	-	-	346
Asset revaluation reserves	-	7	-	-	7
Subordinated notes	778	1,628	-	-	2,406
Less Tier 2 deductions for investments in subsidiaries, capital support	-	(1,428)	-	1,428	-
Total Tier 2 capital	778	553	-	1,428	2,759
Total capital base	**3,820**	**5,517**	**1,565**	**175**	**11,077**
Represented by:					
Capital in regulated entities	3,782	5,478	1,654	-	10,914
Capital in unregulated entities	38	39	(89)	175	163
	3,820	**5,517**	**1,565**	**175**	**11,077**
Target capital base [4]	3,395	4,828	1,554	-	9,777

(1) These numbers are for the consolidated segments. They do not align with the regulatory reporting groups used in the Banking capital adequacy and General Insurance minimum capital requirements calculations.

(2) For Banking and domestic General Insurance, this represents the business line retained profits determined using the APRA calculation. New Zealand General Insurance retained profits are on a statutory basis. APRA requires accrual of expected dividends in the Bank and General Insurance current year profits. To allow for consistency across the Group, expected dividends are also included for Life.

(3) Other required deductions includes surpluses in defined benefit funds and internal funding transactions of a capital nature.

(4) APRA requires regulated entities to have internal capital targets. For the Banking business, the capital target is a 13% capital adequacy ratio. The target capital for the General Insurance business is 1.7 times the Minimum Capital Requirement. The Life business capital target is an amalgamation of target capital for Statutory Funds, minimum capital required for Shareholder Funds and net tangible asset requirements for investment management entities.

Appendix 3 – Group Capital (continued)

	GENERAL INSURANCE $M	BANKING $M	LIFE $M	CONSOLIDATION (1) $M	TOTAL $M
	AS AT 30 JUNE 2010				
Reconciliation of total capital base to net assets					
Net assets	8,376	13,662	2,548	(10,633)	13,953
Difference relating to APRA definition of retained profits	(177)	(10)	(40)	-	(227)
Equity items not eligible for inclusion in capital for APRA purposes					
Reserves (Post AIFRS)	69	101	(4)	-	166
Non-controlling interests	(18)	-	(2)	-	(20)
Additional items allowable for capital for APRA purposes					
Preference shares	-	879	-	-	879
Subordinated notes	778	1,628	-	-	2,406
Technical provisions in excess of liability valuation	424	-	-	-	424
Holdings of own shares	-	94	-	16	110
Collective provision (net of tax effect)	-	120	-	-	120
Other items, adjustments	-	55	(1)	-	54
Deductions from capital for APRA purposes					
Goodwill (2), brands	(5,607)	(7,809)	(913)	7,795	(6,534)
Software assets	(9)	(61)	(23)	-	(93)
Deductible capitalised expenses (includes share raising costs)	-	(95)	-	-	(95)
Deferred tax asset	-	(191)	-	141	(50)
Other assets excluded from regulatory capital	(16)	-	-	-	(16)
Funding of capital and guarantees by Bank holding company	-	(2,856)	-	2,856	-
Total capital base	**3,820**	**5,517**	**1,565**	**175**	**11,077**

(1) Consolidation mainly represents the Bank's investments in non-banking subsidiaries.
(2) APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation and impairment testing occurs within General Insurance and Life and when the entire Group is consolidated. The total intangible deduction from Group capital in the table above of $6,534 million represents the total amortised balance of goodwill and brands etc for the Group.

	GENERAL INSURANCE $M	BANKING $M	LIFE $M	CONSOLIDATION $M	TOTAL $M
	AS AT 30 JUNE 2010				
Reconciliation of business line retained profits to reported retained profits					
Reported retained profits (losses)	96	896	63	186	1,241
Expected group dividend net of Dividend Reinvestment Plan	-	(256)	-	-	(256)
Expected intragroup dividends	(206)	247	(41)	-	-
Other differences in retained profits for APRA purposes	29	(1)	1	-	29
	(177)	(10)	(40)	-	(227)
Business line retained profits/(losses) used in Group capital position	**(81)**	**886**	**23**	**186**	**1,014**

Appendix 3 – Group Capital (continued)

Banking capital adequacy

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Consolidated banking capital				
Tier 1				
Fundamental Tier 1				
Ordinary share capital	12,783	12,694	12,584	11,411
Retained profits	847	848	859	1,010
	13,630	13,542	13,443	12,421
Residual Tier 1				
Reset preference shares	144	144	144	144
Convertible preference shares	735	735	735	735
	879	879	879	879
Tier 1 deductions				
Goodwill and other intangibles arising on acquisition	(7,809)	(7,837)	(7,818)	(7,816)
Software assets	(61)	(59)	(66)	(74)
Other intangible assets	(95)	(98)	(118)	(73)
Deferred tax asset	(191)	(224)	(186)	(259)
Other Tier 1 deductions	-	(1)	(1)	(3)
Tier 1 deductions for investments in subsidiaries, capital support	(1,428)	(1,413)	(1,424)	(1,258)
	(9,584)	(9,632)	(9,613)	(9,483)
Total Tier 1 Capital	4,925	4,789	4,709	3,817
Tier 2				
Upper Tier 2				
APRA general reserve for credit losses	346	448	392	198
Perpetual subordinated notes	170	170	170	170
Asset revaluation reserves	7	6	3	-
	523	624	565	368
Lower Tier 2				
Subordinated notes	1,458	1,483	1,466	1,684
	1,458	1,483	1,466	1,684
Tier 2 Deductions				
Tier 2 deductions for investments in subsidiaries, capital support	(1,428)	(1,413)	(1,424)	(1,257)
	(1,428)	(1,413)	(1,424)	(1,257)
Total Tier 2 Capital	553	694	607	795
Capital base	5,478	5,483	5,316	4,612
Total assessed risk	37,234	40,026	41,626	43,206
Risk weighted capital ratio	14.71%	13.70%	12.77%	10.67%
Adjusted Fundamental Tier 1 core capital	**2,618**	**2,497**	**2,406**	**1,681**
AFT1 ratio	**7.03%**	**6.24%**	**5.78%**	**3.89%**

Appendix 3 – Group Capital (continued)

Banking capital adequacy (continued)

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Reconciliation of deduction for investments in subsidiaries				
Investment securities	13,730	13,659	14,535	13,267
Less debt securities held in the banking book	(3,117)	(2,980)	(3,932)	(2,936)
Add back investments in banking subsidiaries not included in regulatory consolidation	36	36	37	-
Less securities held by entities not consolidated for APRA purposes	-	(68)	(1)	(27)
Less intangible component deducted from Tier 1 capital - non-banking subsidiaries	(7,793)	(7,815)	(7,796)	(7,794)
Less investments risk weighted for capital adequacy purposes	(12)	(11)	-	-
Deduction for net tangible investment in subsidiaries	2,844	2,821	2,843	2,510
Capital support provided to subsidiaries	5	5	5	5
Capital deduction for investments in subsidiaries, capital support	**2,849**	**2,826**	**2,848**	**2,515**
50% deduction from Tier 1 capital	(1,428)	(1,413)	(1,424)	(1,258)
50% deduction from Tier 2 capital	(1,428)	(1,413)	(1,424)	(1,257)
Deductions for investments in subsidiaries, capital support	**(2,856)**	**(2,826)**	**(2,848)**	**(2,515)**

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Retained profits movement				
Retained profits opening for the half year	848	859	1,010	676
Add Banking profit after tax for the half year	34	25	9	23
Less profit after tax of entities not consolidated for APRA purposes	(35)	(1)	-	(1)
Add/(less) APRA adjustments	76	(103)	(190)	127
Less dividend expense/accrual	(256)	(191)	(251)	(203)
Add/(less) estimated change in dividend reinvestment plan	(67)	(21)	17	(60)
Add/(less) dividends from non-banking subsidiaries	247	280	264	448
Retained profits closing for the half year	**847**	**848**	**859**	**1,010**

	JUN-10 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Reconciliation of banking deduction for intangible assets to group intangible assets				
Deduction for banking subsidiaries intangible assets	22	22	22	22
Deduction for non-banking entities intangible assets	7,787	7,815	7,796	7,794
Banking deduction for intangible assets	7,809	7,837	7,818	7,816
APRA adjustments	-	(8)	(3)	-
Goodwill reflected in investments in associates	-	(39)	(39)	(39)
Amortisation of non-banking goodwill	(1,242)	(1,137)	(1,014)	(890)
Software assets [1]	61	59	66	74
Intangible assets not deducted from capital	(1)	(5)	8	10
Group intangible assets	**6,627**	**6,707**	**6,836**	**6,971**

[1] This amount represents the Banking group capital deduction for software assets. Software assets held elsewhere in the Group are included in the capital deduction for goodwill, brands etc.

Appendix 3 – Group Capital (continued)

Banking capital adequacy (continued)

	CARRYING VALUE				AVERAGE RISK WEIGHTS	RISK WEIGHTED BALANCE			
	JUN-10	DEC-09	JUN-09	DEC-08		JUN-10	DEC-09	JUN-09	DEC-08
	$M	$M	$M	$M	%	$M	$M	$M	$M
Risk weighted assets									
Assets									
Cash Items	210	199	210	188	10%	21	13	23	3
Claims on Australian and foreign governments	691	683	1,169	1,613	0%	3	2	3	3
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	4,031	4,358	3,794	2,713	20%	806	872	759	548
Claims secured against eligible residential mortgages	26,594	26,528	24,664	26,153	40%	10,674	10,609	9,896	11,566
Past due claims	2,712	2,856	2,113	1,123	115%	3,124	3,118	2,213	1,534
Other assets and claims	18,118	20,791	23,524	23,587	97%	17,521	20,320	23,152	23,224
Total Banking assets (1)	**52,356**	**55,415**	**55,474**	**55,377**		**32,149**	**34,934**	**36,046**	**36,878**

(1) Total Banking assets differ from Banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVERAGE RISK	RISK WEIGHTED BALANCE			
	JUN-10	JUN-10	WEIGHTS	JUN-10	DEC-09	JUN-09	DEC-08
	$M	$M	%	$M	$M	$M	$M
Off balance sheet positions							
Guarantees entered into in the normal course of business	287	184	90%	165	150	190	208
Commitments to provide loans and advances	6,046	1,457	66%	956	1,123	1,576	1,926
Capital commitments	23	23	100%	23	14	45	21
Foreign exchange contracts	18,359	589	24%	139	127	154	223
Interest rate contracts	72,841	297	46%	136	140	237	274
Total off balance sheet positions	**97,556**	**2,550**		**1,419**	**1,554**	**2,202**	**2,652**
Market risk capital charge				572	544	499	998
Operational risk capital charge				3,094	2,994	2,879	2,678
Total risk weighted assets				32,149	34,934	36,046	36,878
Total assessed risk				**37,234**	**40,026**	**41,626**	**43,206**
Risk weighted capital ratios				%	%	%	%
Tier 1				13.23	11.96	11.31	8.83
Tier 2				1.48	1.74	1.46	1.84
Total risk weighted capital ratios				**14.71**	**13.70**	**12.77**	**10.67**

Appendix 3 – Group Capital (continued)

General Insurance minimum capital requirement

The minimum capital requirement (MCR) for General Insurance is calculated by assessing the risks inherent in the business, which comprise:

- The risk that the liability for outstanding claims is not sufficient to meet the obligations to policy holders arising from losses incurred up to the reporting date (outstanding claims risk);
- The risk that the unearned premium liability is insufficient to meet the obligations to policy holders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- The risk that the value of assets is diminished (investment risk); and
- The risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

These risks are quantified to determine the minimum capital required under the APRA prudential standards. This requirement is compared with the capital held in the General Insurance companies. Any provisions for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% is classified as capital.

	DOMESTIC GI GROUP [1]				GI GROUP [2]			
	JUN-10	DEC-09	JUN-09	DEC-08	JUN-10	DEC-09	JUN-09	DEC-08
	$M	$M	$M	$M	$M	$M	$M	$M
Tier 1								
Ordinary share capital	2,758	2,758	2,918	3,050	2,894	2,893	3,052	3,189
Reserves	10	6	-	12	10	6	-	12
Retained profits	667	529	168	376	900	742	355	566
Insurance liabilities in excess of liability valuation	561	554	463	327	606	581	524	392
Less: Tax effect of excess insurance liabilities	(168)	(166)	(91)	(98)	(182)	(174)	(109)	(118)
	3,828	3,681	3,458	3,667	4,228	4,048	3,822	4,041
Less:								
Goodwill and other intangible assets	(1,111)	(1,111)	(1,113)	(1,118)	(1,188)	(1,179)	(1,190)	(1,202)
Other Tier 1 deductions	(36)	(59)	(186)	(286)	(36)	(69)	(186)	(286)
Total deductions from Tier 1 capital	(1,147)	(1,170)	(1,299)	(1,404)	(1,224)	(1,248)	(1,376)	(1,488)
Total Tier 1 capital	**2,681**	**2,511**	**2,159**	**2,263**	**3,004**	**2,800**	**2,446**	**2,553**
Tier 2								
Subordinated notes	778	767	784	985	778	767	784	985
APRA capital base	**3,459**	**3,278**	**2,943**	**3,248**	**3,782**	**3,567**	**3,230**	**3,538**
Outstanding claims risk capital charge	802	778	770	815	822	796	787	833
Premium liabilities risk capital charge	424	405	422	406	460	439	453	438
Total insurance risk capital charge	1,226	1,183	1,192	1,221	1,282	1,235	1,240	1,271
Investment risk capital charge	469	424	453	511	514	463	492	551
Catastrophe risk capital charge	200	200	200	150	200	200	200	150
Total minimum capital requirement (MCR)	**1,895**	**1,807**	**1,845**	**1,882**	**1,996**	**1,898**	**1,932**	**1,972**
MCR coverage (times)	**1.83**	**1.81**	**1.60**	**1.73**	**1.89**	**1.88**	**1.67**	**1.79**

(1) Domestic GI Group - Suncorp's Australian licensed insurers.
(2) GI Group - Sum of MCR for the Domestic GI Group and Vero NZ

Appendix 3 – Group Capital (continued)

	DOMESTIC GI GROUP [1]				GI GROUP [2]			
	JUN-10	DEC-09	JUN-09	DEC-08	JUN-10	DEC-09	JUN-09	DEC-08
	$M	$M	$M	$M	$M	$M	$M	$M
Retained profits movement								
Retained profits opening for the half year	529	168	376	1,075	742	355	566	1,252
Add General Insurance profit after tax for the half year	51	84	207	185	68	101	204	185
Add loss/less (profit) after tax of entities not consolidated for APRA purposes	181	229	(46)	(14)	181	229	(46)	(2)
Add/(less) APRA adjustments	121	138	(209)	(420)	124	147	(209)	(419)
Less dividends paid/received	(215)	(90)	(160)	(450)	(215)	(90)	(160)	(450)
Retained profits closing for the half year	**667**	**529**	**168**	**376**	**900**	**742**	**355**	**566**

[1] Domestic GI Group - Suncorp's Australian licensed insurers.
[2] GI Group - Sum of MCR for the Domestic GI Group and Vero NZ

Appendix 4 – General Insurance Profit Excluding the Discount Rate Movements and FSL

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premiums [1]	6,777	6,596	2.7	3,418	3,359	3,368	3,228	1.8	1.5
Gross unearned premium movement	(124)	(261)	(52.5)	(86)	(38)	(184)	(77)	126.3	(53.3)
Gross earned premiums	6,653	6,335	5.0	3,332	3,321	3,184	3,151	0.3	4.6
Outwards reinsurance expense	(579)	(561)	3.2	(286)	(293)	(297)	(264)	(2.4)	(3.7)
Net earned premium	6,074	5,774	5.2	3,046	3,028	2,887	2,887	0.6	5.5
Net incurred claims									
Claims expense	(5,824)	(5,331)	9.2	(3,255)	(2,569)	(2,711)	(2,620)	26.7	20.1
Reinsurance and other recoveries revenue	1,329	1,037	28.2	853	476	607	430	79.2	40.5
	(4,495)	(4,294)	4.7	(2,402)	(2,093)	(2,104)	(2,190)	14.8	14.2
Total operating expenses									
Acquisition expenses [2]	(924)	(955)	(3.2)	(493)	(431)	(458)	(497)	14.4	7.6
Other underwriting expenses [2]	(510)	(480)	6.3	(245)	(265)	(239)	(241)	(7.5)	2.5
	(1,434)	(1,435)	(0.1)	(738)	(696)	(697)	(738)	6.0	5.9
Underwriting result	145	45	large	(94)	239	86	(41)	n/a	n/a
Investment income - insurance funds	460	417	10.3	298	162	218	199	84.0	36.7
Insurance trading result	605	462	31.0	204	401	304	158	(49.1)	(32.9)
Managed schemes net contribution	4	19	(78.9)	(4)	8	3	16	n/a	n/a
Joint venture and other income	53	1	large	30	23	11	(10)	30.4	172.7
General Insurance operational earnings	662	482	37.3	230	432	318	164	(46.8)	(27.7)
Investment revenue - shareholder funds	194	130	49.2	94	100	(24)	154	(6.0)	n/a
General Insurance profit before tax and capital funding	856	612	39.9	324	532	294	318	(39.1)	10.2
Capital funding [3]	(82)	(39)	110.3	(41)	(41)	26	(65)	-	n/a
General Insurance profit before tax	774	573	35.1	283	491	320	253	(42.4)	(11.6)
Income tax	(217)	(157)	38.2	(73)	(144)	(88)	(69)	(49.3)	(17.0)
General Insurance profit after tax	**557**	**416**	**33.9**	**210**	**347**	**232**	**184**	**(39.5)**	**(9.5)**

(1) Net of Fire Service Levies (FSL) of $250 million (30 June 2010: $119 million, 31 December 2009: $131 million, 30 June 2009: $105 million, 31 December 2008: $114 million).

(2) Comparative information has been restated to be consistent with the current treatment of expense disclosures between acquisition costs and underwriting expenses.

(3) Includes interest expense on subordinated notes and preference shares allocated to General Insurance. The 30 June 2010 capital funding charge includes a $5 million gain from the redemption of subordinated notes (30 June 2009 includes a gain a $76 million gain from the redemption of subordinated notes).

	FULL YEAR ENDED		HALF YEAR ENDED			
	JUN-10	JUN-09	JUN-10	DEC-09	JUN-09	DEC-08
	%	%	%	%	%	%
Acquisition expenses ratio	15.2	16.5	16.2	14.2	15.9	17.2
Other underwriting expenses ratio	8.4	8.3	8.0	8.8	8.3	8.3
Total operating expenses ratio	23.6	24.8	24.2	23.0	24.2	25.5
Loss ratio	74.0	74.4	78.9	69.1	72.9	75.9
Combined operating ratio	97.6	99.2	103.1	92.1	97.1	101.4

Appendix 5 – General Insurance New Zealand Segment Results Expressed in NZ$

	FULL YEAR ENDED		JUN-10	HALF YEAR ENDED				JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Gross written premium	826	773	6.9	406	420	378	395	(3.3)	7.4
Net earned premium	720	675	6.7	365	355	334	341	2.8	9.3
Net incurred claims	(410)	(420)	(2.4)	(211)	(199)	(194)	(226)	6.0	8.8
Acquisition expenses	(112)	(160)	(30.0)	(54)	(58)	(87)	(73)	(6.9)	(37.9)
Other underwriting expenses	(128)	(68)	88.2	(63)	(65)	(30)	(38)	(3.1)	110.0
Total operating expenses	(240)	(228)	5.3	(117)	(123)	(117)	(111)	(4.9)	-
Underwriting result	70	27	159.3	37	33	23	4	12.1	60.9
Investment income - insurance funds	18	25	(28.0)	9	9	4	21	-	125.0
Insurance trading result	88	52	69.2	46	42	27	25	9.5	70.4
	%	%		%	%	%	%		
Ratios									
Acquisition expenses ratio	15.6	23.7		14.8	16.3	26.0	21.4		
Other underwriting expenses ratio	17.8	10.1		17.3	18.3	9.0	11.1		
Total operating expenses ratio	33.4	33.8		32.1	34.6	35.0	32.5		
Loss ratio	56.9	62.2		57.8	56.1	58.1	66.3		
Combined operating ratio	90.3	96.0		89.9	90.7	93.1	98.8		
Insurance trading ratio	12.2	7.7		12.6	11.8	8.1	7.3		

Appendix 6 – General Insurance Profit – Short Tail and Long Tail (includes NZ)

	FULL YEAR ENDED		JUN-10		HALF YEAR ENDED			JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Short-tail									
Gross written premium	5,328	5,352	(0.4)	2,603	2,725	2,699	2,653	(4.5)	(3.6)
Net earned premium	4,716	4,641	1.6	2,306	2,410	2,318	2,323	(4.3)	(0.5)
Net incurred claims	(3,320)	(3,420)	(2.9)	(1,835)	(1,485)	(1,718)	(1,702)	23.6	6.8
Acquisition expenses	(738)	(745)	(0.9)	(389)	(349)	(361)	(384)	11.5	7.8
Other underwriting expenses	(534)	(566)	(5.7)	(207)	(327)	(286)	(280)	(36.7)	(27.6)
Total operating expenses	(1,272)	(1,311)	(3.0)	(596)	(676)	(647)	(664)	(11.8)	(7.9)
Underwriting result	124	(90)	n/a	(125)	249	(47)	(43)	n/a	166.0
Investment income - insurance funds	120	122	(1.6)	65	55	32	90	18.2	103.1
Insurance trading result	244	32	large	(60)	304	(15)	47	n/a	300.0
	%	%		%	%	%	%		
Ratios									
Acquisition expenses ratio	15.6	16.1		16.9	14.5	15.6	16.5		
Other underwriting expenses ratio	11.3	12.2		9.0	13.6	12.3	12.1		
Total operating expenses ratio	26.9	28.3		25.9	28.1	27.9	28.6		
Loss ratio	70.4	73.7		79.6	61.6	74.1	73.3		
Combined operating ratio	97.3	102.0		105.5	89.7	102.0	101.9		
Insurance trading ratio	5.2	0.7		(2.6)	12.6	(0.6)	2.0		

	FULL YEAR ENDED		JUN-10		HALF YEAR ENDED			JUN-10	JUN-10
	JUN-10	JUN-09	vs JUN-09	JUN-10	DEC-09	JUN-09	DEC-08	vs DEC-09	vs JUN-09
	$M	$M	%	$M	$M	$M	$M	%	%
Long-tail									
Gross written premium	1,699	1,463	16.1	934	765	773	690	22.1	20.8
Net earned premium	1,594	1,340	19.0	860	734	675	665	17.2	27.4
Net incurred claims	(1,317)	(1,190)	10.7	(611)	(706)	(137)	(1,053)	(13.5)	346.0
Acquisition expenses	(186)	(210)	(11.4)	(104)	(82)	(97)	(113)	26.8	7.2
Other underwriting expenses	(212)	(121)	75.2	(158)	(54)	(59)	(62)	192.6	167.8
Total operating expenses	(398)	(331)	20.2	(262)	(136)	(156)	(175)	92.6	67.9
Underwriting result	(121)	(181)	(33.1)	(13)	(108)	382	(563)	(88.0)	n/a
Investment income - insurance funds	482	611	(21.1)	277	205	(63)	674	35.1	n/a
Insurance trading result	361	430	(16.0)	264	97	319	111	172.2	(17.2)
	%	%		%	%	%	%		
Ratios									
Acquisition expenses ratio	11.7	15.7		12.1	11.2	14.4	17.0		
Other underwriting expenses ratio	13.3	9.0		18.4	7.4	8.7	9.3		
Total operating expenses ratio	25.0	24.7		30.5	18.5	23.1	26.3		
Loss ratio	82.6	88.8		71.0	96.2	20.3	158.3		
Combined operating ratio	107.6	113.5		101.5	114.7	43.4	184.6		
Insurance trading ratio	22.6	32.1		30.7	13.2	47.3	16.7		

Appendix 7 – Underlying General Insurance ITR

At an investor day on 21 May 2010, the Group's three general insurance businesses outlined their operational strategies and demonstrated how the Group's building blocks projects would drive an improvement of at least 3% in the underlying Insurance Trading Ratio (ITR) by 2011/12. In order to allow external parties to track this operational improvement, the Group committed to provide an underlying ITR based on its reported results for the year to 30 June 2010.

The methodology for calculating the underlying ITR is the **reported ITR** adjusted for the following:

Reserve releases

The adjustment is the difference between actual reserve releases and the long run average 'expected' release. Based on the Group's conservative approach to reserving, the expected release in any discrete full year period calculated to be around 1.5% of Net Earned Premium (NEP).

Natural hazards

The adjustment is the total of all natural hazard claims above or below the allowance.

Investment income mismatch

This adjustment removes the impact of changes in credit spreads and the volatility in the value of index-linked bonds ('economic mismatch'), together with timing mismatches on premium liabilities ('accounting mismatch').

Other adjustments

This adjustment captures any material and abnormal one-off items including material movements in risk margins.

The calculation of the underlying ITR for the full year to June 2010 is displayed in the table below:

		JUN-10 $M	ITR %
Reported ITR		**605**	**9.6%**
Reported reserve releases	(256)		
Less: 1.5% of NEP	95	(161)	
Natural hazards above long-run allowances		165	
Investment income mismatch		(105)	
Other:			
Writeback of acquisition costs adjustment from prior year		(19)	
Deferred acquisition cost adjustment		47	
Restructuring costs		34	
Underlying ITR		**566**	**9.0%**

Appendix 8 – Consolidated Bank

Profit contribution – Consolidated Bank

	FULL YEAR ENDED				
	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Net interest income	753	175	928	1,117	(16.9)
Non-interest income					
Net banking fee income	113	42	155	164	(5.5)
MTM on financial instruments	17	-	17	23	(26.1)
Other income	10	(7)	3	15	(80.0)
Total non-interest income	140	35	175	202	(13.4)
Total income from Banking activities	893	210	1,103	1,319	(16.4)
Operating expenses	(451)	(95)	(546)	(538)	1.5
Consolidated Bank profit before impairment losses on loans and advances	442	115	557	781	(28.7)
Impairment losses on loans and advances	(51)	(428)	(479)	(710)	(32.5)
Consolidated Bank profit before tax from normal business activities	**391**	**(313)**	**78**	**71**	**9.9**
Income tax	(123)	89	(34)	(34)	-
Consolidated Bank profit after tax	**268**	**(224)**	**44**	**37**	**18.9**
One off non-recurring items after tax	-	-	-	32	(100.0)
Total Bank profit after tax	**268**	**(224)**	**44**	**69**	**(36.2)**

Ratios and statistics

	FULL YEAR ENDED			
	CORE JUN-10 %	NON-CORE JUN-10 %	TOTAL JUN-10 %	TOTAL JUN-09 %
Net interest margin (interest earning assets)	1.80	0.75	1.42	1.68
Net interest (lending assets)	2.06	1.12	1.78	2.01
Cost to income ratio	50.50	45.24	49.50	40.79
Impairment losses to gross loans and advances	0.14	2.98	0.92	1.28
Impairment losses to risk weighted assets	0.26	3.38	1.49	1.97

Appendix 8 – Consolidated Bank (continued)

Statement of financial position – Consolidated Bank

	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	JUN-09 $M	JUN-10 vs JUN-09 %
Assets					
Cash and cash equivalents	154	175	329	1,367	(75.9)
Receivables due from other banks	230	2	232	118	96.6
Trading securities	2,177	6,056	8,233	6,694	23.0
Derivatives	665	68	733	478	53.4
Investment securities (1)	2,896	10,834	13,730	14,535	(5.5)
Bank acceptances from customers	-	1	1	3	(66.7)
Loans, advances and other receivables (2)	37,354	13,791	51,145	54,616	(6.4)
Due from subsidiaries	315	-	315	327	(3.7)
Property, plant and equipment	112	199	311	272	14.3
Deferred tax assets	41	252	293	380	(22.9)
Other assets (3)	204	60	264	529	(50.1)
Intangible assets	22	80	102	87	17.2
Total assets	44,170	31,518	75,688	79,406	(4.7)
Liabilities					
Deposits and short-term borrowings	33,917	350	34,267	38,203	(10.3)
Derivatives	891	1,465	2,356	1,489	58.2
Payables due to other banks	28	-	28	29	(3.4)
Bank acceptances	-	1	1	3	(66.7)
Payables and other liabilities	876	-	876	1,204	(27.2)
Current tax liabilities	-	-	-	154	(100.0)
Employee benefit obligations	59	113	172	145	18.6
Due to subsidiaries (2)	15	-	15	291	(94.8)
Securitisation liabilities	4,906	-	4,906	6,193	(20.8)
Debt issues	1,058	15,986	17,044	16,001	6.5
Subordinated notes	624	868	1,492	1,583	(5.7)
Preference shares	363	506	869	865	0.5
Total liabilities	42,737	19,289	62,026	66,160	(6.2)
Net assets	**1,433**	**12,229**	**13,662**	**13,246**	**3.1**
Less: Investment in non-banking subsidiaries	-	10,664	10,664	10,666	(0.0)
Net assets - banking line of business	**1,433**	**1,565**	**2,998**	**2,580**	**16.2**

	TOTAL JUN-10 $M	JUN-09 $M
Reconciliation of net equity to Adjusted Fundamental Tier 1 Capital		
Net equity - Banking line of business	2,998	2,580
Add: regulatory capital equity adjustments	233	337
Less: regulatory capital deductions	347	316
Less: other reserves excluded from AFT1 ratio	266	195
Adjusted Fundamental Tier 1 Capital	**2,618**	**2,406**

(1) Includes investment in subsidiaries of $10.7 billion in non-core balance (31 December 2009: $10.7 billion; 30 June 2009: $10.7 billion).

(2) Core Bank continues to recognise some assets and liabilities attributed to the Non-core Bank and other subsidiaries as part of the holding company for the Group.

(3) Other assets is mainly made up of accrued interest and prepayments. Other assets also includes interdivisional loans and clearing accounts between core and non-core.

Appendix 8 – Consolidated Bank (continued)

Loans, advances and other receivables

	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Housing loans	23,904	-	23,904	22,191	7.7
Securitised housing loans	5,202	-	5,202	6,111	(14.9)
Total housing loans	29,106	-	29,106	28,302	2.8
Consumer loans	569	-	569	610	(6.7)
Retail loans	29,675	-	29,675	28,912	2.6
Commercial (SME's)	4,273	-	4,273	4,271	0.0
Corporate	-	2,548	2,548	3,287	(22.5)
Development finance	-	4,286	4,286	6,055	(29.2)
Property investment	-	4,961	4,961	6,647	(25.4)
Lease finance	-	843	843	1,545	(45.4)
Agribusiness	3,397	-	3,397	3,646	(6.8)
Business loans	7,670	12,638	20,308	25,451	(20.2)
Total lending	**37,345**	**12,638**	**49,983**	**54,363**	**(8.1)**
Other receivables [1]	111	1,724	1,835	1,015	80.8
Gross banking loans, advances and other receivables	37,456	14,362	51,818	55,378	(6.4)
Provision for impairment	(102)	(570)	(672)	(759)	(11.5)
Loans, advances and other receivables	**37,354**	**13,792**	**51,146**	**54,619**	**(6.4)**
Risk weighted assets	**19,488**	**12,661**	**32,149**	**36,046**	**(10.8)**
Geographical breakdown - gross banking loans, advances and other receivables					
Queensland	24,465	7,483	31,948	33,160	(3.7)
New South Wales	6,704	4,183	10,887	12,425	(12.4)
Victoria	3,590	1,974	5,564	6,856	(18.8)
Western Australia	1,953	510	2,463	2,622	(6.1)
South Australia and other	744	212	956	315	203.5
Outside of Queensland loans	12,991	6,879	19,870	22,218	(10.6)
Gross banking loans, advances and other receivables	**37,456**	**14,362**	**51,818**	**55,378**	**(6.4)**

[1] Other receivables are primarily collateral deposits provided to derivative counterparties.

Appendix 8 – Consolidated Bank (continued)

Funding and deposits

	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Retail funding					
Retail deposits					
Transaction	5,051	-	5,051	5,476	(7.8)
Investment	3,670	-	3,670	4,307	(14.8)
Term	14,518	-	14,518	11,635	24.8
Core retail deposits	23,239	-	23,239	21,418	8.5
Retail treasury	3,318	-	3,318	2,202	50.7
Total retail funding	26,557	-	26,557	23,620	12.4
Wholesale funding					
Domestic funding sources					
Short-term wholesale	6,378	303	6,681	12,009	(44.4)
Long-term wholesale	323	4,709	5,032	4,522	11.3
Subordinated notes	289	403	692	699	(1.0)
Reset preference shares	60	84	144	144	-
Convertible preference shares	303	422	725	721	0.6
	7,353	5,921	13,274	18,095	(26.6)
Overseas funding sources (1)					
Short-term wholesale	982	47	1,029	2,573	(60.0)
Long-term wholesale	735	11,277	12,012	11,480	4.6
Subordinated notes	335	465	800	884	(9.5)
	2,052	11,789	13,841	14,937	(7.3)
Total wholesale funding	9,405	17,710	27,115	33,032	(17.9)
Total funding (excluding securitisation)	**35,962**	**17,710**	**53,672**	**56,652**	**(5.3)**
Securitised funding					
APS 120 qualifying	3,338	-	3,338	5,040	(33.8)
APS 120 non-qualifying	1,568	-	1,568	1,153	36.0
Total securitised funding	4,906	-	4,906	6,193	(20.8)
Total funding (including securitisation)	**40,868**	**17,710**	**58,578**	**62,845**	**(6.8)**
Total funding is represented on the balance sheet by:					
Deposits	26,557	-	26,557	23,620	12.4
Short-term borrowings	7,360	350	7,710	14,583	(47.1)
Securitisation liabilities	4,906	-	4,906	6,193	(20.8)
Bonds, notes and long term borrowings	1,058	15,986	17,044	16,001	6.5
Subordinated notes	624	868	1,492	1,583	(5.7)
Preference shares	363	506	869	865	0.5
Total	**40,868**	**17,710**	**58,578**	**62,845**	**(6.8)**
Retail funding as a percentage of total lending	**71%**	**n/a**	**53%**	**43%**	

(1) Foreign currency borrowings are hedged back into Australian dollars.

Appendix 8 – Consolidated Bank (continued)

	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL DEC-09 $M	JUN-10 vs DEC-09 %
Maturity					
0 to 3 Months	7,118	444	7,562	8,577	(11.8)
3 to 12 Months	2,263	7,111	9,374	5,522	69.8
1 to 3 years	3,220	6,526	9,746	9,269	5.1
3+ Years	1,710	3,629	5,339	3,820	39.8
Total wholesale funding	14,311	17,710	32,021	27,188	17.8

Net interest income

	FULL YEAR ENDED				
	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Interest revenue lending assets	2,417	1,057	3,474	4,056	(14.3)
Interest revenue other assets	238	312	550	647	(14.9)
Interest expense deposits and funding	(1,880)	(1,176)	(3,056)	(3,537)	(13.6)
	775	193	968	1,165	(16.9)
Interest expense preference shares	(22)	(18)	(40)	(48)	(16.7)
Net interest income	**753**	**175**	**928**	**1,117**	**(17.0)**
Net interest margin (interest earning assets)	**1.80%**	**0.75%**	**1.42%**	**1.68%**	
Net interest margin (lending assets)	**2.06%**	**1.12%**	**1.78%**	**2.01%**	

Net banking fee income

	FULL YEAR ENDED				
	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Net lending fees	17	39	56	60	(6.7)
Transaction fees	79	3	82	99	(17.2)
Interchange fees	17	-	17	5	240.0
	113	**42**	**155**	**164**	**(5.5)**

Appendix 8 – Consolidated Bank (continued)

Operating expenses

	FULL YEAR ENDED		JUN-10
	JUN-10	JUN-09	vs JUN-09
	$M	$M	%
Total operating expenses			
Core operating expenses	(451)	n/a	n/a
Non-core operating expenses	(95)	n/a	n/a
	(546)	n/a	n/a
Consisting of:			
Staff expenses	(317)	(307)	3.3
Equipment and occupancy expenses	(95)	(93)	2.2
Hardware, software and dataline expenses	(33)	(28)	17.9
Advertising and promotion	(30)	(27)	11.1
Office supplies, postage and printing	(23)	(23)	-
Other [(1)]	(48)	(60)	(20.0)
	(546)	**(538)**	**1.5**

[(1)] Other operating expenses are primarily made up of financial, legal, motor vehicle and travel and accommodation expenses.

Impairment losses on loans and advances

	FULL YEAR ENDED			
	CORE	NON-CORE	TOTAL	TOTAL
	JUN-10	JUN-10	JUN-10	JUN-09
	$M	$M	$M	$M
Collective provision for impairment	13	(94)	(81)	202
Specific provision for impairment	1	98	99	453
Actual net write-offs	37	424	461	55
	51	**428**	**479**	**710**
Impairment losses to risk weighted assets	**0.26%**	**3.38%**	**1.49%**	**1.97%**

Appendix 8 – Consolidated Bank (continued)

Impaired asset balances

	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Gross balances of individually impaired loans					
with specific provisions set aside	150	1,972	2,122	1,350	57.2
without specific provisions set aside	-	-	-	124	(100.0)
Gross impaired assets	150	1,972	2,122	1,474	44.0
Specific provision for impairment	(37)	(434)	(471)	(477)	(1.3)
Net impaired assets	113	1,538	1,651	997	65.6
Size of gross individually impaired assets					
Less than one million	15	39	54	50	7.6
Greater than one million but less than ten million	101	243	344	301	14.4
Greater than ten million	34	1,690	1,724	1,123	53.5
	150	1,972	2,122	1,474	44.0
Past due loans not shown as impaired assets	241	103	344	449	(23.4)
Gross non-performing loans	391	2,075	2,466	1,923	28.2
Interest income on impaired assets recognised in the contribution to profit					
Net interest charged and recognised as revenue in the contribution to profit during the year was	1	-	1	1	-
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the year	145	1,329	1,474	356	314.0
Recognition of new impaired assets	74	1,498	1,572	1,224	28.4
Increases in previously recognised impaired assets	12	39	51	-	n/a
Impaired assets written off/sold during the year	(25)	(391)	(416)	(41)	large
Impaired assets which have been restated as performing assets or repaid	(56)	(503)	(559)	(65)	large
Balance at the end of the year	**150**	**1,972**	**2,122**	**1,474**	**44.0**

Appendix 8 – Consolidated Bank (continued)

Industry breakdown is shown below based on the source of credit risk whereas the loans, advances and other receivables table on page 83 is based on the nature of the loan. Industry breakdown of impaired assets and specific provisions as at 30 June 2010 are as follows:

	JUN-10			JUN-09		
	GROSS LOANS	IMPAIRED ASSETS	SPECIFIC PROVISION	GROSS LOANS	IMPAIRED ASSETS	SPECIFIC PROVISION
	$M	$M	$M	$M	$M	$M
Agribusiness	3,249	205	58	3,535	74	14
Construction and development	4,356	1,304	282	6,576	804	224
Financial services	2,663	-	-	2,078	-	-
Hospitality	1,151	89	27	1,742	75	14
Manufacturing	711	13	6	904	20	8
Professional services	440	11	2	654	144	115
Property investment	6,279	410	67	7,423	269	69
Real estate mortgage	29,310	19	7	28,464	31	8
Personal	569	-	-	610	-	-
Government and public authorities	6	-	-	9	-	-
Other commercial and industrial	3,084	71	22	3,383	57	25
	51,818	**2,122**	**471**	**55,378**	**1,474**	**477**

Appendix 8 – Consolidated Bank (continued)

Provision for impairment

	CORE JUN-10 $M	NON-CORE JUN-10 $M	TOTAL JUN-10 $M	TOTAL JUN-09 $M	JUN-10 vs JUN-09 %
Collective provision					
Balance at the beginning of the year	52	230	282	80	252.5
Charge against contribution to profit	13	(94)	(81)	202	(140.1)
Balance at the end of the year	65	136	201	282	(28.7)
Specific provision					
Balance at the beginning of the year	42	435	477	74	large
Charge against impairment losses	26	479	505	490	3.1
Specific provision used	(25)	(381)	(406)	(37)	large
Charge against interest income	(6)	(99)	(105)	(50)	110.0
Balance at the end of the year	37	434	471	477	(1.3)
Total provision for impairment - Banking activities	102	570	672	759	(11.5)
Equity reserve for credit loss					
Balance at the beginning of the year	62	133	195	160	21.9
Transfer from retained earnings	22	9	31	35	(11.4)
Balance at the end of the year	84	142	226	195	15.9
Pre-tax equivalent coverage	120	203	323	279	15.8
Total provision for impairment and equity reserve for credit loss - Banking activities	222	773	995	1,038	(4.1)
	%	%	%	%	
Provision for impairment expressed as a percentage of gross impaired assets are as follows:					
Collective provision	43.33	6.90	9.50	19.10	
Specific provision	24.67	22.01	22.20	32.36	
Total provision	68.00	28.90	31.67	51.49	
Equity reserve for credit loss coverage	80.00	10.29	15.22	18.93	
Total provision and equity reserve for credit loss coverage	148.00	39.20	46.89	70.42	

Appendix 8 – Consolidated Bank (continued)

Average banking balance sheet

	FULL YEAR ENDED JUN-10								
	CORE PORTFOLIO			NON-CORE PORTFOLIO			TOTAL PORTFOLIO		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
	$M	$M	%	$M	$M	%	$M	$M	%
Assets									
Interest earning assets									
Trading securities	5,158	239	4.63	7,595	312	4.11	12,753	551	4.32
Gross loans, advances and other receivables	36,582	2,406	6.58	15,662	1,051	6.71	52,244	3,457	6.62
Other interest earning assets	164	10	6.10	104	6	5.77	268	16	5.97
Total interest earning assets	41,904	2,655	6.34	23,361	1,369	5.86	65,265	4,024	6.17
Non-interest earning assets									
Other assets (inc. loan provisions)	297			(952)			(655)		
Total non-interest earning assets	297			(952)			(655)		
TOTAL ASSETS	42,201			22,409			64,610		
Liabilities									
Interest bearing liabilities									
Retail deposits	24,979	1,121	4.49	-	-	n/a	24,979	1,121	4.49
Wholesale liabilities	14,009	735	5.25	20,174	1,154	5.72	34,183	1,889	5.53
Debt capital	966	46	4.76	840	40	4.76	1,806	86	4.76
Total interest bearing liabilities	39,954	1,902	4.76	21,014	1,194	5.68	60,968	3,096	5.08
Non-interest bearing liabilities									
Other liabilities	854			14			868		
Total non-interest bearing liabilities	854			14			868		
TOTAL LIABILITIES	40,808			21,028			61,836		
Analysis of interest margin and spread									
Interest earning assets	41,904	2,655	6.34	23,361	1,369	5.86	65,265	4,024	6.17
Interest bearing liabilities	39,954	1,902	4.76	21,014	1,194	5.68	60,968	3,096	5.08
Net interest spread			1.58			0.18			1.09
Net interest margin (interest earning assets)	41,904	753	1.80	23,361	175	0.75	65,265	928	1.42
Net interest margin (lending assets)	36,582	753	2.06	15,662	175	1.12	52,244	928	1.78

Appendix 8 – Consolidated Bank (continued)

Average banking balance sheet (continued)

	FULL YEAR ENDED JUN-09 TOTAL PORTFOLIO		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets			
Interest earning assets			
Trading securities	10,319	599	5.80
Gross loans, advances and other receivables	55,551	4,055	7.30
Other interest earning assets	800	48	6.00
Total interest earning assets	66,670	4,702	7.05
Liabilities			
Interest bearing liabilities			
Retail deposits	44,746	2,554	5.71
Wholesale liabilities	16,607	915	5.53
Debt capital [(1)]	1,917	116	6.04
Total interest bearing liabilities	63,270	3,585	5.67
Analysis of interest margin and spread			
Interest earning assets	66,670	4,702	7.05
Interest bearing liabilities	63,270	3,585	5.67
Net interest spread			1.38
Net interest margin (interest earning assets)	66,670	1,117	1.68
Net interest margin (lending assets)	55,551	1,117	2.01

(1) Excludes the subordinated notes and preference shares notionally allocated to General Insurance as share of capital funding and the associated interested cost charged to General Insurance.

Appendix 9 – Definitions

ADI	Authorised Deposit-taking Institutions
Adjusted Fundamental Tier 1	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries
Adjusted Fundamental Tier 1 ratio	Adjusted Fundamental Tier 1 divided by total assessed risk, as defined by APRA
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk free rates. The value of such obligations fluctuate as market referenced discount rates change. The value of assets backing annuity obligations also fluctuate with investment markets. The net impact of both of these market driven valuation changes are removed from Underlying Profit and recorded as Annuity market adjustments
Bad debts to gross loans and advances	Impairment losses on loans and advances divided by gross banking loans, advances and other receivables
Basic shares	Ordinary shares on issue
Basis points (BPS)	A "basis point" is 1/100th of a percentage point
Cash earnings per share	Adjusts the earnings per share ratio by adding back amortisation of Promina acquisition intangible assets and the related tax benefit to after tax profit
Cash return on average shareholders' equity	Adjusts the return on average shareholders' equity by adding back amortisation of Promina acquisition intangible assets and the related tax benefit to after tax profit
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted number of ordinary shares adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 *Earnings per Share*

Appendix 9 – Definitions (continued)

Earnings per share	Basic earnings per share is calculated by dividing profit after tax for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit after tax for the period adjusted for consequential changes in income or expense associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares outstanding during the period. Ordinary shares are adjusted for treasury shares
Effective tax rate	Income tax expense divided by operating profit before tax
Embedded value	Embedded value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Equity reserve for credit losses	The equity reserve for credit losses is a reserve held against potential losses reasonably assessed to be possible (but not certain) to arise from existing facilities which are currently satisfying their contractual terms. It is the credit loss intrinsic in the business which an ADI undertakes
Fire service levies (FSL)	The expense relating to the amount levied on policyholders by insurance companies as part of premiums payable on policies with a fire risk component, which is established to cover the corresponding fire brigade charge which the company will eventually have to pay
Funds under administration	Funds where the Australian Superannuation & Investments business and New Zealand Guardian Trust receive a fee for the administration of an asset portfolio
Funds under management	Funds where Suncorp Investment Management or Tyndall has been appointed as the investment manager for both internal Group funds and external funds
Funds under supervision	Funds where New Zealand Guardian Trust receives a fee for acting as a custodian or for providing corporate trustee services
General Insurance – Commercial	Commercial products consist of commercial motor, aviation, home owners' warranty, marine, construction and engineering, property, liability, professional indemnity, industrial special risk, corporate property, motor dealers, compulsory third party and workers' compensation
General Insurance – Personal	Personal products consist of home, personal motor, consumer credit, deposit power, loan protection, travel and rental bond
Gross non-performing loans	Gross impaired assets plus past due loans
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium
Life insurance policyholders' interests	Amounts due to an entity or person who owns an insurance policy. This need not be the insured. This is distinct from shareholders' interests. Policyowners' interests are excluded from the Life section of the Analysts Pack

Appendix 9 – Definitions (continued)

Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the disclosure date (including new business written during the period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Net interest margin	Net interest income divided by average interest earning assets or lending assets, as specified
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net tangible asset backing	Shareholders' equity attributable to owners of the Company less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Operating expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing the General Insurance business
Payout ratio – cash earnings	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by cash earnings. Ordinary shares are adjusted for treasury shares
Payout ratio – net profit after tax	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by operating profit after tax. Ordinary shares are adjusted for treasury shares
Return on average total assets	Operating profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on average shareholders' equity	Operating profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Risk weighted assets, off balance sheets positions and market risk capital charge and operational risk charge
Treasury shares	Ordinary shares of the Company that are acquired by subsidiaries

Appendix 10 – 2010 Key Dates

Ordinary shares (SUN)

Full year results and final dividend announcement	**25 August 2010**
Ex dividend date	30 August 2010
Record date	3 September 2010
Dividend payment	1 October 2010
Annual General Meeting	**4 November 2010**
Half-year results announcement	**23 February 2011**
Ex dividend date	28 February 2011
Record date	4 March 2011
Dividend payment	1 April 2011
Full year results and final dividend announcement	**24 August 2011**

Floating Rate Capital Notes (SUNHB)

Ex interest date	10 August 2010
Record date	16 August 2010
Interest payment	31 August 2010
Ex interest date	9 November 2010
Record date	15 November 2010
Interest payment	30 November 2010
Ex interest date	9 February 2011
Record date	15 February 2011
Interest payment	2 March 2011
Ex interest date	10 May 2011
Record date	16 May 2011
Interest payment	31 May 2011

Reset Preference Shares (SUNPA)

Ex dividend date	30 August 2010
Record date	3 September 2010
Dividend payment	14 September 2010
Ex dividend date	28 February 2011
Record date	4 March 2011
Dividend payment	14 March 2011

Convertible Preference Shares (SUNPB)

Ex dividend date	30 August 2010
Record date	3 September 2010
Dividend payment	14 September 2010
Ex dividend date	26 November 2010
Record date	2 December 2010
Dividend payment	14 December 2010
Ex dividend date	28 February 2011
Record date	4 March 2011
Dividend payment	14 March 2011
Ex dividend date	26 May 2011
Record date	1 June 2011
Dividend payment	14 June 2011

(1) All dates are subject to change and dividend dates will be confirmed at the date of declaration of the respective dividend.