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Suncorp-Metway Limited
ABN 66 010 831 722

Corporate Secretary's Office
Suncorp Centre
36 Wickham Terrace
BRISBANE QLD 4000

GPO Box 1453,
Brisbane QLD 4001

Direct Line: (07) 3835 5214
Direct Fax: (07) 3836 1190

26th August 2008

Company Announcements Office
Australian Stock Exchange
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Suncorp-Metway Ltd Group

Financial Results –Year Ended 30 June 2008

Attached for immediate release is the Suncorp-Metway Ltd **Appendix 4E** – Preliminary final report incorporating the Consolidated Financial Report for period ended 30 June 2008.

The following associated documents will be provided separately for lodgement:

- Media Release
- Announcement of Consolidated Financial Results - 30 June 2008

C R Chuter
Corporate Secretary

attch.

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Appendix 4E

Preliminary final report
For the year ended 30 June 2008

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-referenced to the 2008 Consolidated Financial Report and Director's Report, which are attached.

1. Company details

Suncorp-Metway Ltd and its controlled entities ("the Group")
ABN 66 010 831 722
Reporting period: 30 June 2008
Previous corresponding reporting period: 30 June 2007

2. Results for announcement to the market

Suncorp's financial results for the full year to 30 June 2008 have been impacted by a number of major external factors including the volatile investment markets and the sequence of major weather events across Australia and New Zealand. The underlying businesses have performed strongly despite the negative impact of these external events.

Comparison to previous corresponding period	Increase/ Decrease	%	To $m
Revenue	Increase	28.99	13,167
Profit after tax attributable to equity holders of the parent	Decrease	47.74	556
Net profit for the period attributable to equity holders of the parent	Decrease	47.74	556

	Amount per share	Franked amount per share
2008 Interim ordinary dividend – paid	52 cents	52 cents
2008 Final ordinary dividend - payable	55 cents	55 cents
14 September 2007 - 13 March 2008 reset preference dividend – paid	$2.527	$2.527
14 March 2008 – 13 September 2008 reset preference dividend – payable	$2.5548	$2.5548
12 June 2008 – 14 September 2008 convertible preference dividend - payable	$2.0187	$2.0187

2. Results for announcement to the market (continued)

Record dates for determining entitlements to the above dividends are as follows:-

Ordinary shares (SUN)	4 September 2008
Reset Preference Shares (SUNPA)	4 September 2008
Convertible Preference Shares (SUNPB)	4 September 2008

There were no foreign sourced dividends or distributions.

3. Balance Sheet with notes to the statement

Refer 2008 Consolidated Financial Report attached
Balance Sheets
Notes to the financial statements as shown

4. Income Statement with notes to the statement

Refer 2008 Consolidated Financial Report attached
Income Statements
Notes to the financial statements as shown

5. Statement of Recognised Income and Expense

Refer 2008 Consolidated Financial Report attached
Statements of Recognised Income and Expense

6. Statement of Cash Flows with notes to the statement

Refer 2008 Consolidated Financial Report attached
Statements of Cash Flows
Notes to the financial statements as shown

7. Dividends

Refer 2008 Consolidated Financial Report attached
Note 36 to the financial statements

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8. Dividend reinvestment plan

Ordinary shareholders will be able to participate in the company's Dividend Reinvestment Plan in respect of the final dividend. The last date for receipt of an election notice is 4 September 2008.

9. Statement of retained earnings

Refer 2008 Consolidated Financial Report attached
Note 35 to the financial statements

10. Net tangible assets per security

	June 2008	June 2007
Net tangible assets per security ($)	5.55	5.43

11. Entities over which control has been gained or lost during the period

The following entities were acquired by the Group during the financial year ended 30 June 2008:

Name of Entity	Acquisition Date
Prophet Financial Advice Pty Ltd	15 April 2008

The contribution of these entities to the Group's profit for the year, and during the whole of the corresponding previous year was not material.

The following entities were sold by the Group during the financial year ended 30 June 2008:

Name of entity	Date control lost
RACT Insurance Pty Ltd (30% interest)	31 August 2007
Suncorp Investment Management High Alpha Trust	6 August 2007

The contribution of these entities to the Group's profit for the year, and during the whole of the corresponding previous year was not material.

12. Details of joint ventures

Refer 2008 Consolidated Financial Report attached
Note 19 to the financial statements

13. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

All significant information has been included elsewhere in this document or the 2008 Consolidated Financial Report attached.

14. For foreign entities, which set of accounting standards is used in compiling the report

Not applicable.

15. Commentary on the results

The Group recorded a net profit after tax for the year ended 30 June 2008 of $556 million, compared to $1,064 million in the previous year:

The divisional operating profit before income tax is as follows:

	2008 $m	2007 $m	Reference to financial report
Banking	627	569	Note 38(a)
General Insurance	270	976	Note 39(a)
Wealth Management	41	221	Note 40(a)
LJ Hooker	14	33	
Other	(324)	(256)	
	628	1,543	
Income Tax	(67)	(479)	
Profit for the period	561	1,064	
Attributable to:			
Equity holders of the Company	556	1064	
Minority Interests	5	-	
	561	1,064	

Other net loss before tax of $324 million consists predominantly of integration expenses ($140 million), and amortisation of intangible assets relating to the acquisition of Promgroup Limited (formerly Promina Group Limited) of $362 million, offset by the deferred acquisition cost consolidation adjustment also relating to the acquisition of $162 million.

Banking

The Banking division performed strongly despite the impact of the global credit markets and a generally slowing domestic economy, growing profit contribution before tax by 10.2% to $627 million. The result featured solid lending growth, a stabilising of margins in the second half, and the maintenance of disciplined credit practices.

During the year the Bank biased its new lending to existing customers and higher margin portfolios, thereby maintaining the value of its franchise and supporting its investment in the branch network.

Net interest income increased by 13.2%, reflecting above system lending growth in all segments.

Home loan receivables (including securitised assets) increased by 14.5% to $27.2 billion, business lending receivables increased by 29.7% to $27.0 billion and consumer lending reduced by 18.8% to $863 million following the sale of the credit cards portfolio in February 2008.

Core retail deposits (net of Treasury) grew by 18.3% to $18.9 billion.

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15. Commentary on the results (continued)

Banking (continued)

The Bank's direct distribution capability continues to underpin receivables growth in Queensland with growth of 14.4% in home lending and 21.7% in business lending. Outside of Queensland, lending growth continues to be strongest in Western Australia where economic growth remains robust.

During the year the Retail Bank refreshed its five year strategy. This saw an expansion of the branch network into new growth corridors, with new branches opening in Queensland and Western Australia. A small number of branches in regional New South Wales and Victoria have been closed in line with falling customer demand in these centres.

To support this investment in customer service, the Bank announced partnerships with globally recognised suppliers to provide back of house processing services. This initiative will provide on-going cost and capability benefits and allow the Bank to adjust its variable cost base in line with lending demand.

Banking customer satisfaction of 79.9% at June 2008, as independently measured by Roy Morgan Research Pty Ltd, remained well above the Australian bank average of 74.0%.

In February 2008, the Bank also successfully executed the sale of its credit card portfolio to Citibank. In addition to realising a one-off benefit to the Bank's bottom line, this partnership further de-risks the Bank's lending profile and allows customers to benefit from a wider range of innovative card products and services.

The Net Interest Margin reduced by 18 basis points as the Bank absorbed increased costs of wholesale funding and securitisation volumes increased. In the second half, margins stabilised as Suncorp was able to pass on increases in funding costs across the lending portfolio.

Credit quality remains sound overall with gross non-performing loans at 1.12% of total lending. While the quantum of non-performing loans continues to increase as the credit cycle trends upwards from its lows of 2004, the overall quality of the portfolio has been comprehensively reviewed over the course of the year and remains sound with a significant proportion of loans secured by hard assets such as property with low LVR's.

General Insurance

The general insurance operations reported a profit before tax of $270 million. The general insurance businesses maintained positive momentum throughout the period despite the effect of external events and the continuing integration program. On 7 August 2008, the Group was named 2008 General Insurance Company of the Year by the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

The insurance trading result (ITR) was $607 million, or 10.3% of net earned premium, reflecting a number of external events. These events together cost $415 million, well ahead of Suncorp's usual provision for weather events of $200 million per year.

Investment returns on technical reserves have been adversely affected by the mark to market impact of widening credit spreads. The Group has approximately $8 billion in its technical reserves portfolio, where underlying investments are matched to the expected payouts in the outstanding claims provision. These are quality investments, largely semi-government and highly-rated corporate bonds that have no significant default risk; however, the mark to market movement has reduced investment returns by $140 million. This is purely an accounting and timing issue which will reverse as the investments redeem, or as credit spreads contract.

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15. Commentary on the results (continued)

General Insurance (continued)

Gross written premium increased by 2.9% on a pro-forma basis with strong premium growth in home (7.8%) and personal motor (4.7%) offset by the reductions in compulsory third party (CTP) and workers' compensation portfolios.

In long tail classes there is evidence of super-imposed inflation in some classes of business, following several years of highly favourable claims experience post the tort law reforms. As previously flagged, this has resulted in the quantum of central estimate releases reducing over the course of the year with the second half release of $80 million bringing the total central estimate release for the year to $251 million.

Due to confidence in claims valuations in a post-tort law reform environment, Suncorp decided to adjust its level of sufficiency to its targeted level of 90%. This resulted in a benefit of $220 million to the claims expense. Additionally, a diversification benefit across the general insurance portfolios resulted in a $75 million benefit.

The share of profit from the Group's associates and joint venture partners was $11 million for the year to June 2008. This result was significantly impacted by the sequence of major weather events and the negative investment markets.

Wealth Management

Wealth Management contributed profit before tax of $41 million. This result was significantly impacted by the downturn in investment markets and the increase in discount rates. Negative investment markets in turn affected funds under administration, funds under management and the value of assets backing part of the annuity book.

Despite this disappointing result, the fundamentals of the business remain sound. With a new management team and a focus on simplification of products and processes, the business is well placed to ride out tough market conditions as well as take advantage of any improvement in the industry cycle.

Income tax expense

The Group's effective tax rate for the year ended 30 June 2008 (10.7%) is significantly lower than 2006/07 (31.0%) and the standard 30% company tax rate. This is primarily due to the franking credits and tax offsets derived in the investment funds, and the inclusion of tax credits attributable to life company policyholders.

During the year to 30 June 2008, the negative investment markets have resulted in life company policyholders obtaining a tax credit of $83 million compared to a tax expense of $55 million in the prior year. The impact of tax on policyholder interests is required to be included in the Wealth Management pre-tax result, and is reversed out in the Group Tax Expense.

In respect of the general insurance business, the reduced underwriting and investment returns have meant that, relative to net profit, the proportion of dividend income, effectively tax-free due to franking credits, increases with the result of lowering the effective tax rate for that business.

The tax effect of non-deductible amortisation expense referable to intangible assets identified on the acquisition of Promina Group limited has not significantly impacted the effective tax rate. Pursuant to Accounting Standard AASB 112 Income Taxes, deferred tax balances were established for most identified intangibles at the date of acquisition. These deferred balances will reverse through deferred tax expense as non-deductible amortisation is added back.

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15. Commentary on the results (continued)

Earnings per share

Basic and diluted earnings per share decreased from 158.7 cents to 59.8 cents.

Returns to shareholders

There were no returns to shareholders during the financial year other than dividends. Refer item 7 above.

16. Status of audit

The attached 2008 Consolidated Financial Report has been audited.

17. Dispute or qualification if not yet audited

Not applicable.

18. Dispute or qualification if audited

Not applicable.

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Suncorp-Metway Ltd and subsidiaries

ABN 66 010 831 722

Directors' Report

30 June 2008

The directors present their report together with the financial report of Suncorp-Metway Ltd ("the Company") and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2008 and the auditor's report thereon.

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1 Directors

The directors of the Company at any time during or since the end of the financial year are:

William J Bartlett
FCA, CPA, FCMA, CA (SA)
Age 59
Non-executive

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

Mr Bartlett also has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board (1994-2007). He holds an honorary position on the board of the Bradman Foundation and the Bradman Museum.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Abacus Property Group	14.02.07	
GWA International Limited	21.02.07	
Arana Therapeutics Limited *(formerly Peptech Limited)*	10.08.04	28.12.07
Retail Cube Limited	10.05.04	19.10.06
Reinsurance Group of America Inc. (NYSE)	26.05.04	

Dr Ian D Blackburne
MBA, PhD, BSc (First Class Hons)
Age 62
Non-executive

Director since August 2000. Chairman of Risk Committee. Dr Blackburne is Chairman of CSR Limited and a director of Teekay Corporation. He was formerly Chairman of the Australian Nuclear Science and Technology Organisation (July 2001-June 2006) and was formerly Managing Director of Caltex Australia Limited having spent 25 years in the petroleum industry.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
CSR Limited	01.09.99	
Symbion Health Limited *(formerly Mayne Group Limited)*	01.09.04	28.04.08
Teekay Corporation (NYSE)	08.09.00	

Paula J Dwyer
BComm, FCA, FAICD, FFin,
Age 47
Non-executive

Director since April 2007. Member of Audit Committee. Ms Dwyer was a director and Chairman of the Audit, Risk and Compliance Committee of Promina Group Limited at the date of merger with Suncorp. She is also a director of TABCORP Holdings Limited, where she is Chairman of the Audit Committee, and Babcock & Brown Japan Property Management Limited where she is Chairman of the Audit, Risk and Compliance Committee. Ms Dwyer is a member of the ASIC Business Consultative Panel (Melbourne Chapter), Vice President of the Baker Heart Research Institute and was appointed a member of the Federal Government's Takeovers Panel in May 2008.

Ms Dwyer is a chartered accountant by profession and during her 20 year executive career held senior positions in the securities, investment management and investment banking sectors. She was formerly a director of David Jones Limited.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
TABCORP Holdings Limited	30.08.05	
David Jones Limited	25.11.03	01.12.06

Dr Cherrell Hirst AO
MBBS, BEdSt, DUniv (Hon), FAICD
Age 63
Non-executive

Director since February 2002. Member of Risk and Remuneration Committees. Dr Hirst is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. She is Deputy Chairman of Queensland BioCapital Funds Pty Ltd, a director of Peplin Inc., Avant Insurance Ltd and Avant Mutual, Impedimed Ltd, Xenome Ltd and Opera Queensland Limited.

Dr Hirst was a director of Metway Bank from July 1995 to December 1996 and was Chancellor of Queensland University of Technology from 1994 to 2004.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Peplin Inc.	17.08.00	
Impedimed Limited	01.09.05	

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Martin D E Kriewaldt
BA, LLB (Hons), FAICD
Age 58
Non-executive
Director since 1 December 1996. Member of Audit Committee. Mr Kriewaldt was also a director of the Suncorp Group from 1990 and Chairman at the time of the merger that formed the Suncorp-Metway Limited Group in 1996. He is Chairman of Opera Queensland Limited and a director of Impedimed Limited, Campbell Brothers Limited, GWA International Limited and Oil Search Limited.
Mr Kriewaldt also provides advice to Allens Arthur Robinson and Aon Holdings Australia Limited.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Campbell Brothers Limited	12.06.01	
GWA International Limited	25.06.92	
Oil Search Limited (Group)	16.04.02	
Arana Therapeutics Limited *(formerly Peptech Limited)*	24.10.03	28.08.07
Impedimed Limited	24.03.05	

Ewoud J Kulk
BEcon
Age 62
Non-executive
Director since March 2007. Member of Risk Committee. Mr Kulk was a director of Promina Group Limited at the date of merger with Suncorp. He was Managing Director of the Australian General Insurance Group (1994 to 1998) and was appointed Group Director Asia Pacific for Royal & Sun Alliance Insurance Group plc in March 1998. He continued in that role until his retirement in September 2003.

Mr Kulk is also a past president of the Insurance Council of Australia and has over 25 years experience in the insurance industry.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Nil		

John F Mulcahy
PhD (Civil Engineering), BE (First Class Hons)
Age 58
Managing Director
Director since joining Suncorp on 6 January 2003 as Chief Executive Officer. John Mulcahy is President of the Insurance Council of Australia, a member of the Business Council of Australia, the Australian Bankers Association Council and the Future Fund Board of Guardians.

He is also a director of the Great Barrier Reef Research Foundation.

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

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Nil		

Geoffrey T Ricketts
LLB (Hons)
Age 62

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

He was formerly Chairman of Royal & Sun Alliance's New Zealand (R&SA NZ) operations having been a non-executive director of R&SA NZ for over 10 years.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Lion Nathan Limited	13.06.88	
Spotless Group Limited	08.07.96	
Taylors Group Limited (NZX)	13.01.92	

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Christopher Skilton
BSc (Econ) (Hons), ACA (Eng & Wales)
Age 54
Chief Financial Officer and Executive Director
Director since 13 November 2002. Chris Skilton joined Suncorp in July 2001 as Chief Financial Officer. As CFO of the Group, he is responsible for finance, treasury, risk, compliance, regulatory affairs, company secretarial, legal and investor relations.

He was previously with Westpac where his final position was Group Executive, New Zealand and the Pacific Islands and prior to that Deputy Chief Financial Officer. Prior to Westpac, Chris was Managing Director and CEO of AIDC Ltd. Whilst still employed with AIDC Chris did a stint as acting CEO of the Australian Submarine Corporation, one of Australia's largest and most complex engineering projects. (AIDC was a major shareholder in ASC). His wide professional experience also includes executive positions with Security Pacific Australia and the Barclay Group of Companies. He has over 25 years' direct experience in various senior roles in the finance sector.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Nil		

John D Story
BA, LLB, FAICD
Age 62
Non-executive Chairman
Director since January 1995, Deputy Chairman since June 2002 and Chairman since March 2003. Member of Audit, Risk and Remuneration Committees. Mr Story was a partner of the national law firm Corrs Chambers Westgarth for 36 years, retiring on 30 June 2006. He practised in the areas of corporate and commercial law and served as Queensland Managing Partner and National Chairman.

He is Chairman of TABCORP Holdings Limited and the Australian Institute of Company Directors, a director of CSR Limited, a Member of the Senate of the University of Queensland and a Commissioner of the Public Service Commission (Queensland).

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
CSR Limited	12.04.03	
TABCORP Holdings Limited	29.01.04	

Dr Zygmunt E Switkowski
BSc (Hons), PhD, FAICD
Age 60
Non-executive
Director since September 2005. Chairman of Remuneration Committee and Member of Risk Committee. Dr Switkowski is Chairman of the Australian Nuclear Science and Technology Organisation, a director of Healthscope Limited, TABCORP Holdings Limited and Opera Australia. He was previously CEO of Telstra Corporation Limited, Optus Communications Ltd and Kodak Australasia Pty Ltd.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Healthscope Limited	19.01.06	
TABCORP Holdings Limited	02.10.06	

Leo E Tutt
FCA, FAIM, FAICD
Age 70
Non-executive
Director since March 2007. Member of Audit and Remuneration Committees. Mr Tutt was Chairman of Promina Group Limited at the date of merger with Suncorp and was a non-executive director of Promina Group Companies in Australia since February 1994. He has over 32 years experience in the insurance sector as a non-executive director or Chairman of Phoenix Assurance Company Australia Limited (1974-1982), Friends Provident Life Assurance Co Ltd (1984-1994) and a non-executive director of Friends Life Office (UK) (1987-1993).

He was Chairman of MIM Holdings Limited until 2003 and was a director of Metway Bank Limited (1992-1996). He is also Chairman of Crane Group Limited.

Listed company directorships held since 1 July 2005

Company Name	Appointed	Resigned
Crane Group Limited	14.09.01	

2 Company secretary

Clifford R Chuter B Bus was appointed to the position of company secretary in March 1997 following the merger of Metway Bank Limited, the Suncorp Group and QIDC. Prior to the merger Mr Chuter held the role of company secretary with the Suncorp Group for 10 years.

3 Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2008 were:

	Board of Directors		Audit Committee		Risk Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
J D Story	13	13	5	5	5	4	3	3
J F Mulcahy	13	13	5	4(1)	5	4(1)	-	-
W J Bartlett	13	13	5	5	-	-	-	-
I D Blackburne	13	13	-	-	5	5	-	-
P J Dwyer	13	13	5	5	-	-	-	-
C Hirst AO	13	13	-	-	5	5	3	3
M D E Kriewaldt	13	13	5	5	-	-	-	-
E J Kulk	13	13	-	-	5	5	-	-
G T Ricketts	13	12	-	-	-	-	-	-
C Skilton	13	13	5	5(1)	5	5(1)	-	-
Z E Switkowski	13	13	-	-	5	5	3	3
L E Tutt	13	13	5	5	-	-	3	3

A number of meetings held during the year while the director was a member of the Board or Committee.
B number of meetings attended by the director during the year while the director was a member of the Board or Committee.
(1) Mr Mulcahy and Mr Skilton attend Audit Committee and Risk Committee meetings at the invitation of those committees. In accordance with accepted good governance practice there are no management representatives appointed as members of the Audit Committee.

4 Remuneration Report - Audited

The Group Remuneration Report for 2008, as presented below, has been prepared for consideration by shareholders.

4.1 Remuneration Policy

The Group's remuneration policy supports the attraction and retention of employees and drives an engaged and productive workforce. It achieves this by identifying and rewarding high performers, recognising that each employee contributes to corporate and business unit outcomes to varying degrees.

Remuneration decisions are based on a number of principles which apply to all employees and executives. These principles, which are outlined below, are intended to embed a high performing, customer focussed team culture, and have been designed to ensure the Group attracts and retains the people it needs to enhance shareholder value:

- Remuneration is one component of the overall employee value proposition.
- Remuneration practices will align with and support the Group's vision, business strategy and the enhancement of shareholder value.
- Remuneration practices will drive sustained performance improvement on an individual, business unit and corporate level.
- Part of an individual's remuneration will vary depending on performance. The other part will be fixed.
- The fixed portion will be determined with reference to the size of the role, the market rate paid for similar roles, the individual's qualifications and experience, and the market scarcity of the particular professional discipline.
- The variable portion will be determined with reference to both individual and Group performance.
- Individuals will be rewarded based on their own performance, as well as their contribution to business unit and corporate outcomes.
- Performance will be quantified with reference to pre-agreed targets wherever possible, but will also take into account how the results were achieved.

4.2 Remuneration Approval Process

The Remuneration Committee, which comprises four non-executive directors, is responsible for making recommendations to the Board on remuneration policy. Further information on the role of this committee, its responsibilities and membership, is contained in the Corporate Governance Statement.

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The following approval processes apply in relation to remuneration:

- The Board (in the absence of the executive directors) approves the remuneration of the Chief Executive Officer ("CEO"), having regard to the recommendations of the Remuneration Committee.
- The Board approves the remuneration arrangements for the non-executive directors, having regard to the recommendations of the Remuneration Committee.
- The Remuneration Committee approves the remuneration of Group Executives, having regard to the recommendations of the CEO.
- The Remuneration Committee approves the Group short-term incentive ("STI") pool having regard to the recommendation of the CEO. The Group STI pool is determined based on an assessment of Group performance for the year, taking into account factors such as the overall quality of the financial result, market influences and the prevailing economic environment.
- The Remuneration Committee approves the annual Group fixed pay increase pool having regard to the recommendation of the CEO. The pool is determined based on a percentage of current fixed pay, taking into account Group profitability, market influences and the prevailing economic environment.
- The CEO approves the performance targets of the Group Executives.
- The CEO also approves the performance targets and remuneration of Executive General Managers/General Managers, based on the recommendations of the Group Executives.
- Remuneration decisions for levels below Executive General Managers and General Managers must be within the total pools approved above, and are approved by the Manager Once Removed ("MOR").

4.3 Key Management Personnel (excluding executive and non-executive directors)

The Key Management Personnel ("KMP") who had authority and responsibility for planning, directing and controlling the activities of the Group, excluding executive and non-executive directors were:

Roger Bell	Group Executive Vero New Zealand
Robert Belleville	Group Executive Personal Insurance
Mark Blucher	Group Executive Integration
David Foster	Group Executive Retail Banking
Dennis Fox	Group Executive Wealth Management – retired 31 July 2008
Bernadette Inglis	Group Executive Strategy, People and Corporate Services
Stuart McDonald	Group Executive Business Banking
Mark Milliner	Group Executive Commercial Insurance
Jeff Smith	Group Executive Business Technology
Geoffrey Summerhayes	Group Executive Wealth Management – appointed 26 May 2008

The Remuneration Table in section 4.5.1 sets out the details of their remuneration and those of the executive directors. The Executive Remuneration structure detailed below applies to this group.

The Remuneration Table in section 4.5.2 sets out the remuneration details of the five executives across the Group who received the highest remuneration under S300A of the *Corporations Act 2001.*

4.4 Remuneration Structure

4.4.1 Executive Remuneration

4.4.1.1 Overview

The Group's remuneration structure provides executives and employees with an overall reward opportunity for performance in their role. Each component – fixed pay and variable pay, including short-term and long-term incentives – plays a key role in building remuneration arrangements aligned to the Group's vision and business strategy. This applies equally to Executives and other employees.

Fixed Pay refers to the annual amount paid to an individual for performing a role or set of tasks. It consists of base salary, superannuation contributions and the value of other benefits, the total of which is referred to as Total Employment Cost ("TEC"). Executives and employees can nominate to have more of their fixed pay contributed to superannuation or to acquire Suncorp shares and have less paid as salary, provided the agreed TEC is not exceeded.

Variable Pay refers to the amount paid to reward retrospective performance outcomes that are aligned to business and operational objectives. Variable pay can include short term and long term incentives:

- **Short term incentives** consist of periodic bonuses which apply to executives as well as their direct reports and teams. Some employees below Group Executive level are eligible to participate in a commission based or non corporate scheme instead of the Corporate STI scheme.
- **Long term incentives** apply to Executives only, and consist of shares eventually awarded via a long term incentive plan should corporate targets be met for generating shareholder wealth and future out-performance over a multi-year period.

In addition to this, the following information also applies to Executives.

4.4.1.2 Executive Remuneration Structure

Executives are defined to be the CEO, direct reports to the CEO (Group Executives) and direct reports to the Group Executives (Executive General Managers/General Managers). At the date of this report, there were 96 executive positions comprising these groups, including the executive directors, the company secretary and key management personnel.

4.4.1.2.1 Fixed Pay

The level of **Fixed Pay** reflects the responsibilities of the role and is reviewed each year in line with market practices. Independent remuneration consultants assist the Remuneration Committee with the assessment of market practices and movements. Shareholders should note that the fixed pay outcomes shown in this report reflect decisions made by the Remuneration Committee 12 months earlier for the 2007/2008 financial year. The current philosophy is to contain fixed labour costs, leveraging variable pay to reward and retain high performing employees.

4.4.1.2.2 Short Term Incentives ("STI")

The Short Term Incentive component of Variable Pay rewards Executives for their contribution to the previous year's outcomes. STI payments are made to Executives for meeting pre-determined performance objectives, taking into account factors such as the overall quality of the result, market influences and the prevailing economic environment. **Target** STI payments made to Executives are in the range of 35% to 150% of TEC. This target percentage of TEC varies by executive with seniority and in accordance with market practices. For KMP's, target STI is either 100% or 150% of TEC.

CEO and Executive STI awards are determined after an assessment by the Remuneration Committee of Group performance that year (see 'Group performance and short term incentives' below). These determinations are made having regard to pre-determined performance objectives set for the Group, Business Units, Divisions and individual Executives and the application of a Balanced Scorecard system.

The system of **Balanced Scorecards** is used to agree and monitor performance for the year ahead, and operates as follows:

- The performance objectives of each Executive, Business Unit and Division are set using balanced scorecards, against which performance is monitored monthly by the Board.
- Scorecard results for each Executive General Manager/General Manager are combined to give a scorecard result for each Group Executive. The Group Executives' scorecards are then combined to form a Group scorecard, which represents the CEO's accountabilities and responsibilities.
- Individual performance is then assessed by reviewing the relevant scorecards.
- The performance measures relate to shareholders, customers, employees and the community, and were chosen to ensure the interests of these four primary stakeholder groups are considered. Examples of these measures are: Total Shareholder Return, Roy Morgan Satisfaction growth (Retail Bank customers), Employee Engagement Survey and the percentage of available volunteer days taken by employees (assisting their community).
- The combination of financial and non-financial measures, and mix of quantitative and qualitative measures, are chosen to ensure performance of the individual is assessed having regard to the values and behaviours demonstrated by the Executive in achieving those outcomes.

To be considered for a STI payment, employees must have completed 3 months' service within the financial year and remain in employment at the date of payment. Payments are pro-rated for part year's service. In addition:

- STI is paid in cash, unless the employee nominates to have all or part of it paid into superannuation or Suncorp shares.

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- The STI bonus amounts referred to in the Remuneration Table in section 4.5.1 represent 100% of the short term incentive component of "at risk" remuneration that vested during the year.
- Those STI bonus amounts were determined on the basis of Group, business unit and individual performance over the financial year ended 30 June 2008 and are therefore deemed to have vested in that year, although payment will not occur until October 2008.
- Based on the remuneration policies and practices described in this report there were no STI bonus amounts attributable to the Executive Directors and Executives that are considered to have been forfeited or deferred in the year.

Group performance and short term incentives

Individual STI determinations form part of the Group STI Pool. In approving the size of the Group STI pool, the Remuneration Committee gives consideration to the financial performance of the Group. A key measure of financial performance is determined by the Group's achievement against pre-agreed profit targets in the performance period, which are set by the Board each year. The quality of the financial result, including factors such as the current economic environment, is also taken into account when determining the size of the Group STI pool.

The following table shows a five-year history of the Group's net profit and returns to shareholders. Whilst the Group STI pool is determined with reference to the profit outcome for the relevant year, it is not a prescriptive and inflexible formula. The Remuneration Committee also considers external factors beyond the Group's control when reviewing financial performance to determine the appropriate size of the Group STI pool.

Returns to shareholders over the past 5 years

	2008 (1)	2007 (1)	2006 (1)	2005 (1)	2004 (1)
Net profit attributable to equity holders of the parent ($m)	556	1,064	916	882	618
Basic earnings per share (cents)	60	159	161	155	109
Dividends per share (cents) (2)	107	107	97	87	70
Change in share price ($)	(7.13)	0.82	(0.76)	5.91	2.60

Notes
(1) Amounts for 2004 were calculated in accordance with previous Australian GAAP. Amounts for 2005 to 2008 were calculated in accordance with Australian equivalents to IFRS ("AIFRS") – transitional arrangements apply to the 2005 year.
(2) 2005 excludes the special dividend of 75 cents per share.

4.4.1.2.3 Long term incentives ("LTI")

The **Long Term** component of remuneration rewards Executives for their contribution to the creation of shareholder value over a number of years. To focus the attention of Executives on multi-year outcomes, the Board uses the Executive Performance Share Plan ("EPSP") as a long term remuneration vehicle.

The following information relates to the operation of the Group's EPSP:
- The objective of the EPSP is to align the Senior Executive reward and retention program with the interests of shareholders.
- Participation is offered to Executives who the Board considers can influence the Group's long term performance.
- A number of Performance shares are offered to Executives each year, based on a percentage of their TEC and having regard to market practices. This offer represents the potential reward and is designed to provide a competitive incentive and to attract, motivate and retain outstanding senior executives. The vesting of any reward is, however, subject to established high performance of the Group over the long term.
- Executives do not own the shares unless and until the specified performance targets have been achieved over the long term.
- The performance targets are based on Suncorp's Total Shareholder Return ("TSR") – the growth in the share price, plus dividends, expressed as a percentage over the period in question – relative to the TSR achieved by a pre-determined Peer Group of other companies.
- Using the TSR measure provides a direct link between Executive long term reward and the wealth created for shareholders. This link is strengthened if the performance target is achieved, as Executives own the shares after vesting and are therefore aligned to creating wealth for shareholders.

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- Using a relative TSR measure minimises the effects of market cycles.
- LTI rewards are reduced or ceased during periods of under-performance, and increase when superior performance is achieved. If the TSR performance is inferior to the majority of the Peer Group, even in a rising market and with a rising share price, Executives are not rewarded. Conversely, in a falling market with a falling share price, Executives will be rewarded if Suncorp's TSR is superior to the majority of the Peer Group.
- The Peer Group is the top 50 ASX listed companies in the S&P/ASX 100, excluding property trusts.
- At the end of a performance period, an Executive may become entitled to some or all of the shares offered, on the basis of the Company's TSR performance over the period as follows:
  - in the bottom half of the Peer Group (below median): 0% allocated
  - the middle of the Peer Group (at median): 50% allocated
  - in the top quarter of the Peer Group (at 75th percentile or above): 100% allocated
- If the TSR ranking is above the middle (median), an additional 2% of the offered shares will be allocated for each full 1% increase in the ranking, up to 100% at the 75th percentile.
- Shares granted to executives under the EPSP are bought on market so that there is no dilutionary impact on existing Suncorp-Metway shareholders.

The **Performance Period** commences on the date of the offer and the first measurement point is three years later. The Executive can elect to receive an allocation on the basis of the performance at that time, or to extend the performance period for another two years (a practice often referred to as 're-testing'). If the performance at the end of the initial period is accepted, any shares that are not allocated are forfeited.

If the Executive elects to extend the performance period, TSR is measured every six months for an additional two years. After two years, the Executive can then choose the applicable timeframe upon which performance is measured – this can be the initial performance period end date or any six month period after that, up to and including the extended end date. No further elections are available, and shares not allocated are forfeited.

The Board supports the practice of re-testing on the basis that circumstances have arisen and may arise in future where the measurement of TSR over three years would not reflect the value generated by past activity. The practice provides a more flexible plan operation; encourages a longer term outlook on the part of the participating executives; protects the interests of shareholders by improving the ability of the Group to retain the services of the Executives; and reduces the likelihood that the plan can become a disincentive as a result of significant corporate initiatives which negatively impact TSR over shorter time frames. The effect of re-testing is taken into account when valuing and expensing the grants.

Throughout the performance period, the unallocated shares are held in trust and the trustee receives dividends and pays tax on those dividends. The after tax amount is allocated to Executives at the same time and in the same proportion as the underlying shares.

During the financial year 2007/08, the October 2004 offer completed its minimum three year performance period. At the end of the performance period and in accordance with the rules of the Plan, a performance assessment was conducted by external independent consultants, Mercer. This assessment determined that Suncorp's TSR ranked in the 36th percentile.

Ordinarily this would mean that no vesting would result. However, it was considered that the Promina transaction, which was announced in October 2006, had the potential to impact the retention of key executives, especially at a time of full employment within the financial services market. In the circumstances, the Board was conscious of the need to appropriately reward and retain the Executive team, as well as to provide an equality of treatment with that provided to the Promina executive team.

As a result, the Board agreed during the financial year ended 30 June 2007 to waive the performance criteria for the 2004 and 2005 offers for participants employed at the date of the merger. Details of this variation were set out in the notes to the 2007 financial statements. This applied to all but four participants to whom the waiver did not apply. The 2004 offer has therefore now vested in full, except for these four participants who elected to extend the performance period for a further two years, and Mr Mulcahy whose shares will vest if he is still employed as CEO on 30 September 2009.

Feedback from shareholders was that the quantum and underlying objectives of the modification were understood. However, a number of shareholders were critical of these arrangements because they felt the principle of performance hurdles underlying long-term incentives for the granting of equity interests should not be

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varied or waived during their term. The Board has therefore undertaken to give full recognition to the principle in the future.

In April 2007, a "merger offer" was made to Promina Senior Managers who had participated in the 2006 Promina LTI Share Plan. This offer was made in lieu of any 2007 offer under the Promina Share Plan.

The performance summary (as at 30 June 2008) for the merger offer and the three annual offers that have not yet completed the minimum performance period indicate that, over the performance period for each offer, the Suncorp TSR was below the median (50th percentile) and therefore no shares would currently vest. However, as explained above, 100% vesting will occur for the 2005 offer on 30 September 2008 for relevant participants. For the 2006, 2007 and merger offers, the normal performance criteria will continue to apply.

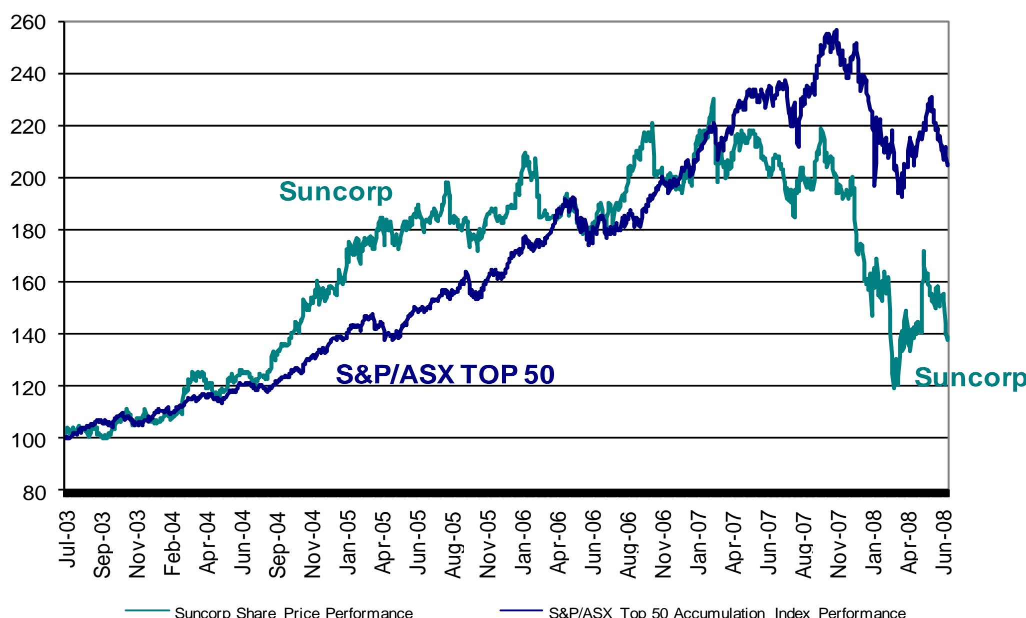
Details of the vesting profile of the EPSP shares granted in this or previous financial years which affect compensation this year for each KMP are detailed in the Remuneration Table in section 4.5.3.

The Company's securities dealing policy extends to dealing in a financial product which operates to limit the economic risk of a holding in the Company's securities, including unvested EPSP shares. Dealing in that type of security is prohibited unless the transaction has been approved by either the Chairman (for directors) or the CEO (senior executives) and the security is fully vested. All Executives are reminded of this policy at least twice a year, usually in the month prior to the release of the Company's annual and half-year financial results.

Group performance and long term incentives

The comparative TSR hurdles that underpin the entitlement to long term incentives under the EPSP reflect changes in shareholder wealth relative to the comparator group by incorporating dividends paid by the Group, as well as movements in its share price.

As an example of the Group's performance over the past 5 years as it relates to the LTI scheme, the previous table in section 4.4.1.2.2 shows dividends paid and basic earnings per share over the last five years. In addition, the following graph shows movement in the Company's TSR (against the S&P/ASX Top 50 Accumulation Index excluding property trusts) over the last five years.



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4.4.1.2.4 Retention arrangements

Retention arrangements were put in place in October 2006 for Group Executives, direct reports of the Group Executives at the time and a small number of other key employees across the Group who were considered critical to the success of the merger. The arrangements were put in place to recognise the contribution and commitment that would be required both during the acquisition and the subsequent integration of the two organisations.

Integration Retention Payments

	Payment to be made after 30 June 2007	Payment to be made after 30 June 2008
Group Executives	Cash bonus equal to 6 months TEC	Cash bonus equal to 3 months TEC
Direct reports of the Group Executives	Cash bonus equal to 3 months TEC	Cash bonus equal to 3 months TEC
Other key employees critical to success of the merger	Cash bonus equal to 3 months TEC	In some (not all) cases, a cash bonus equal to 3 months TEC

To qualify for each payment, the participant had to be employed by Suncorp on 30 June 2007 and 30 June 2008 respectively.

The initial payments made after 30 June 2007 to KMPs are included in the 2007 figures in the Remuneration Table in section 4.5.1, and those made after 30 June 2008 are included in the 2008 figures.

4.4.1.3 Executive service agreements

4.4.1.3.1 Chief Executive Officer

The **CEO, John Mulcahy,** is employed under a 12 month rolling contract. The following points are relevant to Mr Mulcahy's contract:

- Suncorp can terminate the contract at any time by giving 12 months notice or paying out the fixed pay for the remainder of the notice period.
- Mr Mulcahy can terminate the contract at any time by giving three months notice.
- Mr Mulcahy's fixed pay increases reflect the change in responsibilities of the role, taking into account the growth in size and complexity of the organisation.

Mr Mulcahy has been employed since 2003 and has received offers of performance shares under the EPSP each year since then. These are as follows:

Offer date	Shares offered	Performance period end date	Minimum entitlement as at 31 March 2008
January 2003	Tranche 1 – 103,300 [1] Tranche 2 – 103,300 [1] Tranche 3 – 103,300 [1]	5 January 2008	All tranches 80% vested (247,920 shares in total)
October 2004	103,300 [1]	30 September 2007	No current entitlement [3]
October 2005	123,961 [1]	30 September 2008	No current entitlement [4]
October 2006	123,961 [1]	30 September 2009 [2]	No current entitlement
October 2007	180,000	30 September 2010 [2]	No current entitlement

[1] Includes an adjustment to offset the dilutionary impact of the 2007 rights entitlement issue.
[2] At the end of the initial three year performance period, Mr Mulcahy has the right to elect to accept that the performance period ends on that date, or to extend the performance period for a further two years. If he elects to extend the performance period, he may elect at the end of those additional two years when the performance period ends (being the initial performance period end date or any six month period after that date, up to and including the extended end date).
[3] If Mr Mulcahy is employed as CEO on 30 September 2009, this entitlement will vest without any reference to performance results.
[4] If Mr Mulcahy is employed as CEO on 30 September 2010, this entitlement will vest without any reference to performance results.

Mr Mulcahy's leadership during the Promina integration period is considered critical to its successful completion. To give additional assurance that Mr Mulcahy will remain as CEO of the company over the next several years, he will receive 100% of the performance shares offered in 2004 and 2005 irrespective of TSR performance, provided he remains as CEO in 2009 and 2010 respectively. This arrangement not only puts in place an appropriate retention incentive, but ensures equivalent treatment for the CEO to that provided for the Group's executive team with respect to the 2004 and 2005 offers.

If Mr Mulcahy resigns before 30 September 2009, any unallocated shares, including those issued under the 2004 offer will be forfeited. If he resigns between 30 September 2009 and 30 September 2010, any unallocated shares, including those issued under the 2005 offer will be forfeited.

Mr Mulcahy will also be entitled to participate in future EPSP offers.

4.4.1.3.2 Group Executives

Group Executives are now all employed by either Suncorp Metway Staff Pty Ltd or Vero Insurance New Zealand Limited, wholly owned subsidiaries of the Group, under a standard employment contract with no finite term. The following conditions apply to the contracts:

- The contracts can be terminated by Suncorp at any time provided the stipulated notice period is given or paid out in lieu, based on a percentage of TEC. This varies between 12 months (for original Suncorp Executives) and up to 18 months (which is a preservation of the contractual arrangements of some former Promina executives).
- The Group Executive can terminate the contract by giving 3 months notice to Suncorp.

The following Group Executives have variations to their contracts:

- Mr Bell is entitled to certain additional pension benefits in the event of termination.
- Mr Belleville would be eligible for a termination payment of 18 months TEC if his employment is terminated by either party in the first 24 months of employment with Suncorp.

4.4.2 Non-Executive Directors' Remuneration

4.4.2.1 Remuneration Policy

Remuneration arrangements for non-executive directors are designed to ensure that the company can attract and retain suitably qualified and experienced directors. Arrangements are based on a number of factors including:

- Requirements of the role
- Size and complexity of the Company
- Market practice

4.4.2.2 Remuneration Structure

In April 2007 the Shareholders approved a maximum aggregate total remuneration limit of $3.5 million for all non-executive directors.The limit includes superannuation contributions but excludes retirement benefits. In addition:

- Directors receive fixed pay only, paid as Directors Fees and do not participate in performance based incentive plans.
- Although Directors of the parent company are also directors of the subsidiary companies, no additional fees are paid for membership of those Boards.
- Suncorp pays the superannuation guarantee charge ("SGC") on behalf of all eligible non-executive directors. If a director ceases to be eligible for SGC payments, the equivalent amount is paid in fees. The SGC payments for non-executive directors are included in the maximum aggregate total remuneration limit referred to above.
- The non-executive director fee structure was last reviewed in July 2007 and the approved structure is set out in the table below.

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Role	Current fee p.a. *
Chairman of Directors	$550,000
Audit Committee Chairman	$250,000
Risk Committee Chairman	$240,000
Non-executive Director (includes fee for membership of either the Risk or Audit Committee)	$220,000
Loading for Remuneration Committee Chairman	$20,000
Loading for Remuneration Committee Member	$10,000
Loading for Representation on New Zealand company Boards	$20,000

* Fees exclude Superannuation Guarantee Charge

4.4.2.2.1 Non-Executive Directors' Share Plan ("NEDSP")

The NEDSP was established in November 2001 following shareholder approval, to facilitate the purchase of shares by Directors by nominating a percentage of their pre-tax remuneration to be used to buy Suncorp shares on market at pre-determined dates. The shares are fully vested and can be held in the NEDSP for up to ten years from the date of purchase or until retirement, whichever occurs first.

4.4.2.2.2 Directors Retirement Benefits

Shareholders have approved a directors' retirement plan ("Plan") which entitles directors to be paid a retirement benefit based on the highest total emoluments paid to a director during any consecutive three year period. However those retirement benefit arrangements are currently being phased out in the following manner:

- The Company ceased to offer retirement benefits to non-executive directors appointed after 30 June 2003.
- Directors in office at 30 June 2003 remain contractually entitled to a retirement benefit. However those directors agreed to cap their benefit entitlement as at 30 June 2004 and amortise their respective benefits entitlement from that date, over the period they remain in office, at a rate equivalent to 20% of their annual directors' fees.
- Directors remain entitled to receive the greater of:
  - the amortised balance of their retirement benefit at the date they retire from office; or
  - an amount equal to 25% of the total emoluments they received as a director over the period from the date of their appointment as a director to 30 June 2004.
- In recognition of the phasing out of the retirement benefits, directors' fees were increased by 25%. For directors with accrued benefits, that increase applied from 1 July 2004 being the date of commencement for the amortisation of their retirement benefits. For directors with no accrued benefit, the increase applied from their date of appointment.

Directors believe these arrangements meet the intent of guidance on directors' remuneration while giving appropriate recognition to directors' past service and contractual rights. As a result of the introduction of the above arrangements, the total of the directors' retirement benefits provision reduced by over 20% during the year and will be fully amortised by 30 June 2009.

The movement in that provision for each director, the amount of retirement benefits paid to retiring directors during the year under the terms of the Plan, and full details of directors' benefits and interests are set out in the Remuneration Table in section 4.5.4.

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4.5 Remuneration Tables

4.5.1 Key Management Personnel Remuneration Table (excluding Non-Executive Directors)

The following table provides the details of the nature and components of the remuneration paid to the KMPs (excluding non-executive directors) for the period they were a KMP of the Group. Details of non-executive director remuneration are provided later in the Remuneration Table in section 4.5.4.

		Short term				Post Employment	Termination	Long term	Equity settled share based payments	Total	
	Financial Year	Salary and fees $	STI bonus (1) $	Non-monetary benefits (2) $	Other (3) $	Superannuation benefits $	**Severance pay** $	Other (4) $	Shares (5) $	$	% Performance related
Executive directors											
J F Mulcahy	2008	1,900,000	1,200,000	337	29,444	100,000	-	173,622	2,786,448	6,189,851	64.4%
	2007	1,694,887	2,000,000	2,907	6,530	105,113	-	-	1,525,635	5,335,072	66.1%
C Skilton	2008	986,871	500,000	337	276,580	13,129	-	16,487	855,605	2,649,009	51.2%
	2007	854,814	780,000	2,223	490,111	12,686	-	85,577	828,131	3,053,542	52.7%
Executives											
R Bell (8)	2008	450,654	325,000	43,924	149,536	88,073	-	-	180,383	1,237,570	40.8%
	2007	166,483	280,000	13,826	349,460	32,284	-	-	27,171	869,223	35.3%
R Belleville (8)	2008	687,876	400,000	21,046	206,506	112,558	-	11,799	222,015	1,661,799	37.4%
	2007	173,953	360,000	31,481	415,469	18,294	-	3,351	33,442	1,035,990	38.0%
M Blucher	2008	750,000	400,000	337	179,836	50,000	-	12,531	645,300	2,038,004	51.3%
	2007	623,110	530,000	337	388,010	39,390	-	10,383	645,415	2,236,645	52.6%
D Foster	2008	596,330	325,000	52,642	199,970	53,670	-	-	252,171	1,479,782	39.0%
	2007	488,003	420,000	33,201	302,949	43,920	-	-	179,168	1,467,241	40.8%
D Fox (6)	2008	686,871	420,000	64,467	102,994	13,129	1,050,000	2,960	706,394	3,046,815	37.0%
	2007	178,847	330,000	86	363,667	3,448	-	2,960	29,261	908,269	39.6%
B Inglis	2008	786,871	400,000	337	193,983	13,129	-	68,619	645,312	2,108,251	49.6%
	2007	644,108	530,000	814	417,332	12,594	-	-	642,944	2,247,792	52.2%
S McDonald	2008	686,871	350,000	25,792	194,214	13,129	-	17,825	402,610	1,690,441	44.5%
	2007	599,814	500,000	27,234	323,448	12,686	-	15,668	282,477	1,761,327	44.4%
M Milliner	2008	642,202	350,000	22,276	177,622	57,798	-	11,097	228,840	1,489,835	38.9%
	2007	475,035	410,000	14,486	365,062	42,753	-	8,153	139,576	1,455,065	37.8%
J Smith (8)	2008	700,000	425,000	337	37,748	50,000	-	-	82,732	1,295,817	39.2%
	2007	164,961	220,000	86	3,226	14,847	-	-	-	403,120	54.6%
G Summerhayes (7)	2008	62,578	-	337	4,682	1,343	-	-	-	68,939	0.0%
	2007	-	-	-	-	-	-	-	-	-	-

Notes

(1) Refer to the earlier section 'Executive remuneration structure – short term incentives' for a discussion of the Company's short term incentive arrangements.

(2) 'Non-monetary benefits' includes the cost to the Company of providing certain fringe benefits. Where those costs represent fringe benefits for motor vehicle leases, those costs are met by the employee through salary sacrifice.

(3) Includes benefits paid to secure the retention of key executives during the critical period following the announcement of the Promina transaction together with annual leave accrued or utilised during the financial year. Retention arrangements are outlined in section 4.4.1.2.4.

(4) Long service leave accrued or utilised during the year.

(5) Performance shares issued as long term incentives to executives and executive directors are expensed to the Income Statement based on their fair value over the period from offer date to vesting date. At vesting date, the difference between the purchase price and fair value is also expensed to the Income Statement. The fair value was assessed using a Monte-Carlo model and reflects the fact that an executive's entitlement to the shares is dependent on meeting performance hurdles based on TSR. No options were granted as compensation during or since the current financial year. All options vested and were exercised prior to the start of the current financial year.

(6) D Fox, who was appointed to the Group Executive team on 30 March 2007, retired effective 31 July 2008. As the contractual arrangements of his departure had been finalised prior to 30 June 2008 the termination payment has been accrued in full in the current period, and the remaining fair value of his outstanding EPSP entitlements will be fully amortised by 31 July 2008.

(7) G Summerhayes was appointed on 26 May 2008, and has been considered a KMP from that date.

(8) R Bell, R Belleville and J Smith were appointed to the Group Executive team on 30 March 2007.

4.5.2 Five Highest Remunerated Executives

The following table provides the details of the nature and components of the remuneration paid to the five highest remunerated executives in accordance with S300A of the *Corporations Act 2001*.

	Short term				Post Employment	Termination	Long term	Equity settled share based payments	Total	% Performance related
	Salary and fees	STI bonus (1)	Non-monetary benefits (2)	Other (3)	Superannuation benefits	Severance pay	Other (4)	Shares (5)		
2008	$	$	$	$	$	$	$	$	$	$
J F Mulcahy	1,900,000	1,200,000	337	29,444	100,000	-	173,622	2,786,448	6,189,851	64.4%
C Skilton	986,871	500,000	337	276,580	13,129	-	16,487	855,605	2,649,009	51.2%
D Fox	686,871	420,000	64,467	102,994	13,129	1,050,000	2,960	706,394	3,046,815	37.0%
M Kay	199,722	448,374	-	290,745	8,262	1,164,609	-	90,213	2,201,926	24.5%
B Inglis	786,871	400,000	337	193,983	13,129	-	68,619	645,312	2,108,251	49.6%
2007										
J F Mulcahy	1,694,887	2,000,000	2,907	6,530	105,113	-	-	1,525,635	5,335,072	66.1%
D Eilert	476,536	437,500	2,784	297,575	10,003	675,000	-	1,398,243	3,297,641	55.7%
C Skilton	854,814	780,000	2,223	490,111	12,686	-	85,577	828,131	3,053,542	52.7%
H Bentley	103,558	-	-	-	18,376	2,596,766	-	-	2,718,700	0.0%
D West	66,500	-	-	-	11,844	2,595,945	-	-	2,674,289	0.0%

Notes

(1) Refer to the earlier section 'Executive remuneration structure – short term incentives' for a discussion of the Company's short term incentive arrangements.

(2) 'Non-monetary benefits' includes the cost to the Company of providing certain fringe benefits. Where those costs represent fringe benefits for motor vehicle leases, those costs are met by the employee through salary sacrifice.

(3) Includes benefits paid to secure the retention of key executives during the critical period following the announcement of the Promina transaction together with annual leave accrued or utilised during the financial year. Retention arrangements are outlined in section 4.4.1.2.4.

(4) Long service leave accrued or utilised during the year.

(5) Performance shares issued as long term incentives to executives and executive directors are expensed to the Income Statement based on their fair value over the period from offer date to vesting date. At vesting date, the difference between the purchase price and fair value is also expensed to the Income Statement. The fair value was assessed using a Monte-Carlo model and reflects the fact that an executive's entitlement to the shares is dependent on meeting performance hurdles based on TSR.

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4.5.3 Deferred Ordinary Shares Granted Under the Executive Performance Share Plan

	Deferred ordinary shares granted					Value yet to vest	
	Number	Date	Vested in year %	Forfeited in year %	Financial year in which grant may first vest	Min [1] $	Max [2] $
Executive directors							
J F Mulcahy	100,000	6 January 2003	80	20	30 June 2008	-	-
	3,300	17 April 2007	80	20	30 June 2008	-	-
	100,000	6 January 2003	80	20	30 June 2008	-	-
	3,300	17 April 2007	80	20	30 June 2008	-	-
	100,000	6 January 2003	80	20	30 June 2008	-	-
	3,300	17 April 2007	80	20	30 June 2008	-	-
	100,000	1 October 2004	-	-	30 June 2010 [3]	-	2,075,500
	3,300	17 April 2007	-	-	30 June 2010 [3]	-	33,990
	120,000	1 October 2005	-	-	30 June 2011 [3]	-	3,529,200
	3,961	17 April 2007	-	-	30 June 2009	-	17,508
	120,000	1 October 2006	-	-	30 June 2010	-	1,489,200
	3,961	17 April 2007	-	-	30 June 2010	-	30,856
	180,000	1 October 2007	-	-	30 June 2011	-	2,628,000
C Skilton	41,021	13 December 2002	84	16	30 June 2008	-	-
	1,353	17 April 2007	84	16	30 June 2008	-	-
	32,808	1 October 2004	100	-	30 June 2008	-	-
	1,082	17 April 2007	100	-	30 June 2008	-	-
	40,465	1 October 2005	-	-	30 June 2009	-	1,003,127
	1,335	17 April 2007	-	-	30 June 2009	-	27,466
	38,610	1 October 2006	-	-	30 June 2010	-	479,150
	1,274	17 April 2007	-	-	30 June 2010	-	9,924
	50,370	1 October 2007	-	-	30 June 2011	-	735,402
Executives							
M Blucher	27,559	1 October 2004	100	-	30 June 2008	-	-
	909	17 April 2007	100	-	30 June 2008	-	-
	30,349	1 October 2005	-	-	30 June 2009	-	752,352
	1,001	17 April 2007	-	-	30 June 2009	-	20,595
	28,900	1 October 2006	-	-	30 June 2010	-	358,649
	953	17 April 2007	-	-	30 June 2010	-	7,424
	40,296	1 October 2007	-	-	30 June 2011	-	588,322
B Inglis	27,559	1 October 2004	100	-	30 June 2008	-	-
	910	17 April 2007	100	-	30 June 2008	-	-
	30,349	1 October 2005	-	-	30 June 2009	-	752,352
	1,002	17 April 2007	-	-	30 June 2009	-	20,611
	28,900	1 October 2006	-	-	30 June 2010	-	358,649
	951	17 April 2007	-	-	30 June 2010	-	7,408
	40,296	1 October 2007	-	-	30 June 2011	-	588,322
S McDonald [4]	4,593	1 October 2004	100	-	30 June 2008	-	-
	152	17 April 2007	100	-	30 June 2008	-	-
	16,692	1 October 2005	-	-	30 June 2009	-	413,795
	551	17 April 2007	-	-	30 June 2009	-	11,336
	28,900	1 October 2006	-	-	30 June 2010	-	358,649
	952	17 April 2007	-	-	30 June 2010	-	7,416
	35,259	1 October 2007	-	-	30 June 2011	-	514,781
D Foster	5,577	1 October 2004	100	-	30 June 2008	-	-
	184	17 April 2007	100	-	30 June 2008	-	-
	6,576	1 October 2005	-	-	30 June 2009	-	143,783
	217	17 April 2007	-	-	30 June 2009	-	4,466
	23,120	1 October 2006	-	-	30 June 2010	-	286,919
	763	17 April 2007	-	-	30 June 2010	-	5,945
	32,740	1 October 2007	-	-	30 June 2011	-	478,004
M Milliner	3,773	1 October 2004	100	-	30 June 2008	-	-
	124	17 April 2007	100	-	30 June 2008	-	-
	5,216	1 October 2005	-	-	30 June 2009	-	114,047
	172	17 April 2007	-	-	30 June 2009	-	3,539
	20,808	1 October 2006	-	-	30 June 2010	-	258,227
	686	17 April 2007	-	-	30 June 2010	-	5,344
	35,259	1 October 2007	-	-	30 June 2011	-	514,781

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	Deferred ordinary shares granted					Value yet to vest	
	Number	Date	Vested in year %	Forfeited in year %	Financial years in which grant vests	Min [1] $	Max [2] $
Executives (continued)							
R Bell	23,813	1 April 2007	-	-	30 June 2010	-	271,706
	32,740	1 October 2007	-	-	30 June 2011	-	478,004
R Belleville	29,309	1 April 2007	-	-	30 June 2010	-	334,416
	40,296	1 October 2007	-	-	30 June 2011	-	588,322
D Fox [5]	25,645	1 April 2007	-	-	30 June 2010	-	292,609
	35,259	1 October 2007	-	-	30 June 2011	-	514,781
J Smith	37,777	1 October 2007	-	-	30 June 2011	-	551,544

Notes

(1) The minimum value of shares yet to vest is $nil as the performance criteria or performance condition may not be met and consequently the shares may not vest.
(2) The maximum value of shares yet to vest is determined at the fair value at grant date, assuming all performance criteria are met.
(3) The earliest vesting date of these shares has been extended by a further 2 years – refer to section 4.4.1.3.1.
(4) Some shares were granted prior to appointment as an executive. The remuneration table includes the value from date of appointment as an executive.
(5) As part of Mr Dennis Fox's termination agreement entered into on 8 May 2008, the Board agreed to allow any EPSP Offered Shares granted to Mr Fox to remain in the plan in accordance with the EPSP rules, provided the terms of the termination agreement are complied with. The performance periods and hurdles continue to be as specified in the relevant EPSP letters of offer. The market price of the underlying securities on 8 May 2008 was $15.01. This change had no impact on the fair value of the share based payment.

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4.5.4 Non-executive directors - remuneration tables

The following table provides the details of all non-executive directors of the Company and the nature and amount of the elements of their remuneration.

	Year	Short term		Post Employment		Equity settled share based payments	Total [6]
		Salary and fees $	Non-monetary benefits $	Superannuation $	Retirement benefits [1] $	Shares [2] $	$
Non-executive directors							
W J Bartlett	2008	265,000	337	23,850	-	-	289,187
	2007	90,332	337	105,113	-	46,875	242,657
Dr I D Blackburne	2008	240,000	337	21,600	(32,892)	-	229,045
	2007	166,562	337	18,591	(41,312)	40,000	184,178
P J Dwyer [3]	2008	220,000	337	19,800	-	-	240,137
	2007	51,591	61	4,643	-	-	56,295
Dr C Hirst AO	2008	155,000	337	20,700	-	75,000	251,037
	2007	157,050	337	16,341	-	24,512	198,240
J J Kennedy [5]	2008	-	-	-	-	-	-
	2007	95,375	337	-	(19,075)	-	76,637
M D E Kriewaldt	2008	194,614	337	61,109	(46,908)	-	209,151
	2007	133,562	337	64,341	(36,312)	-	161,928
E Kulk [4]	2008	139,800	337	100,000	-	-	240,137
	2007	31,977	95	24,257	-	-	56,329
G T Ricketts [4]	2008	220,000	337	19,800	-	-	240,137
	2007	51,591	95	4,643	-	-	56,329
J D Story	2008	450,000	337	49,500	(90,108)	100,000	509,729
	2007	282,850	337	101,178	(88,812)	100,000	395,553
Dr Z E Switkowski	2008	175,833	337	81,225	-	-	257,395
	2007	181,562	337	16,341	-	-	198,240
L E Tutt [4]	2008	230,000	337	20,700	-	-	251,037
	2007	51,591	95	4,643	-	-	56,329

Notes

(1) The retirement benefits arrangements for directors are being phased out and individual benefit entitlements are being reduced over the period directors remain in office.
(2) The shares were acquired under the Non-Executive Directors' Share Plan and funded by pre-tax remuneration. No performance criteria are attached to these shares.
(3) Appointed 26 April 2007.
(4) Appointed 20 March 2007.
(5) Retired 31 December 2006 and received a retirement benefit payment of $190,424 (less tax) in that financial year.
(6) None of the remuneration paid to individual Non-Executive Directors is performance based – refer to section 4.4.2.2.

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5 Principal activities

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

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

5.1 Group's objectives

The Group's strategic vision is to become the most admired financial services organisation in Australia and New Zealand. The Group's strategic delivery is focused on leveraging the unique diversified business mix to deliver consistent strong returns. The immediate focus is creating a platform for achieving the vision through strong organic growth whilst delivering on the targeted benefit from integrating the Group's businesses following the acquisition of Promgroup Limited (formerly Promina Group Limited) in March 2007.

Suncorp's unique business model allows it to gain a high level of insight into its customer's needs across the spectrum of financial service solutions. This enables the Group to capitalise on logical cross-sell opportunities.

6 Operating and financial review

6.1 Overview of the Group

The year to June 2008 has been a particularly challenging period for all financial services organisations as they deal with the flow on effects of volatility on global credit and equity markets and a gradual slowing in domestic demand. In addition, the Australian and New Zealand general insurers have responded to an unprecedented number of major weather events and a significant increase in rainfall across much of eastern Australia.

These external factors have had a major impact on Suncorp's financial result for the year to June 2008 with reported net profit after tax falling by 47.7% to $556 million.

Despite the impact of these external events on Suncorp's financial performance the Board remains confident in the underlying performance of the business and accordingly has decided to maintain the final ordinary dividend at 55 cents per share. This brings the full year ordinary dividend to 107 cents per share - equivalent to the 2006/2007 year.

6.2 Financial position and capital structure

The Group undertook a number of significant funding and capital management initiatives during the year, to ensure it is well placed to deal with any threats or opportunities that may arise as a result of increasing global uncertainty in financial markets. These initiatives included:-

- placement of $800 million into an RMBS warehouse in August 2007;
- subordinated debt of GBP 325 million in October 2007;
- three-year notes totalling A$1.15 billion in two tranches in May and June 2008;
- convertible preference share, a Tier 1 hybrid, of A$735 million in June 2008; and
- private placements totalling over A$3.4 billion, comprising around A$2.9 billion domestic and A$550 million offshore private placements.

These initiatives have enabled the Group to maintain a strong financial position with loan capital increasing by 49% to $3.5 billion and shareholders equity remaining steady at $12.4 billion. Suncorp-Metway Limited continues to be rated 'A+' positive by Standard & Poor's and 'Aa3' stable by Moody's Investor Services, and 'A+' stable by Fitch.

The strong capital position of the Group is further demonstrated by the Bank's capital adequacy ratio of 10.44% and General Insurer's minimum capital requirement multiple of 1.68 times the regulatory minimum. The Bank's capital adequacy ratio and the General Insurer's minimum capital requirement ("MCR") multiple are above the requirements of APRA being 9.5% and 1.25 times respectively.

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6.3 Impact of legislation and other external requirements

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

6.4 Review of principal businesses

The **Banking** division performed strongly despite the impact of the global credit markets and a generally slowing domestic economy, growing profit contribution before tax by 10.2% to $627 million. The result featured solid lending growth, a stabilising of margins in the second half, and the maintenance of disciplined credit practices. During the year the Bank biased its new lending to existing customers and higher margin portfolios, thereby maintaining the value of its franchise and supporting its investment in the branch network.

Net interest income increased by 13.2%, reflecting above system lending growth in all segments.

Home loan receivables (including securitised assets) increased by 14.5% to $27.2 billion, business lending receivables increased by 29.7% to $27.0 billion and consumer lending reduced by 18.8% to $863 million following the sale of the credit cards portfolio in February 2008.

Core retail deposits (net of Treasury) grew by 18.3% to $18.9 billion.

The Bank's direct distribution capability continues to underpin receivables growth in Queensland with growth of 14.4% in home lending and 21.7% in business lending. Outside of Queensland, lending growth continues to be strongest in Western Australia where economic growth remains robust.

During the year the Retail Bank refreshed its five year strategy. This saw an expansion of the branch network into new growth corridors, with new branches opening in Queensland and Western Australia. A small number of branches in regional New South Wales and Victoria have been closed in line with falling customer demand in these centres.

To support this investment in customer service, the Bank announced partnerships with globally recognised suppliers to provide back of house processing services. This initiative will provide on-going cost and capability benefits and allow the Bank to adjust its variable cost base in line with lending demand.

Banking customer satisfaction of 79.9% at June 2008, as independently measured by Roy Morgan Research Pty Ltd, remained well above the Australian bank average of 74.0%.

In February 2008, the Bank also successfully executed the sale of its credit card portfolio to Citibank. In addition to realising a one-off benefit to the Bank's bottom line, this partnership further de-risks the Bank's lending profile and allows customers to benefit from a wider range of innovative card products and services.

The Net Interest Margin reduced by 18 basis points as the Bank absorbed increased costs of wholesale funding and securitisation volumes increased. In the second half, margins stabilised as Suncorp was able to pass on increases in funding costs across the lending portfolio.

Credit quality remains sound overall with gross non-performing loans at 1.12% of total lending. While the quantum of non-performing loans continues to increase as the credit cycle trends upwards from its lows of 2004, the overall quality of the portfolio has been comprehensively reviewed over the course of the year and remains sound with a significant proportion of loans secured by hard assets such as property with low LVR's.

The **General Insurance** operations reported a profit before tax of $270 million. The general insurance businesses maintained positive momentum throughout the period despite the effect of external events and the continuing integration program. On 7 August 2008, the Group was named 2008 General Insurance Company of the Year by the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

The insurance trading result (ITR) was $607 million, or 10.3% of net earned premium, reflecting a number of external events. These events together cost $415 million, well ahead of Suncorp's usual provision for weather events of $200 million per year.

Investment returns on technical reserves have been adversely affected by the mark to market impact of widening credit spreads. The Group has approximately $8 billion in its technical reserves portfolio, where underlying investments are matched to the expected payouts in the outstanding claims provision. These are quality

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investments, largely semi-government and highly-rated corporate bonds that have no significant default risk; however, the mark to market movement has reduced investment returns by $140 million. This is purely an accounting and timing issue which will reverse as the investments redeem, or as credit spreads contract.

Gross written premium increased by 2.9% on a pro-forma basis with strong premium growth in home (7.8%) and personal motor (4.7%) offset by the reductions in compulsory third party (CTP) and workers' compensation portfolios.

In long tail classes there is evidence of super-imposed inflation in some classes of business, following several years of highly favourable claims experience post the tort law reforms. As previously flagged, this has resulted in the quantum of central estimate releases reducing over the course of the year with the second half release of $80 million bringing the total central estimate release for the year to $251 million.

Due to confidence in claims valuations in a post-tort law reform environment, Suncorp decided to adjust its level of sufficiency to its targeted level of 90%. This resulted in a benefit of $220 million to the claims expense. Additionally, a diversification benefit across the general insurance portfolios resulted in a $75 million benefit.

The share of profit from the Group's associates and joint venture partners was $11 million for the year to June 2008. This result was significantly impacted by the sequence of major weather events and the negative investment markets.

Wealth Management contributed profit before tax of $41 million. This result was significantly impacted by the downturn in investment markets and the increase in discount rates. Negative investment markets in turn affected funds under administration, funds under management and the value of assets backing part of the annuity book.

Despite this disappointing result, the fundamentals of the business remain sound. With a new management team and a focus on simplification of products and processes, the business is well placed to ride out tough market conditions as well as take advantage of any improvement in the industry cycle.

6.5 Significant changes in the state of affairs

In addition to the capital management and funding initiatives referred to in 6.2 above, the Group announced the following significant transactions during the financial year:-

- Joint venture arrangement with the Royal Automobile Club of Tasmania ("RACT"), whereby RACT acquired a 30% interest in RACT Insurance, with an evergreen option to increase its shareholding to 50%; and
- Sale of the Bank's credit card portfolio to Citibank under a long-term partnership agreement that transfers operational management, processing and credit risk responsibilities to Citibank, allowing Suncorp to earn commissions whilst maintaining its branding and customer relationships.

6.6 Environmental regulation

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

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

7 Dividends

A fully franked 2008 interim ordinary dividend of $484 million (52 cents per share) was paid on 1 April 2008. A fully franked 2008 final dividend of $526 million (55 cents per share) has been declared by directors.

Further details of dividends provided for or paid are set out in note 36 to the consolidated financial report.

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8 Events subsequent to reporting date

Suncorp-Metway Ltd announced the agreement to sell its 50% share of RAC Insurance Pty Ltd to joint venture partner, The Royal Automobile Club of Western Australia ("RACWA") on 23 July 2008. The sale transaction was completed on 6 August 2008.

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

9 Likely developments

Over the coming financial year, the Group is expecting to continue the implementation phase for the integration of the business and operations of Suncorp and Promina.

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

10 Directors' interests

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

	Fully Paid Ordinary Shares	Convertible Preference Shares
J D Story	99,817	-
J F Mulcahy (1)	979,142	-
W J Bartlett	16,640	-
Dr I D Blackburne	30,534	-
P J Dwyer	15,000	-
Dr C Hirst AO	13,628	100
M D E Kriewaldt	56,939	-
E J Kulk	6,812	-
G T Ricketts	16,684	-
C Skilton (1)	278,405	-
Dr Z E Switkowski	51,333	-
L E Tutt	46,739	-

Notes

(1) Includes shares held by the trustee of the Executive Performance Share Plan. Beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles. (J F Mulcahy: 531,222 shares; C Skilton: 132,054 shares).

11 Share options

The Company no longer grants options over unissued ordinary shares to employees as part of their remuneration. At the date of this report, there are no unexercised options remaining.

12 Indemnification and insurance of officers

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

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The Company has also executed deeds of access, indemnity and insurance with directors and secretaries of the Company and its subsidiaries and deeds of indemnity and insurance with directors of related bodies corporate and joint venture companies. Those deeds, which are subject to certain conditions and limitations, provide an indemnity to the full extent permitted by law for liabilities incurred by that person as an officer, including reasonable legal costs incurred in respect of certain legal proceedings and an entitlement to directors' and officers' liability insurance. The deeds containing access rights provide access to company books following the cessation of the officer's position with the relevant company.

During the financial year ended 30 June 2008, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

13 Non-audit services

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

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

	Consolidated	
	2008 $000	2007 $000
Services other than statutory audit		
Audit-related fees (regulatory)		
APRA reporting	586	952
Risk management	37	59
Australian Financial Services Licences	164	102
Other regulatory services	795	819
	1,582	1,932
Audit-related fees (non-regulatory)		
AIFRS transition services	-	34
Other assurance services	829	1,963
Due diligence	94	382
	923	2,379
Tax fees		
Tax compliance	190	491
	2,695	4,802

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14 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 25 and forms part of the directors' report for the financial year ended 30 June 2008.

15 Rounding off

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

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

John D Story
Chairman

John F Mulcahy
Managing Director

Brisbane
26 August 2008

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Lead auditor's independence declaration under Section 307C of the Corporations Act 2001 to the directors of Suncorp-Metway Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

KPMG

Dr Andries B Terblanché
Partner

Brisbane
26 August 2008

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Suncorp-Metway Ltd and subsidiaries

ABN 66 010 831 722

Consolidated financial report

30 June 2008

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Balance Sheets

as at 30 June 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Assets					
Cash and cash equivalents	12	1,003	1,093	216	378
Receivables due from other banks		263	42	263	42
Trading securities	13	5,685	4,291	5,685	4,291
Investment securities	14	19,136	20,920	11,082	9,688
Loans, advances and other receivables	15	57,343	47,689	53,487	43,454
Reinsurance and other recoveries	17	1,382	1,404	-	-
Deferred insurance assets	18	688	446	-	-
Assets classified as held for sale		151	-	-	-
Investments in associates and joint ventures	19	264	330	-	-
Due from subsidiaries		-	-	6,296	4,435
Property, plant and equipment	20	350	320	32	31
Investment property	21	171	221	-	-
Other assets	23	643	443	393	211
Goodwill and intangible assets	22	7,090	7,457	-	-
Total assets		**94,169**	**84,656**	**77,454**	**62,530**
Liabilities					
Deposits and short term borrowings	24	45,300	32,979	45,984	32,979
Payables due to other banks		45	25	45	25
Bank acceptances		865	886	865	886
Payables and other liabilities	25	2,281	2,901	1,164	1,079
Current tax liabilities	10	9	121	-	116
Employee benefit obligations	26	250	236	-	-
Provisions		4	12	1	7
Due to subsidiaries		-	-	10,473	10,249
Unearned premium liabilities	27	3,263	3,206	-	-
Outstanding claims liabilities	28	7,140	7,281	-	-
Gross policy liabilities	29	6,793	7,986	-	-
Unvested policy owner benefits	29	314	242	-	-
Deferred tax liabilities	10	174	447	41	2
Managed funds units on issue	30	813	1,256	-	-
Securitisation liabilities	31	6,409	7,948	-	-
Bonds, notes and long term borrowings	32	4,595	4,342	4,472	4,288
Other financial liabilities		47	51	-	-
Total liabilities excluding loan capital		**78,302**	**69,919**	**63,045**	**49,631**
Loan capital					
Subordinated notes	33	2,638	2,202	1,699	1,198
Preference shares	34	863	144	863	144
Total loan captial		3,501	2,346	2,562	1,342
Total liabilities		81,803	72,265	65,607	50,973
Net assets		**12,366**	**12,391**	**11,847**	**11,557**
Equity					
Share capital		10,799	10,362	10,882	10,436
Reserves		209	216	291	199
Retained profits		1,352	1,812	674	922
Total equity attributable to equity holders of the Company	35	**12,360**	**12,390**	**11,847**	**11,557**
Minority interests	35	6	1	-	-
Total equity	35	**12,366**	**12,391**	**11,847**	**11,557**

The consolidated Balance Sheet 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.

The Balance Sheets are to be read in conjunction with the accompanying notes.

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	Note	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Revenue					
Banking interest revenue	6	4,696	3,447	4,492	3,224
Banking interest expense	6	(3,666)	(2,537)	(3,075)	(2,107)
		1,030	910	1,417	1,117
Banking fee and commission revenue	6, 38(a)	239	220	227	207
Banking fee and commission expense	6, 38(a)	(90)	(80)	(95)	(83)
		149	140	132	124
General insurance premium revenue	6, 39(a)	6,316	3,680	-	-
Life insurance premium revenue	6, 40(a)	698	288	-	-
Reinsurance and other recoveries revenue	6	1,162	650	-	-
General insurance investment revenue					
- insurance funds	6, 39(a)	474	299	-	-
- shareholder funds	6, 39(a)	(170)	240	-	-
Life insurance investment revenue	6, 40(a)	(843)	1,061	-	-
Other revenue	6	595	323	718	702
		9,411	7,591	2,267	1,943
Expenses					
Operating expenses	7	(3,384)	(2,025)	(1,263)	(939)
General insurance claims expense	39(a)	(5,100)	(2,767)	-	-
Life insurance claims expense	40(a)	(411)	(165)	-	-
Outwards reinsurance premium expense	39(a), 40(a)	(619)	(277)	-	-
Decrease (Increase) in net policy liabilities	40(a)	856	(573)	-	-
(Increase) Decrease in unvested policy owner benefits	40(a)	(74)	47	-	-
Outside beneficial interests in managed funds		173	(226)	-	-
Non-banking interest expense		(164)	(94)	(60)	(38)
		(8,723)	(6,080)	(1,323)	(977)
Share of profits of associates and joint ventures	19	11	57	-	-
Profit before impairment losses on loans and advances and tax		699	1,568	944	966
Impairment losses on loans and advances	9	(71)	(25)	(63)	(14)
Profit before tax		628	1,543	881	952
Income tax expense	10	(67)	(479)	(109)	(118)
Profit for the year		561	1,064	772	834
Attributable to:					
Equity holders of the Company	35	556	1,064	772	834
Minority interests	35	5	-	-	-
Profit for the year		561	1,064	772	834
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents		
Basic earnings per share	11	59.79	158.60		
Diluted earnings per share	11	59.79	158.60		

The consolidated Income Statement includes the income and expenses of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the Life Insurance Act 1995.

The Income Statements are to be read in conjunction with the accompanying notes.

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Items of income and expense (net of tax)				
Change in fair value of assets available for sale recognised in equity	6	2	8	-
Cashflow hedges recognised in equity	56	50	57	49
Net income (expense) recognised directly in equity	62	52	65	49
Profit for the year	561	1,064	772	834
Total recognised income and expense for the year	623	1,116	837	883
Total recognised income and expense for the year attributable to:				
Equity holders of the Company	618	1,116	837	883
Minority interests	5	-	-	-
Total recognised income and expense for the year	**623**	**1,116**	**837**	**883**

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The consolidated Statement of Recognised Income and Expense includes the income and expenses of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the Life Insurance Act 1995.

The Statements of Recognised Income and Expense are to be read in conjunction with the accompanying notes.

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	Note	Consolidated		Company	
		2008	2007	2008	2007
	Note	$m	$m	$m	$m
Cash flows from operating activities					
Interest received		5,412	3,870	4,450	3,206
Premiums received		7,678	3,622	-	-
Reinsurance and other recoveries received		1,050	599	-	-
Dividends received		485	181	518	557
Other operating revenue received		1,387	572	522	861
Interest paid		(3,786)	(2,548)	(3,135)	(2,095)
Claims paid		(6,160)	(3,038)	-	-
Outwards reinsurance premiums paid		(668)	(289)	-	-
Operating expenses paid		(4,130)	(2,209)	(1,543)	(973)
Income tax paid - operating activities		(149)	(195)	(149)	(464)
		1,119	**565**	**663**	**1,092**
Net (increase) decrease in operating assets:					
Banking securities		(1,319)	(1,076)	(1,394)	(1,077)
Loans, advances and other receivables		(9,941)	(5,901)	(10,057)	(6,663)
Net increase (decrease) in operating liabilities					
Deposits and short term borrowings		12,322	3,843	13,005	6,528
Net cash from operating activities	47	**2,181**	**(2,569)**	**2,217**	**(120)**
Cash flows from investing activities					
Proceeds from disposal of plant and equipment and intangible software		8	-	-	1
Proceeds from sale of investment securities		32,358	23,037	-	338
Acquisition of subsidiary, net of cash acquired (refer note 5)		-	(1,656)	-	(1,896)
Proceeds from sale of investment in subsidiary, net of cash disposed (refer note 5)		10	-	-	-
Payments for plant and equipment and intangible software		(174)	(246)	-	-
Payments for purchase of investment securities		(32,751)	(22,162)	(1,267)	-
Payment for investment in subsidiary		-	-	(100)	-
Payments for purchase of investment properties		(3)	-	-	-
Payments for purchase of investments in associates and joint ventures		(17)	(47)	-	-
Payments for purchase of development properties		(52)	(23)	(12)	(23)
Income taxes paid – investing activities		(358)	(309)	-	-
Net cash from investing activities		**(979)**	**(1,406)**	**(1,379)**	**(1,580)**
Cash flows from financing activities					
Proceeds from issue of shares		205	1,152	205	1,160
Proceeds from issue of Convertible Preference Shares		735	-	735	-
Proceeds from issue of subordinated notes		743	275	743	275
Net increase (decrease) in borrowings		(1,810)	3,953	(1,544)	1,242
Payment of transaction costs		(17)	(4)	(16)	-
Payments for treasury shares		(25)	(33)	-	-
Payment on maturity of subordinated notes		(160)	(275)	(160)	(275)
Dividends paid on ordinary shares		(758)	(427)	(762)	(430)
Net cash from financing activities		**(1,087)**	**4,641**	**(799)**	**1,972**
Net increase (decrease) in cash and cash equivalents		115	666	39	272
Cash and cash equivalents at beginning of financial year		1,110	444	395	123
Cash balances acquired/disposed during the year		(4)	-	-	-
Cash and cash equivalents at end of financial year	12	**1,221**	**1,110**	**434**	**395**

The consolidated Statement of Cash Flows includes the cash flows of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the Life Insurance Act 1995.

The Statements of Cash Flows are to be read in conjunction with the accompanying notes.

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1. Reporting entity

Suncorp-Metway Ltd ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 18, 36 Wickham Terrace, Brisbane, QLD, 4000. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved for issue by the directors on 26 August 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments held to back General Insurance liabilities and Life Insurance policy liabilities, financial instruments classified as available-for-sale, investment property, short term offshore borrowings and life investment contract liabilities.

(c) Functional and presentation currency

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

(d) Rounding

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

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated accounting assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes indicated below:

- Business combinations (refer note 5)
- Impairment of goodwill (refer note 22)
- Impairment of other intangible assets (refer note 22)
- Banking collective provision for impairment (refer note 38(d))
- General Insurance outstanding claims liabilities, assets arising from reinsurance contracts and other recoveries, and assets arising from insurance managed funds (refer note 39(g))
- Life Insurance gross policy liabilities, assets arising from reinsurance contracts, and investment contracts – deferred acquisition costs and deferred revenue (refer note 40(h))
- Valuation of investment property (refer note 21)

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2. Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

- Contingencies (refer note 45)
- Valuation of financial instruments (refer notes 41 and 42)

Judgements made by management in the application of Australian Accounting Standards that have significant effect on these financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes 38(d), 39(g) and 40(h) for each major line of business.

3. Significant accounting policies

Except as described in the subsequent notes, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by Group entities.

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

The Group adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 July 2007. There has been no effect on the financial performance or position of the Group from the adoption of these standards and Interpretations.

The following standards, amendments to standards and interpretations that are relevant to current operations are available for early adoption but have not been applied by the Group in these financial reports:

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. It will require the disclosure of segment information based on the internal management structure. AASB 8 becomes mandatory for the Group's 30 June 2010 financial statements and will primarily impact disclosures in the financial report. The Group has not yet determined the potential effect of the new standard on the Group's disclosures.
- Revised AASB 101 *Presentation of Financial Statements* introduces the "statement of comprehensive income" and becomes mandatory for the Group's 30 June 2010 financial statements. This standard only impacts disclosures in the financial report. It does not change the recognition, measurement or disclosure of transactions and events required by other AASB's. The Group has not yet determined the potential effect of the new standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 is mandatory for the Group's 30 June 2010 financial statements. This revised standard is not expected to have any material effect on the Group.
- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the Income Statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. This standard will impact any business combination undertaken from 1 July 2009 unless early adopted.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standards – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The adoption of this amendment is not expected to have a material impact on the Group.

3. Significant accounting policies (continued)

- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation* changes the classification of some debt instruments to equity instruments. It becomes mandatory for the Group's 30 June 2010 financial statements, with retrospective application required. The adoption of this amendment is not expected to have a material impact on the Group.
- AI 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customer. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The effect of AI 13 which becomes mandatory for the Group's 30 June 2009 financial statements is dependent upon the existence of a customer loyalty programmes at that time. Currently, there would be no impact from this interpretation.
- AI 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds for reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements ("MFR") on such assets. It also addresses when a MFR might give rise to a liability. AI 14 becomes mandatory for the Group's 30 June 2009 financial statements, with retrospective application required. The Group is already compliant with this interpretation.

a) Principles of consolidation

(i) Subsidiaries

Consolidation is the aggregation of the financial reports of all entities within a group comprising the parent entity and its subsidiaries and the elimination of intra group transactions and balances. Subsidiaries are entities including companies, managed investment schemes or trusts controlled by the Company.

The consolidated financial report incorporates the assets, liabilities and profit and loss of all subsidiaries. The Company and its subsidiaries together are referred to as the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Profit or loss of subsidiaries is included in the consolidated Income Statement for the period that the Company controls the entity.

Investments in subsidiary companies are carried at their cost of acquisition in the Company's financial report.

In relation to the Group's life insurance business, which is conducted by Suncorp Life and Superannuation Limited and Asteron Life Limited ("the Life Companies"), assets, liabilities, revenues and expenses are recognised in the consolidated financial report irrespective of whether they relate to policy owners or the shareholder. A policy owner is one who holds a policy with the Life Companies. The shareholder represents the Life Companies' interest in the Statutory Funds. The shareholder's entitlement to monies held in the Statutory Funds is subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995 ("Life Act").*

A Statutory Fund is a fund of a life company that relates solely to the life insurance business of that life company as defined by the *Life Act*.

(ii) Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for trading and investment purposes. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

(iii) Transactions eliminated on consolidation

The effects of all balances and transactions between entities in the Group are eliminated from the Balance Sheet and Income Statement in full.

(iv) Managed funds units on issue

When the Group has controlling interests in managed funds, the total amount of each underlying asset and liability of the controlled entities is recognised in the consolidated Balance Sheet. When a controlled unit trust, in which the units have been classified as debt in accordance with AASB 132 *Financial Instruments: Presentation,* is consolidated the share of the unit holder liability attributable to the Group is eliminated but amounts due to external unit holders remain as liabilities in the consolidated Balance Sheet. Managed funds units on issue represents that liability to external unit holders in funds which have been consolidated by the Group.

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3. Significant accounting policies (continued)

a) Principles of consolidation (continued)

(v) Minority interests

Minority interests occur when the Group does not hold 100% of the shares or units in a subsidiary where such shares or units are recognised as equity in the subsidiary. Minority interests are also recognised as equity. Related items of income and expense are recognised in the Income Statement at their gross amounts, with the offsetting amount attributable to minority interests disclosed separately in the Income Statement.

(vi) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding of between 20 per cent to 50 per cent of the voting rights. The Income Statement includes the Group's share of the profit or loss of associates on an equity accounted basis whilst the Group maintains significant influence. Applying the equity accounted basis, the Group's interest in the entity is initially recorded at cost and is adjusted thereafter for changes in the Group's share of the net assets of the entity. Investments in associates are accounted for in the parent entity's financial report using the cost method.

If the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

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

(vii) Joint venture entities

Joint venture entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in joint venture entities are accounted for in the parent entity financial reports using the cost method.

Interests in joint venture entities are accounted for in the consolidated financial report using equity accounting principles. The consolidated Income Statement includes the Group's share of the profit or loss of the jointly controlled entity, whilst joint control is maintained.

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

(viii) Jointly controlled assets

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

(ix) Joint venture operations

Joint venture operations are brought to account by the Group by recognising in the financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(x) Securitisation

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

Group

Securitised loans are recognised in the Group's Balance Sheet and Income Statement as the Group is entitled to any residual income of the program after all payments due to investors and associated costs of the program have been met.

The Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. The securities are issued by the Trusts. These are represented as securitisation liabilities of the Group, however the Group does not stand behind the capital value or the performance of the securities or the assets of the Trusts. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities

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3. Significant accounting policies (continued)

(a) Principles of consolidation (continued)

(x) Securitisation (continued)

issued by the Trusts. The Group is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support.

Suncorp-Metway Ltd ("the Company")

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

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

(b) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed by the Group at the date of exchange, plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The subsidiary's identifiable assets, liabilities and contingent liabilities are measured at their fair values at the acquisition date, irrespective of the extent of any minority interests. If the cost of acquisition is more than the fair value of the Group's share of the identifiable net assets acquired, the excess is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(c) Foreign currency

(i) Foreign currency transactions

Transactions denominated in foreign currencies are initially translated to Australian dollars at the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at balance date are translated to Australian dollars at the spot rates of exchange current on that date. The resulting differences on monetary items are recognised in the Income Statement as exchange gains and losses in the financial year in which the exchange rates change. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency non-monetary assets and liabilities that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Gains and losses on translation of insurance non-monetary investments denominated in foreign currencies are recorded as a component of changes in the fair value of investments where the investments are classified as fair value through the profit or loss. Where the investments are classified as available-for-sale financial assets, the gains and losses are included in the fair value reserve, a separate component of equity.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the Hedge Accounting rules set out in the 'Derivative financial instruments' and 'Hedging' policies (refer notes 3(d) and (e) respectively).

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3. Significant accounting policies (continued)

(c) Foreign currency (continued)

(ii) Financial reports of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the foreign exchange reserve, a separate component of equity.

(d) Derivative financial instruments

The Group uses derivative financial instruments in the foreign exchange, interest rate, credit and equity markets to hedge the Group's assets and liabilities or as part of the Group's trading and investment activities.

Derivative financial instruments are initially recognised at trade date at fair value excluding transaction costs and are subsequently remeasured at their fair value as at the reporting date. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The resulting fair value gain or loss is recorded in the Income Statement except where derivatives qualify for hedge accounting, in which case the treatment of the gain or loss will depend on the type of hedge relationship as set out in the 'Hedging' policy (refer note 3(e)).

Banking activities

The Bank utilises foreign exchange and interest rate derivative financial instruments for hedging activities and trading purposes.

(i) Traded derivatives

Changes in the fair values of traded derivatives are immediately recognised in the Income Statement. All derivatives that do not qualify as an effective hedging derivative or an embedded derivative are treated as a traded derivative.

(ii) Embedded derivatives

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

Insurance activities

The insurance companies utilise derivative financial instruments to hedge underlying exposures in investments backing insurance liabilities. Derivative financial instruments are not held for speculative purposes. Interest rate derivatives are used to economically hedge interest rate risks inherent in the business. Equity options and futures are purchased to hedge exposures arising from equity investments. In addition, foreign exchange derivatives are entered into by the general insurance companies in order to hedge exchange rate risks arising from offshore liabilities.

(e) Hedging

The Group nominates specific derivatives as being hedging derivatives provided the criteria specified in AASB 139 *Financial Instruments: Recognition and Measurement* relating to hedging are satisfied. The treatment of the fair value gain or loss depends on the nature of the hedge relationship.

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

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3. Significant accounting policies (continued)

(e) Hedging (continued)

(i) Cash flow hedges

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

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

Where an effective hedge relationship is established, equity is adjusted for the lesser of the cumulative fair value gain or loss on the derivative and the cumulative change in fair value on the hedged item from the inception of the hedge. Any fair value gain or loss on the derivative not taken to equity is recognised in the Income Statement immediately and represents hedge ineffectiveness.

Amounts accumulated within the equity account are released to the Income Statement in the same periods during which the hedged item affects the Income Statement.

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

(ii) Fair value hedges

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

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

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

Where an effective hedge relationship is established, fair value gains or losses on the derivative are recognised in the Income Statement immediately as are any changes in the fair value of the hedged item that are attributable to the hedged risk. The hedged item is recognised at fair value, for the risk being hedged, in the Balance Sheet.

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

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the Reserve Bank of Australia, highly liquid short term investments and money at short call. They are measured at fair value through profit or loss, being the gross value of the outstanding balance. Bank overdrafts are shown within financial liabilities in the Balance Sheet unless there is a right of offset.

(g) Receivables due from other banks

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

(h) Assets classified as held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group’s accounting policies. Thereafter they are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the Income Statement. Gains are not recognised in excess of any cumulative impairment loss.

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3. Significant accounting policies (continued)

(i) Financial assets

A financial asset is recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the asset is measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset except for financial assets that are designated as at fair value through profit or loss which would exclude transaction costs.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset.

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

Financial assets are classified into one of the following categories upon initial recognition:

- Financial assets at fair value through profit and loss;
- Loans and receivables;
- Held-to-maturity; and
- Available-for-sale.

At each reporting date measurement depends upon the chosen classification.

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

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- it is classified as held for trading; or
- upon initial recognition it is designated by the Group as at fair value through profit or loss.

The assets are measured at fair value each reporting date based on the current bid price where available. Where a quoted price is not available one of the following valuation techniques are used to value the assets at reporting date: recent arms length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

Movements in the fair value are taken immediately to the Income Statements.

(ii) Loans and receivables

Loans and receivables are measured at each reporting date at amortised cost using the effective interest method. This method allocates the estimated net future cash receipts over the expected life of the financial instrument.

Interest income is recorded in the Income Statements.

(iii) Held-to-maturity

Held-to-maturity investments are measured at each reporting date at amortised cost using the effective interest method. If investments no longer qualify as a held-to-maturity investment, they are accounted for as an available-for-sale investment from that point forward.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to a need for liquidity or changes in interest rates or exchange rates.

Available-for-sale investments are measured at each reporting date at fair value with gains and losses arising from changes in fair value being recognised directly into equity until impaired or derecognised.

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3. Significant accounting policies (continued)

(i) Financial assets (continued)

Banking activities

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

Trading Securities are short and long term government, bank and other debt securities that are acquired principally for the purpose of selling or repurchasing in the near term or are part of a portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives that are not specifically designated as being part of an effective hedge relationship are classified as Trading Securities.

Interest income on traded assets is recorded in Net Interest Income and the fair value movement on traded assets is recorded in net profits on derivative and other financial instruments at fair value.

(ii) Loans and receivables

Loans and other non-lease receivables include all forms of lending and direct finance provided to customers, such as variable, controlled and fixed rate loans, overdrafts, and other such facilities.

Loans are recognised when cash is advanced to the customers.

(iii) Available-for-sale

Available-for-sale investments are equity securities, or long term bank debt securities that are not intended to be sold or repurchased in the near term.

General Insurance activities

The assets of the General Insurance business are assessed under AASB 1023 *General Insurance Contracts* to be assets that are held to back general insurance liabilities (referred to as insurance funds) and assets that represent shareholder funds.

(i) Financial assets backing general insurance liabilities

The Group has designated financial assets held in portfolios that match the average duration of a corresponding insurance liability as assets backing general insurance liabilities. Financial assets which back general insurance liabilities are initially recognised at fair value and subsequently measured at fair value through profit or loss. These financial assets have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy. These financial assets include investment securities and receivables from policyholders, intermediaries and reinsurers and investment related receivables.

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

(ii) Financial assets not backing general insurance liabilities

Financial assets that do not back general insurance liabilities include investment securities and loans and receivables.

Investment securities have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

Loans and receivables related to investment securities and the insurance managed funds business are measured at each reporting date at amortised cost using the effective interest method.

3. Significant accounting policies (continued)

(i) Financial assets (continued)

Life Insurance activities

The assets of the Life Insurance business are assessed under AASB 1038 *Life Insurance Contracts* to be assets that are held to back life insurance and life investment contracts.

(i) Financial assets backing life insurance and life investment liabilities

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

- Investment securities comprising holdings in unlisted managed investment schemes, futures and forward foreign exchange contracts. Movements in the fair values between each reporting date, being the last price on those dates, are recognised in the Income Statement.
- Receivables comprise premium debtors, reinsurance and other recoveries, investment related receivables, distributions receivable and loans. Receivables are recognised at fair value which is approximated by taking the initially recognised amount and reducing it for credit risk as appropriate. Given the short term nature of most receivables, the recoverable amount approximates fair value.

(ii) Financial assets not backing life insurance and life investment liabilities

Financial assets held within the shareholder funds and their subsidiaries do not back life insurance contract liabilities or life investment contract liabilities, and include investment securities and loans and receivables.

Investment securities have been designated at fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

Loans and other receivables are measured at amortised cost less accumulated impairment losses.

Funds management activities

Financial assets related to managed funds activities are classified as available-for-sale or amortised fair value through profit or loss.

(j) Investment properties

Investment properties are held to earn rental income and/or capital appreciation. They are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, and subsequently measured at fair value at each reporting date.

Gains or losses arising from changes in the fair value of investment properties are included in the Income Statement, as part of investment revenue, for the period in which they arise.

(k) Development property

Development property is recognised at the cost of construction. Borrowing costs directly attributable to the acquisition and construction of development property are added to the cost of the asset until such time as they are substantially ready for their intended use or sale.

(l) Lease receivables and other lease transactions

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

(i) Finance leases

Finance leases, including leveraged leases, in which the Group is the lessor, are recognised in the Balance Sheet as Loans, Advances and Other Receivables. They are recorded on the commencement of the lease at the net investment in the lease, being the present value of the minimum lease payments receivable and any unguaranteed residual value, plus any initial direct costs.

The revenue attributable to finance leases is brought to account in the Income Statement based on a constant periodic rate of return on the Group's net investment in the finance lease.

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3. Significant accounting policies (continued)

(l) Lease receivables and other lease transactions (continued)

(i) Finance leases (continued)

When an asset is acquired by means of a finance lease, it is recognised at fair value or if lower, the present value of the minimum lease payments discounted at the interest rate implicit in the lease. The discounted amount is established as an asset at the beginning of the lease term and depreciated on a straight line basis over the shorter of the lease term and its useful life. A corresponding liability is also established and each lease payment is allocated between the principal component and the interest expense.

(ii) Operating leases

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(iii) Surplus leased premises

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

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

The provision is calculated on the basis of net future cash outflows.

(iv) Sale and leaseback transactions

A sale and leaseback transaction arises when a vendor sells an asset and immediately re-acquires the use of the asset by entering into a lease with the buyer. A feature of sale and leaseback arrangements is that the lease payment and the sale price are usually interdependent.

The gain on a sale arising in respect of a sale and finance leaseback are deferred and amortised over the lease term. However, a loss on sale and finance leaseback is recognised immediately. The gain on sale of an operating leaseback shall be recognised immediately provided the transaction has been conducted at fair value. If a loss on sale of an operating leaseback is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

(m) Property, plant and equipment

(i) Recognition and initial measurement

An item of property, plant and equipment is recognised (capitalised) as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost, which comprises:

- purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of removal and site restoration, if any.

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3. Significant accounting policies (continued)

(m) Property, plant and equipment (continued)

(ii) Subsequent measurement

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

The Group has elected to use the cost model (as opposed to using the revaluation model) to measure property, plant and equipment after recognition. The carrying amount is the initial cost less accumulated depreciation and any accumulated impaired losses.

(iii) Depreciation

The depreciable amount of each item of property, plant and equipment, including buildings (other than buildings included in investments integral to general insurance activities) but excluding freehold land, is depreciated over its estimated useful life to the Group. The straight-line method of depreciation is adopted for all assets. Assets are depreciated from the date they become available for use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Useful lives and depreciation methods are reviewed at each annual reporting period. Residual values, if significant, are reassessed annually.

The depreciation rates used for each class of asset in the current and comparative periods are as follows:

Category	Rate
Buildings (excluding integral plant)	2.5 %
Leasehold improvements	10.0% to 20%
Motor vehicles	15.0 %
Technology hardware	33.3 %, or 20% in limited instances
Automatic teller machines	20.0%
Desktop computer equipment	25.0%, or up to 50.0% in limited instances
Other computer equipment	20% to 33.3%
Other plant and office equipment	10.0% to 20.0%

(iv) Retirement

The carrying amount of property, plant and equipment is derecognised upon disposal or where no future economic benefits are expected from its use. The gain or loss arising from the derecognition is recognised in the Income Statement when the item is derecognised and calculated as the difference between the carrying amount of the asset at the time of derecognition and the net proceeds of derecognition.

(n) Intangible assets

(i) Initial recognition and measurement

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (refer 'impairment' policy, note 3(p)). 'Cost' comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at the acquisition date.

An intangible asset representing the present value of in-force business of customer contracts is recognised on acquisition of a portfolio of general and life insurance contracts. The amount recognised represents the present value of future profits embedded in acquired insurance contracts, determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. The expected future profits generated from these customers renewing their policies is also recognised as an intangible asset, customer relationships. Where the relationship with the customer is through a distribution channel, the expected future profits to be received from the customers are recognised as a distribution relationships intangible asset. Expenditure on internally generated goodwill, research costs and brands is recognised in the Income Statement as an expense as incurred.

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3. Significant accounting policies (continued)

(n) Intangible assets (continued)

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets (not acquired in a business combination) is capitalised only when it increases the originally assessed future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortisation is charged to the Income Statement in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful lives of intangible assets unless such lives are indefinite. An intangible asset is regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Where the asset is deemed to have an indefinite life, it is not amortised but tested for impairment at least on an annual basis.

Where applicable, intangible assets are amortised from the date they are available for use and the amortisation period and method are reviewed on an annual basis.

The useful lives of the intangible assets held are outlined in note 22.

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint venture entities is included in investment in joint venture entities.

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under generally accepted accounting principles prior to the adoption of Australian equivalents to IFRSs.

Business combinations since 1 July 2004

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

(o) Deferred insurance assets

General insurance activities

(i) Deferred acquisition costs

Acquisition costs include commissions and other selling and underwriting costs incurred in obtaining general insurance premiums.

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

(ii) Recoverability

Deferred acquisition costs are recognised as assets to the extent that the related unearned premiums exceed the sum of the deferred acquisition costs and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the deferred acquisition cost asset is written down and if insufficient, an unexpired risk liability is recognised. Refer to note 3(u).

(iii) Deferred reinsurance premiums

Deferred reinsurance premiums are recognised as part of deferred insurance assets in the Balance Sheet. The amortisation of deferred reinsurance premiums is in accordance with the pattern of reinsurance service received. The amount deferred represents the future economic benefit to be received from reinsurance contracts.

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3. Significant accounting policies (continued)

(o) Deferred insurance assets (continued)

Life insurance activities

Acquisition costs that are available for deferral on life insurance contracts include commissions, certain advertising, policy issue and underwriting costs, agency expenses and other sales costs. All such life insurance contract costs are implicitly deferred through Margin on Services ("MoS") accounting. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

Acquisition costs that are available for deferral on life investment contracts are the incremental variable distribution costs incurred when acquiring new business. Incremental acquisition costs are deferred and recognised as an asset in the Balance Sheet. The amount of the deferred acquisition costs is assessed at each reporting date and the asset is amortised as the revenue to which those costs relate is recognised. The acquisition costs deferred for investment contracts are determined as the lower of actual incremental costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class).

All other acquisition costs are expensed as incurred.

(p) Impairment

Assets of the Group are assessed for indicators of impairment at each reporting date. Indicators include both internal and external factors. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill acquired in a business combination, assets that have an indefinite useful life and intangible assets not yet available for use have their recoverable amount estimated annually.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless the asset has previously been revalued. In that case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Income Statement. Where there is evidence that an available-for-sale financial asset that has been recognised directly in equity is impaired, the decline in fair value is transferred to the Income Statement from equity.

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

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

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

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(ii) Reversal of impairment

An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed, in the Income Statement, only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded. An impairment loss recognised for goodwill is not reversed.

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3. Significant accounting policies (continued)

(p) Impairment (continued)

Banking activities

(i) Impairment of loans and receivables

Loans and receivables carried at amortised cost using the effective interest method are subject to an impairment assessment to determine if there is objective evidence that any loan is impaired at each reporting date. All known bad debts are written off in the period in which they are identified. Where not previously provided for, they are written off directly to the Income Statement.

Specific impairment provisions are recognised for all loans where there is objective evidence that an individual loan is impaired. Specific impairment provisions are based on the carrying amount of the loan and the present value of expected future cash flows. Where loans are not assessed as individually impaired, they are classified into groups of loans with similar credit risk characteristics and collectively assessed for impairment. Collective impairment provisions are based on historical loss experience adjusted where appropriate for current observable data. The amount necessary to bring the impairment provisions to their assessed levels, after write-offs, is charged to the Income Statement.

(ii) General reserve for credit loss

The Australian Prudential Regulation Authority (“APRA”) requires an allocation of the collective provision determined in accordance with Australian Accounting Standards between a portion that is considered “specific” in nature and a portion that is considered “general” in nature. Only the part of the Group’s collective provision attributable to model risk, will be considered “general” in nature. Should the level of eligible provisioning be insufficient relative to APRA’s provisioning benchmark of 0.5% of risk weighted assets, then a portion of retained profits equivalent to the shortfall is transferred to the general reserve for credit losses.

(q) Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit or loss which exclude transaction costs. A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities are classified into one of the following categories upon initial recognition. At each reporting date measurement depends upon the chosen classification.

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

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- it is classified as held for trading; or
- upon initial recognition it is designated by the Group as at fair value through profit or loss.

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

Fair value is determined using the offer price where available. Movements in the fair value are recognised in the Income Statement.

Financial liabilities arising from life insurance investment contracts are measured at fair value based on the future settlement amount under the contract. Changes to the fair value are recognised in the Income Statement in the period in which they occur.

(ii) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss and financial liabilities designated as part of effective fair value hedging relationships, are subsequently measured at amortised cost using the effective interest method.

The accounting treatment for deposits and borrowings designated as being part of a fair value hedge relationship is described in the ‘Derivative Financial Instruments’ and ‘Hedging’ policies.

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3. Significant accounting policies (continued)

(q) Financial liabilities (continued)

(iii) Financial guarantee contract liabilities

Liabilities arising from financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the measurement requirements of a provision and the amount initially recognised less cumulative amortisation.

(r) Employee entitlements

(i) Short term employee benefits

Wages, salaries and annual leave

Liabilities for unpaid wages, salaries and annual leave due within 12 months are recognised in the Balance Sheet. The liability is measured at undiscounted amounts using pay rates expected to be effective when the liability is to be paid in respect of employees' services up to the reporting date. Related on-costs such as workers' compensation and payroll tax are also included in the liability.

Sick leave

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

Short term bonus plans

A liability is recognised for short term bonus plans when there is a constructive obligation to pay this amount and the amount can be reliably estimated.

Other leave and non-monetary benefits

The cost associated with maternity leave and paternity leave as well as non-monetary benefits such as car-parking, payments of professional memberships and discounts is recognised in the period in which the employee takes the benefits. A liability is not recognised for any non-accumulating benefits employees have not taken during the period.

(ii) Post-employment benefits (superannuation)

The Group contributes to both defined contribution and defined benefit superannuation schemes. Contributions are charged to the Income Statement as the obligation to pay is incurred. Contributions outstanding at reporting date are treated as liabilities. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The asset and liability recognised in the Balance Sheet in respect of defined benefit plans is the lower of:

- the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs; and
- the total of cumulative unrecognised net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the Income Statement. Past service costs are recognised immediately in the Income Statement.

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3. Significant accounting policies (continued)

(r) Employee entitlements (continued)

(iii) Other long term employee benefits

Long service leave

A liability for long service leave is recognised in the Balance Sheet. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Commonwealth Government bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as workers' compensation and payroll tax are also included in the liability.

(iv) Termination benefits

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

(v) Share-based payments

The Group operates several equity-settled, share-based compensation plans. For further details, refer to note 26.

Immediately vesting compensation

Shares granted under the Exempt Employee Share Plan vest immediately at grant date. Although the value paid to each employee is determined by a cash amount, the payment is made in shares (with no cash alternative) and is therefore treated as a share-based payment transaction.

Future vesting compensation

Shares granted under the Executive Performance Share Plan ("EPSP") vest over a pre-determined period from grant date (generally three to five years). The value of these long term incentives is recognised as an expense in the Income Statement on a straight line basis over the vesting period.

The value is calculated as: fair value at grant date x expected number of shares to be granted.

Where shares do not eventually vest, the treatment of the previously recognised expense depends upon the reason the shares did not vest:

- If a non-market condition is not satisfied (eg an unfulfilled service period) the expense is reversed in the Income Statement in the period when the condition was not satisfied;
- If a market condition is not satisfied (eg Total Shareholder Return not being achieved) the expense is not reversed.

Fair value

The fair value of the shares is the market price of the shares adjusted for the terms and conditions upon which the shares were granted. This is measured using a Monte-Carlo simulation. Once determined, fair value does not change throughout the vesting period unless the terms and conditions of the grant are modified.

Number of shares

The number of shares reflect the best estimate of shares expected to vest at the end of the vesting period and this estimate is revised if indicated by subsequent information. Non-market conditions (eg fulfilment of service period) are taken into account when determining this best estimate, whilst market conditions are not. If shares do eventually vest, any unamortised balance is expensed at the end of the vesting period.

Purchase of shares on-market

Where shares provided to employees under the EPSP are purchased on the Australian Securities Exchange, the purchase cost is recognised as treasury shares in the consolidated Balance Sheet. The fair value of the shares is recognised in the Income Statement over the vesting period. The difference between the purchase cost and fair value remains in equity.

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3. Significant accounting policies (continued)

(r) Employee entitlements (continued)

(v) Share-based payments (continued)

Options

As all options under the Executive Option Plan were granted prior to 7 November 2002, the Group has elected not to apply AASB 2 *Share-based Payment* to the options and therefore the granting of the options does not impact the Income Statement.

The consideration received on exercise of options issued is recorded in share capital.

(s) Provisions

A provision is a liability of uncertain timing or amount which is recognised in the Balance Sheet when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(t) Outstanding claims liabilities

General insurance activities

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Group. If all the possible values of the outstanding claims liability are expressed as a statistical distribution, the central estimate is the mean of that distribution.

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. Features and trends of claims experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected. Projected future payments include an allowance for inflation and superimposed inflation and are discounted to present values by applying risk free discount rates. Also included is an allowance for future claims handling costs, reinsurance and third party recoveries and an additional risk margin to allow for the inherent uncertainty in the central estimate of the outstanding claims liability. The details of risk margins and the process for determining the risk margins are set out in note 39(h).

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (“IBNR”), claims incurred but not enough reported (“IBNER”) and the direct and indirect costs of settling those claims.

(u) Unexpired risk liabilities

General insurance activities

Provision is made for unexpired risks arising from general insurance business where the expected value of claims and expenses attributed to the unexpired periods of policies in force at the reporting date exceeds the unearned premium liability in relation to such policies after the deduction of any related intangible assets and deferred acquisition costs (“Liability Adequacy Test”). The provision for unexpired risk is calculated separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio. Any unexpired risk liability arising after writing off related intangible assets and deferred acquisition costs is recognised immediately in the consolidated Income Statement.

The Liability Adequacy Test assesses whether the net unearned premium liability less any related deferred acquisition costs is sufficient to cover future claims costs for in-force policies. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and includes a risk margin to reflect inherent uncertainty in the central estimate.

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3. Significant accounting policies (continued)

(v) Policy liabilities

Contracts entered into by the Life Companies are classified as either insurance or investment. A life insurance contract is an insurance contract or a financial instrument with a discretionary participation feature, regulated under the *Life Act* and includes risk business, lifetime annuities, traditional and participating business. A life investment contract is a contract which is regulated under the *Life Act* but which does not meet the definition of a life insurance contract and includes non-participating investment business and immediate term certain annuities.

The life insurance policy liability valuation determines the capital and retained profits of the statutory funds and the shareholder funds. The components for life insurance contracts and life investment contracts are reported on the Balance Sheet as gross policy liabilities, policy liabilities ceded to reinsurers and unvested policy owner benefits. Movements in these balances drive the profit emergence and are reported in the Income Statement, including the proposed transfer to the shareholder fund in respect of participating business.

(i) Insurance contracts

The financial reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as Margin on Services ("MoS"). Under MoS, the excess of premium received over expected claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The movement in life insurance contract liabilities recognised in the Income Statement reflects the release of this margin.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, claims, expenses and profit margins to be released in future periods) are projected into the future. The liability is calculated as the net present value of these projected cash flows using best estimate assumptions about the future. When the benefits under the life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is determined by the Appointed Actuary. For Suncorp Life & Superannuation Limited this is based on the Commonwealth Government bond rate, having regard to the nature, structure and term of the contract liabilities. For Asteron Life Limited this is based on the interbank swap rate with adjustments for credit risk and liquidity premium.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. This method has been used for some Group risk business, where the liability is based on an unearned premium reserve, less an explicit allowance for deferred acquisition costs, and a reserve for incurred but not reported claims.

Participating policies are entitled to share in the profits that arise from participating business. This profit sharing is governed by the *Life Act* and the life insurance companies' constitution. The participating policy owner profit sharing entitlement is treated as an expense in the financial statements.

<u>Allocation of operating profit and unvested policyholder benefits</u>

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Act*.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders. Profit allocated to participating policyholders is recognised in the Income Statement as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyholders (ie unvested), and that which has been allocated to specific policyholders by way of bonus distributions (ie vested), are included within life insurance contract liabilities.

Bonus distributions to participating policyholders are merely a change in the nature of the liability from unvested to vested and, as such, do not alter the amount of profit attributable to shareholders.

(ii) Investment contracts

Life investment contracts consist of a financial instrument and a management services element. The financial instrument element represents the unit liability to the policyholder and is measured at fair value, with a minimum equal to the amount payable on demand. Movements in fair value are recognised through the Income Statement. The management services element refers to activities and cash flows arising from management services provided, representing the deferral of fees yet to be earned and expenses yet to be recognised and is measured at fair value, refer the 'Deferred acquisition costs' policy note 3(o).

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3. Significant accounting policies (continued)

(v) Policy liabilities (continued)

(iii) Liability adequacy test

The adequacy of the insurance and investment contract liabilities is evaluated each year. The insurance contract test considers current estimates of all contractual and related cash flows. The investment contract test initially considers the recoverability of associated deferred acquisition cost assets. If it is determined using best estimate assumptions that a shortfall exists, the shortfall is immediately recognised in the Income Statement.

(w) Unvested policy owner benefits

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

(x) Loan Capital

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

(i) Subordinated notes

Subordinated notes are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method other than those designated as part of an effective fair value hedging relationship. Interest payments and accruals in relation to subordinated notes are classified as a finance cost.

The accounting treatment for subordinated notes designated as part of an effective hedging relationship is described in the 'Derivative Financial Instruments' and 'Hedging' policies.

(ii) Preference shares

The reset preference shares are recognised as a liability as they are redeemable on a specific date at the option of the holder. The convertible preference shares are recognised as a liability as they have no specified maturity date. Subject to certain conditions being met, conversion to the Company's ordinary shares will occur on the mandatory conversion date. The capital is initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. Dividends are charged as interest expense to the Income Statement on an accruals basis.

(y) Share capital

Ordinary shares are classified as equity.

(i) Repurchase of share capital

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

(ii) Treasury shares

If a subsidiary acquires any of the Company's own shares, referred to as treasury shares on a consolidated basis, those shares are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised in the consolidated Income Statement.

(iii) Dividends

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

Where a dividend is declared post-reporting date but prior to the date of the issue of the financial reports, disclosure of the declaration is made in the financial reports but no provision is made.

(iv) Transaction costs

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

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3. Significant accounting policies (continued)

(z) Contingent liabilities and contingent assets

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

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

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

(aa) Commitments

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the probability of default. They are not sold or traded. They are not recorded in the Balance Sheet but are disclosed in the financial report at their face value.

(ab) Revenue

Banking activities

(i) Interest revenue and expense

Interest revenue and expense are recognised in the Income Statement for all interest bearing instruments measured at amortised cost using the effective interest method. These instruments include loans, advances and other receivables and deposits and short term borrowings.

The effective interest method uses the effective interest rate to allocate interest income and expense over the relevant accounting period for the financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

This calculation includes certain fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums. Transaction costs include acquisition costs such as commissions paid to mortgage loan originators and lease brokerage and issue costs associated with wholesale debt issues.

(ii) Non-interest revenue

Non-yield related application and activation lending fees received are recognised as income when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing service, for example maintaining and administering existing facilities, are recognised on an accruals basis when the service is provided.

Lending fees that are considered an integral part of the effective interest rate are recognised within interest revenue.

Fees from profit-share loans are recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Dividends from subsidiaries are brought to account when they are provided for in the financial reports of the subsidiaries. Dividends from listed corporations are recognised as income on the date the shares are quoted ex-dividend.

Fair value gains and losses from financial assets and liabilities at fair value through the profit and loss are recognised in the Income Statement immediately.

3. Significant accounting policies (continued)

(ab) Revenue (continued)

Insurance activities

(i) General insurance premium revenue

Premium revenue comprises amounts charged to policyholders (direct premiums) or other insurers (inwards reinsurance premiums) for insurance policies. Premium includes applicable levies and charges such as fire service levies, NSW Insurance Protection Tax and Workers' Compensation levies, excludes stamp duty collected on behalf of state governments and is recognised net of goods and services tax.

Premium revenue is recognised in the Income Statement when it has been earned, that is, from the date of attachment of the risk, over the period of the insurance policy, which is usually one year. Over this policy period the premium collected is earned in accordance with the pattern of the underlying exposure to risk expected under the insurance contract. In most cases the exposure to risk is assumed to be even over the policy period. Where this is not the case, the pattern of exposure to risk is determined by other methods such as previous claims experience or in some limited cases statutory formulae. For reinsurance, business premium is recognised from the date of attachment of the risk over the period of indemnity.

At reporting date any proportion of premium revenue received and receivable but not earned in the Income Statement is recognised in the Balance Sheet as an unearned premium liability. The unearned premium liability represents premium revenue which will be earned in subsequent reporting periods.

Unclosed business is that which has not yet been entered in the policy administration systems but the date of attachment of risk is prior to reporting date. Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the financial reports.

(ii) Life insurance premium revenue

Premiums received include premiums for life insurance contracts and life investment contracts. The premium recorded as revenue in the Income Statement relates to life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as liabilities. These amounts are treated as a movement in policy liabilities.

Premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as outstanding premiums in the Balance Sheet. Premiums due after but received before the end of the financial year are shown as premiums in advance in the Balance Sheet.

(iii) Life insurance reinsurance and other recoveries receivable

Policy claims recoverable from reinsurers are recognised as revenue in line with the recognition of the claim expense (or upon notification of the insured event).

(iv) General insurance reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported ("IBNR") and claims incurred but not enough reported ("IBNER") are recognised as revenue. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(v) Reinsurance commission revenue and expenses

Reinsurance commission revenue and expenses are recognised in the Income Statement as they accrue.

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3. Significant accounting policies (continued)

(ab) Revenue (continued)

Insurance activities (continued)

(vi) Investment revenue

Interest

Interest income is recognised on an effective yield basis.

Dividends

Dividends from listed companies are recognised as income on the date the shares are quoted ex-dividend. Dividends from subsidiaries and associated entities are brought to account when they are declared in the financial reports of the subsidiaries and associated entities. Dividend revenue is recognised net of any franking credits. Distributions from listed and unlisted unit trusts are recognised on the date the unit value is quoted ex-distribution.

Rental Income

Rental income from operating leases is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased asset.

Financial and investment property assets at fair value through profit or loss

Changes in the fair value of financial and investment property assets are recognised as revenue or expenses in the Income Statement in the reporting period in which changes occur. These are calculated as follows:

Condition of asset	Basis of calculation of change in fair value
Held throughout the period	Closing fair value less opening fair value
Sold during the period	Consideration received less opening fair value
Purchased during the period	Closing fair value less cost of purchase

(vii) Insurance managed funds income

The Group manages insurance funds for external clients. Insurance managed funds income is earned from the provision of these insurance portfolio management services including premium collection and claims processing for the external clients. Insurance managed funds income and other income is recognised as the service is provided.

(viii) Fees and other revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Revenue is recognised as services are provided. In some cases services are provided at the inception of the contract while other services are performed over the life of the contract.

Investment contracts consist of a financial instrument and a management services element. The payment by the policyholder includes the amount to fund the financial instrument and an entry fee for the origination of the contract. In many cases, that entry fee is based on commission paid to financial planners for providing initial advice. Entry fees from investment contracts are deferred and recognised over the average expected life of investment contracts. Deferred entry fees are presented as a ‘Payables and other liabilities’ on the Balance Sheet. The financial instrument is classified as an investment contract and is measured at fair value.

The revenue that can be attributed to the origination service is recognised at inception. Any commission paid related to that fee is also recognised as an expense at that time.

Fees of the shareholder fund including ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as income as the service is provided.

Other income is recognised as revenue in the accounting period in which the services are rendered.

Funds management activities

(i) Fees and other revenue

Fees received for asset management are recognised as revenue in the accounting periods in which the services are rendered.

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3. Significant accounting policies (continued)

(ac) Acquisition costs

General insurance activities

Underwriting expenses include acquisition costs and other underwriting expenses.

Acquisition costs include commissions and other selling and underwriting costs incurred in obtaining general insurance premiums.

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

Other underwriting expenses are all expenses other than acquisition costs or claims expenses that are incurred in the course of ordinary activities of the general insurance business.

Life insurance activities

(i) Life insurance contracts

The value and future recovery of life insurance contracts acquisition costs are determined according to Margin on Services ("MoS") techniques.

Acquisition costs are amortised over the period that they will be recovered and the deferral and amortisation is recognised in the Income Statement as an increase/decrease in net life insurance policy liabilities.

Acquisition losses are recognised at inception in the Income Statement.

(ii) Life investment contracts

Incremental costs incurred in selling new life investment contracts are deferred. Deferred acquisition costs for life investment contracts are amortised in the Income Statement in accordance with the expected earning pattern of the associated revenue.

(ad) Levies and charges

General insurance activities

Levies and charges imposed on the general insurance business by various authorities are expensed in the Income Statement on a basis consistent with the recognition of premium revenue. These include Fire Brigade charges, Medical Care and Injury Services Levy, NSW Insurance Protection Tax and Workers' Compensation levies. The portion of levies and charges payable at reporting date relating to unearned premium is recorded as a deferred acquisition cost. A liability is recognised for levies and charges payable at the reporting date.

(ae) Claims expense

General insurance activities

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

Life insurance activities

(i) Life insurance contracts

Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, which are in the nature of withdrawals, are recognised as a decrease in life insurance contract liabilities.

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

(ii) Life investment contracts

There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities.

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3. Significant accounting policies (continued)

(af) Outwards reinsurance premium expense

General insurance activities

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

Life insurance activities

Where portions of the policy are reinsured the ceded premiums are recognised in the Income Statement as reinsurance expense.

Premiums ceded to reinsurers are recognised as expenses in accordance with the pattern of gross premium received, being for facultative, proportional and non-proportional reinsurance.

(ag) Basis of expense apportionment

Life insurance activities

Expenses are incurred in relation to the acquisition and maintenance of life insurance and life investment contracts, in addition to expenses incurred with respect to investment management and other administrative activities.

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

Expenses excluding investment management fees, which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses. Expenses which are directly attributable to an individual policy or product are allocated directly to the statutory fund within which the class of business to which that policy or product belongs. All indirect expenses charged to the Income Statement are equitably apportioned to each class of business. The expense apportionment basis is in line with the principles set out in APRA Prudential Standard LPS 1.04 *Valuation of Policy Liabilities* and New Zealand Society of Actuaries Professional Standard Number 3 *Determination of Life Insurance Policy Liabilities*.

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

(ah) Income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, including derivative contracts, provision for employee entitlements, tax losses carried forward and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantially enacted at the reporting date are used to determine deferred income tax.

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

Where an item, which gives rise to a temporary difference, is recognised in or against equity, the deferred tax is also recognised in or against equity. For example, the deferred tax relating to fair value re-measurement of available-for-sale assets and cash flow hedges which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the consolidated Income Statement together with the deferred gain or loss.

3. Significant accounting policies (continued)

(ah) Income tax (continued)

AASB 1038 *Life Insurance Contracts* requires shareholder and policy owner tax to be included in income tax expense in the Income Statement. The majority of life insurance tax is allocated to policy liabilities and does not affect profit attributable to equity holders of the Company.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in the note 46.

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

The tax-consolidated group has entered into a tax sharing agreement that requires wholly-owned subsidiaries to make contributions to the head entity for tax liabilities arising from external transactions occurring after the implementation of tax consolidation. The contributions are calculated as if the individual tax liability of the subsidiary was payable (as if the subsidiary was a separately taxable entity in its own right), reasonably adjusted for certain intragroup transactions. The assets and liabilities arising under the tax sharing agreement are recognised as intercompany assets and liabilities, at call.

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

(ai) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Net earned premium is net of the GST component of premium.

Receivables, payables and the provision for outstanding claims are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as an asset or liability in the Balance Sheet.

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

(aj) Changes in accounting estimates and errors

(i) Changes in accounting estimates

If a change in an accounting estimate gives rise to a change in an asset or liability, or relates to equity, it is recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change. Otherwise, it is recognised prospectively by including it in the Income Statement in the period of the change and future periods, as applicable.

(ii) Errors

Material prior period errors are corrected retrospectively (to the earliest date practicable) in the next issued financial report by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liability and equity for the earliest prior period presented.

For retrospective application comparative information presented for a particular prior period need not be restated if restating the information is impracticable. When comparative information for a particular prior period is not restated, the opening balance of retained earnings for the next period shall be restated for the cumulative effect of the error before the beginning of that period.

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3. Significant accounting policies (continued)

(ak) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- In the numerator, the after-tax effect of dividends, interest and other consequential changes in income or expense associated with the dilutive potential ordinary shares; and
- In the denominator, the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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4. Segment reporting

Segment information is presented in respect of the Group's business segments, which is the primary format for segment information. This format is based on the Group's management and internal reporting structure.

Geographical segments are the Group's secondary segments. The Group operates in two main geographical areas, Australia, being the country of domicile of the parent entity, and New Zealand.

Inter-segment transfers are priced on an arm's length basis and are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(a) Business segments

The Group comprises the following business segments:

Segment	Activities
Business Banking	Commercial banking, agribusiness, property and equipment finance.
Retail Banking	Home, personal and small business loans, savings and transaction accounts.
General Insurance - Personal	Home and motor insurance, travel insurance, loan protection, rental bond, personal effects cover and Compulsory Third Party insurance.
General Insurance - Commercial	Commercial motor, marine and aviation insurance, public liability and professional indemnity insurance and workers' compensation services.
Wealth Management	Life insurance and superannuation administration services, funds management, financial planning and funds administration.
Vero New Zealand	Commercial motor and marine insurance, travel insurance, public liability and professional indemnity.
Other	Treasury and property management services.

	Business Banking	Retail Banking	General Insurance		Wealth Management	Vero New Zealand	Other	Eliminations / unallocated	Consolidated
			Personal	Commercial					
2008	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue from outside the Group	1,939	2,413	5,300	1,856	276	714	669	-	13,167
Inter-segment revenue	191	1,151	-	-	-	55	2,603	(4,000)	-
Total segment revenue	2,130	3,564	5,300	1,856	276	769	3,272	(4,000)	13,167
Segment result	256	278	64	140	1	71	(32)	14	792
Non-banking interest expense									(164)
Profit before tax									628
Income tax expense									(67)
Profit for the year									561
Segment assets	24,857	29,461	13,190	6,511	10,252	1,410	9,511	(1,023)	94,169
Total assets									94,169
Segment liabilities	23,098	28,053	8,338	4,030	8,149	1,002	10,091	(958)	81,803
Total liabilities									81,803
Investments in associates and joint ventures	-	-	263	-	1	-	-	-	264
Acquisitions of property, plant and equipment and intangible assets	10	33	54	56	17	4	6	-	180
Share of profits of associates and joint ventures included in segment result	-	-	11	-	-	-	-	-	11
Depreciation and amortisation expense	8	27	192	130	54	59	4	-	474
Impairment losses	65	10	13	-	-	-	-	-	88
Impairment losses reversed	(2)	(2)	-	-	-	-	-	-	(4)

4. Segment reporting (continued)

(a) Business segments (continued)

	Business Banking	Retail Banking	General Insurance Personal	General Insurance Commercial	Wealth Management	Vero New Zealand	Other	Eliminations / unallocated	Consolidated
2007	$m	$m	$m	$m	$m	$m	$m	$m	$m
Revenue from outside the Group	1,402	1,940	3,356	2,132	1,456	185	339	(602)	10,208
Inter-segment revenue	129	896	-	-	-	-	1,692	(2,717)	-
Total segment revenue	1,531	2,836	3,356	2,132	1,456	185	2,031	(3,319)	10,208
Segment result	269	232	474	463	208	11	8	(28)	1,637
Non-banking interest expense									(94)
Profit before tax									1,543
Income tax expense									(479)
Profit for the year									1,064
Segment assets	19,532	26,626	13,058	6,356	12,942	1,920	4,959	(737)	84,656
Total assets									84,656
Segment liabilities	18,399	25,717	8,281	4,051	10,014	1,131	4,999	(327)	72,265
Total liabilities									72,265
Investments in associates and joint ventures	-	-	284	46	-	-	-	-	330
Acquisitions of property, plant and equipment and intangible assets	60	263	2,957	1,822	1,028	602	26	(14)	6,743
Share of profits of associates and joint ventures included in segment result	-	-	57	-	-	-	-	-	57
Depreciation and amortisation expense	7	22	49	86	15	23	4	15	221
Impairment losses	19	9	-	-	-	-	-	-	28
Impairment losses reversed	(1)	(2)	-	-	-	-	-	-	(3)

(b) Geographical segments

Whilst some business activities take place in New Zealand, the Group operates predominantly in one geographical segment being Australia.

5. Changes in the composition of the Group

(a) Subsidiaries

Acquisitions

There were no material acquisitions of subsidiaries during the current financial year.

The acquisition of Promgroup Limited (formerly Promina Group Limited) was undertaken in the prior financial year. On 20 March 2007, Suncorp Insurance Holdings Limited acquired all the shares in Promgroup Limited ("Promina") for $7,908,406,464, satisfied by $1,896,420,563 in cash (including transaction costs) and the issue of 280,279,063 shares in Suncorp-Metway Ltd at a fair value of $21.45 per share, based on the share price at the date of acquisition.

The principal activities of Promina and its subsidiaries are underwriting of general and life insurance businesses and the investment and administration of insurance and non-insurance funds.

Due to the complexity and timing of the acquisition, the fair values of the assets and liabilities acquired which were reported at 30 June 2007 were provisional and subject to review during the period up to twelve months from the acquisition date. The review of the fair value of asses and liabilities acquired has been completed with the following effect on the Group's assets and liabilities:

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5. Changes in the composition of the Group (continued)

(a) Subsidiaries (continued)

	Pre-acquisition carrying amounts $m	Provisional fair value at acquisition $m	Fair value at acquisition (final) $m
Assets			
Cash and cash equivalents	240	240	240
Investment securities	9,191	9,191	9,191
Loans, advances and other receivables	726	726	719
Reinsurance and other recoveries	768	768	768
Deferred insurance assets	356	76	76
Investments in associates and joint ventures	96	206	151
Property, plant and equipment	70	70	70
Deferred tax assets	93	166	173
Investment properties	6	6	6
Intangible assets			
Goodwill	281	4,005	4,070
Brands	-	660	660
Value of in-force customer contracts	-	652	652
Customer relationships	-	196	196
Distribution relationships	-	433	433
Outstanding claims liability intangible	-	187	187
Software	9	228	228
Other assets	145	145	145
Total Assets	11,981	17,955	17,965
Liabilities			
Payables and other liabilities	777	777	802
Current tax liabilities	16	16	16
Employee benefit obligations	77	77	77
Deferred tax liabilities	181	556	541
Unearned premium liabilities	1,709	1,709	1,709
Outstanding claims liabilities	2,933	2,933	2,933
Life insurance policy liabilities	3,141	3,141	3,141
Unvested policy owner benefits	19	19	19
Financial liabilities	810	810	810
Total Liabilities	9,663	10,038	10,048
Net identifiable assets and liabilities	2,318	7,917	7,917
Less: amount attributable to minority interests		9	9
Net identifiable assets and liabilities attributable to Suncorp		7,908	7,908
Consideration paid in cash (including transaction costs)			1,896
Cash acquired			(240)
Net cash outflow			1,656

The methods and key assumptions used in determining the values of intangible assets are discussed in note 22. Investments in RAC Insurance Pty Ltd and NTI Ltd have been valued using a discounted cash flow method. The carrying amount includes customer contracts, customer relationships and distribution relationships.

During the period 21 March to 30 June 2007, Promina contributed net profit of $37 million to the consolidated net profit for the year.

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5. Changes in the composition of the Group (continued)

(a) Subsidiaries (continued)

Acquisitions (continued)

If the acquisition had occurred on 1 July 2006, Group revenue for the year ended 30 June 2007 would have been $11,429 million and net profit for the year ended 30 June 2007 would have been $1,462 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2006. This pro-forma financial information uses Promina data for months corresponding to Suncorp's 30 June year end. The pro-forma amounts represent the historical operating results of Promina, reported in accordance with their pre-acquisition accounting policies. It excludes transaction and integration costs of $77 million and a non-recurring adjustment to align general insurance outstanding claims valuations of $10 million. It includes a full year of amortisation of intangibles as if the acquisition occurred on 1 July 2006. The amortisation of identifiable intangible assets will vary over time, and is estimated to be:

2007 (Post acquisition) $m	2008 $m	2009 $m	2010 $m	2011 $m	Post 2011 $m
141	361	254	218	160	1,262

The pro-forma information does not include all costs related to the integration of Promina into the Suncorp group, nor does it reflect the potential synergies which we expect to realise. It does not necessarily represent what would have occurred if the transaction had taken place on 1 July 2006 and should not be taken as representative of the Suncorp Group's future consolidated results.

During the prior financial year the Group also undertook acquisitions of Terri Scheer Insurance Pty Ltd (formerly Terri Scheer Insurance Brokers Pty Ltd), Axiom Risk & Insurance Management Limited and Mariner Underwriting Limited. These transactions did not have a material impact on the results of the Group.

Disposals

On 31 August 2007 Suncorp Metway Insurance Ltd sold a 30% interest in RACT Insurance Pty Ltd. Details of the disposal are as follows:

	$m
Carrying value of assets and liabilities disposed	
Current assets	43
Non-current assets	10
Current liabilities	(40)
Non-current liabilities	(1)
Total carrying value of assets and liabilities deconsolidated	12
Reconciliation of cash movement	
Cash received	14
Less cash deconsolidated	(4)
Net cash inflow	10

(b) Associates and joint venture entities

Following the disposal of a 30% interest, from 1 September 2007, the Group holds a 70% ownership interest in RACT Insurance Pty Ltd. As any strategic financial or operating decisions relating to its activities are made jointly between the Group and the acquiring entity, the Group's interest in RACT Insurance Pty Ltd is treated as an interest in a jointly controlled entity.

The Group acquired a 50% share in an associate, MMc Limited, a specialist fund administration business on 2 July 2007 and a 50% interest in a jointly controlled entity, Standard Pacific (Qld) Pty Ltd which was incorporated on 19 October 2007.

The Group did not acquire or dispose of any interest in associates or joint venture entities during the prior financial year other than as a consequence of acquiring Promgroup Limited.

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6. Income

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Interest:				
subsidiaries	-	-	36	28
other	5,456	3,880	4,456	3,196
Dividends:				
subsidiaries	-	-	518	557
other	485	181	-	-
Rental income	34	33	-	-
General insurance revenue:				
direct premium	6,290	3,673	-	-
inwards reinsurance premium	26	7	-	-
reinsurance and other recoveries	1,016	598	-	-
reinsurance commission income	41	13	-	-
Life insurance revenue:				
direct premium	698	288	-	-
reinsurance recoveries revenue	146	52	-	-
Changes in fair value of General Insurance financial assets:				
realised	(81)	16	-	-
unrealised	(316)	123	-	-
Changes in fair value of Life Insurance financial assets:				
realised	168	459	-	-
unrealised	(1,786)	239	-	-
Trust distributions	93	146	-	-
Net profits on derivative and other financial instruments: [1]				
realised	11	11	20	7
unrealised	75	(16)	-	4
Fees and commissions:				
subsidiaries	-	-	114	120
other	309	274	227	207
Managed schemes revenue	151	132	-	-
Gains on disposal of property,plant and equipment	-	1	-	-
Other revenue	351	98	66	14
	13,167	10,208	5,437	4,133
Disclosed in the Income Statements as:				
Banking interest revenue	4,696	3,447	4,492	3,224
Banking fee and commission revenue	239	220	227	207
General insurance premium revenue	6,316	3,680	-	-
Life insurance premium revenue	698	288	-	-
Reinsurance and other recoveries revenue	1,162	650	-	-
General insurance investment revenue	304	539	-	-
Life insurance investment revenue	(843)	1,061	-	-
Other revenue	595	323	718	702
	13,167	10,208	5,437	4,133
Banking interest expense	(3,666)	(2,537)	(3,075)	(2,107)
Banking fee and commission expense	(90)	(80)	(95)	(83)
	9,411	7,591	2,267	1,943

Notes

(1) Included within net profits on derivatives and other financial instruments are losses of $178 million (2007: $320 million) for the Group and $107 million (2007: $172 million) for the Company on derivatives held in qualifying fair value hedging relationships, and gains of $176 million (2007: $320 million) for the Group and $105 million (2007: $172 million) for the Company representing changes in the fair value of the hedged items attributable to the hedged risk.

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7. Expenses

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Interest expense				
Subsidiaries	-	-	24	19
External	3,830	2,631	3,111	2,127
Total interest expense	3,830	2,631	3,135	2,146
Operating expenses				
Staff expenses	1,559	1,010	38	24
Total staff expenses	1,559	1,010	38	24
Equipment and occupancy expenses				
Depreciation:				
Buildings	1	1	-	-
Plant and equipment	69	33	-	-
Leasehold improvements	19	13	-	-
Total depreciation	89	47	-	-
Loss on disposal of property, plant and equipment	7	2	-	-
Operating lease rentals	148	74	31	26
Other	34	23	13	9
Total equipment and occupancy expenses	278	146	44	35
Other expenses				
Hardware, software and data line expenses	126	61	26	23
Advertising and promotion expenses	195	131	32	27
Office supplies, postage and printing	90	76	25	27
Amortisation:				
Brand names	24	20	-	-
Customer and distribution relationships	237	86	-	-
Outstanding claims liability intangible	36	18	-	-
Franchise agreements	2	1	-	-
Software	86	49	-	-
Acquisition costs - insurance activities	452	124	-	-
Intra-group expenses [(1)]	-	-	1,029	750
Financial expenses	201	150	46	37
Other	98	153	23	16
Total other expenses	1,547	869	1,181	880
Total operating expenses	3,384	2,025	1,263	939

Notes

(1) During the year ended 30 June 2008 the Company modified the Income Statement classification of fees and commissions from subsidiaries to more appropriately reflect the nature of the transaction, being an expense recoupment. Comparative amounts have been restated, resulting in $433 million being reclassified from income to expenses.

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8. Auditors' remuneration

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Audit services				
Auditors of the Company				
KPMG Australia				
Audit and review of financial reports	5,819	5,816	1,538	1,829
Other regulatory audit services	1,188	1,122	156	172
	7,007	6,938	1,694	2,001
Overseas KPMG Firms				
Audit and review of financial reports	1,382	1,164	-	-
Other regulatory audit services	36	-	-	-
Other auditors				
Audit and review of financial reports	264	330	-	72
Other regulatory audit services	-	10	-	-
	8,689	8,442	1,694	2,073
Other services				
Auditors of the Company				
KPMG Australia				
Taxation services	111	242	7	178
Assurance services	807	2,223	570	1,740
Due diligence services	94	382	94	382
	1,012	2,847	671	2,300
KPMG related practices				
Other regulatory audit services	395	392	-	-
	395	392	-	-
Overseas KPMG Firms				
Taxation services	79	-	-	-
Assurance services	22	-	-	-
	101	-	-	-
Other auditors				
Assurance services	518	163	193	96
Taxation services	627	238	17	-
	2,653	3,640	881	2,396

9. Impairment losses on loans and advances

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Banking activities				
Impairment losses on loans and advances				
Decrease in collective provision for impairment (note 16)	(15)	(8)	(14)	(8)
Increase in specific provision for impairment (note 16)	66	18	63	12
Bad debts written off	24	18	18	13
Bad debts recovered	(4)	(3)	(4)	(3)
	71	25	63	14

10. Income tax

(a) Income tax expense

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Recognised in the Income Statements				
Current tax expense				
Current year	365	460	102	126
Adjustments for prior years	1	19	(4)	-
	366	479	98	126
Deferred tax expense				
Origination and reversal of temporary differences	(299)	-	11	(8)
Total income tax expense in Income Statements	67	479	109	118
Attributable to continuing operations	67	479	109	118
Numerical reconciliation between income tax expense and pre-tax net profit				
Profit before tax	628	1,543	881	952
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	188	463	264	286
Effect of tax rates in foreign jurisdictions	3	-	-	-
Increase in income tax expense due to:				
Non-deductible expenses	7	1	5	4
Imputation gross up on dividends received	9	9	-	-
Statutory funds	(83)	55	-	-
Income tax offsets and credits	(32)	(25)	-	-
Intercompany dividend elimination	-	-	(155)	(167)
Tax incentives not recognised in the Income Statements	(1)	-	-	-
Amortisation of intangible assets on acquisition	7	-	-	-
Other	(17)	(19)	-	-
	81	484	114	123
Under (over) provision in prior years	(14)	(5)	(5)	(5)
Income tax expense on pre-tax net profit	67	479	109	118

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10. Income tax (continued)

(a) Income tax expense (continued)

Income tax of the financial services business

Australia

Income tax expense includes a credit of $114 million (2007: expense of $98 million) attributable to the life insurance companies' statutory funds.

For Australia, the income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The statutory rates of taxation applicable to the taxable income of significant classes of business are as follows:

	Applicable tax rate	
	2008	2007
	%	%
Class of business		
Complying superannuation business (1)	15	15
Ordinary class of business	30	30
Shareholder funds	30	30
Annuity and pension business (2)	0	0

Notes

(1) Includes Virtual Pooled Superannuation Trust (VPST)
(2) Segregated Exempt Assets (SEA)

New Zealand

In New Zealand, a corporate tax rate of 33% (2007: 33%) applies for all classes of businesses. However from 1 July 2008 the tax rate has reduced to 30% in line with the reduction in the corporate tax rate for the 2008/09 and subsequent income years.

The Government in New Zealand is engaged in major reforms of the investment, savings and life insurance markets. A number of reforms have been enacted and others are proposed which are set to alter the tax treatment of the life insurance company taxation base and policyholder/unitholder investment returns.

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Deferred tax recognised directly in equity				
Relating to debt and equity securities available-for-sale	(1)	-	-	-
Relating to cash flow hedges	30	9	28	11
	29	9	28	11

(b) Current tax liabilities

The current tax receivable of $32 million (2007: $99 million liability) refers to the total current tax liabilities in respect of current and prior financial periods for the Suncorp-Metway Ltd tax consolidated group (2007: for both the Suncorp-Metway Ltd and Promgroup Limited tax consolidated groups).

The current tax liability of $9 million (2007: $22 million) refers to the total current tax liabilities in respect of current and prior financial periods for New Zealand subsidiaries that are not part of the Suncorp-Metway Ltd tax consolidated group.

The current tax receivable for the Company of $32 million (2007: $116 million liability) refers to the total current tax liabilities in respect of the current financial period and prior financial periods for the Suncorp Metway Ltd and Promgroup Limited tax consolidated groups.

In accordance with the tax consolidation legislation, the head entity of each Australian tax consolidated group assumes the current tax liability initially recognised by the respective members of the each tax consolidated group.

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10. Income tax (continued)

(c) Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	$m	$m	$m	$m	$m	$m
Consolidated						
Property, plant and equipment	12	19	(9)	(1)	3	18
Intangible assets	-	-	(351)	(434)	(351)	(434)
Investment property	-	-	(1)	-	(1)	-
Other investments	31	7	(109)	(292)	(78)	(285)
Deposits, notes, bonds and borrowings	-	-	(4)	-	(4)	-
Employee benefits	47	39	-	(5)	47	34
Provisions	167	119	(19)	-	148	119
Other items	124	219	(62)	(118)	62	101
Tax assets (liabilities)	381	403	(555)	(850)	(174)	(447)
Set off of tax	(381)	(403)	381	403	-	-
Net tax assets (liabilities)	-	-	(174)	(447)	(174)	(447)

	Assets		Liabilities	
	2008	2007	2008	2007
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	403	206	(849)	(273)
Credited (charged) to the Income Statement	(23)	23	322	(25)
Credited (charged) to equity	1	-	(28)	(9)
Acquisition/disposal of subsidiaries	-	174	-	(542)
Balance at the end of the financial year	381	403	(555)	(849)

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	$m	$m	$m	$m	$m	$m
Company						
Property, plant and equipment	2	2	-	-	2	2
Other investments	-	-	(96)	(35)	(96)	(35)
Provisions	54	39	-	-	54	39
Other items	32	32	(33)	(40)	(1)	(8)
Tax assets (liabilities)	88	73	(129)	(75)	(41)	(2)
Set off of tax	(88)	(73)	88	73	-	-
Net tax assets (liabilities)	-	-	(41)	(2)	(41)	(2)

	Assets		Liabilities	
	2008	2007	2008	2007
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	73	68	(74)	(69)
Credited (charged) to the Income Statement	15	5	(27)	5
Credited (charged) to equity	-	-	(28)	(10)
Balance at the end of the financial year	88	73	(129)	(74)

There are no unrecognised deferred tax assets and liabilities.

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10. Income tax (continued)

(d) Tax consolidation

Suncorp-Metway Ltd elected to form a tax consolidated group from 1 July 2002. On 20 March 2007 the consolidated entity acquired 100% of Promgroup Limited (formerly Promina Group Ltd) which had previously formed a tax consolidated group on 1 July 2002.

Following the acquisition of Promgroup Limited and up to 30 June 2007, the Group comprised two Australian tax consolidated groups. Immediately before 1 July 2007, the Suncorp-Metway Ltd tax consolidated group and the Promgroup Limited tax consolidated group formed a single tax consolidated group.

The accounting policy in relation to tax consolidation legislation and its application to Suncorp-Metway Ltd is set out in note 3(ah).

Until there was a single tax consolidated group, separate tax sharing agreements applied to each relevant tax consolidated group. Each tax sharing agreement required the wholly-owned entities in each tax consolidated group to fully compensate their respective head company for any current tax payable assumed. Accordingly the current tax payable reported by the Group for the year ended 30 June 2007 was subject to the obligations defined by the two tax sharing agreements.

From 1 July 2007, all Australian wholly-owned entities of Suncorp-Metway Ltd entered into a single tax sharing agreement which in the opinion of the directors, limits the joint and severable liability of the wholly-owned subsidiaries in the case of default by head company, Suncorp-Metway Ltd. Under the tax sharing agreement, the wholly-owned entities fully compensate the Company for any current tax payable assumed. The amounts receivable / payable under the agreement are at call. The impact on the deferred tax balances of the Group as a result of the Promgroup Limited tax consolidated group joining the Suncorp-Metway Ltd tax consolidated group immediately prior to 1 July 2007 has been recognised in the fair value of Promgroup Limited assets and liabilities acquired.

11. Earnings per share

Earnings per share is calculated as described in note 3(ak) and is set out below:

	Consolidated	
	2008	2007
Profit attributable to ordinary equity holders of the Company - $m	556	1,064
Weighted average number of ordinary shares for basic earnings per share calculation	929,982,763	670,878,920
Basic earnings per share - cents	59.79	158.60
Weighted average number of ordinary shares for diluted earnings per share calculation	929,982,763	670,878,920
Diluted earnings per share - cents	59.79	158.60

The 1,440,628 (2007: 1,440,628) reset preference shares recognised in liabilities are not considered to be either ordinary or potential ordinary shares. They are anti-dilutive in nature as the dividends are payable at 5.068% per annum which exceeds basic earnings per share. Therefore, reset preference shares have not been included in either basic or diluted earnings per share.

The 7,350,000 (2007: nil) convertible preference shares recognised in liabilities are not considered to be either ordinary or potential ordinary shares. They are anti-dilutive in nature as the dividends are payable at the bank bill rate plus a margin 3.2% per annum which exceeds basic earnings per share. Therefore, convertible preference shares have not been included in either basic or diluted earnings per share.

12. Cash and cash equivalents

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Cash and balances with the central bank	400	426	118	107
Other money market placements	603	667	98	271
	1,003	1,093	216	378
The above figures are reconciled to cash at the end of the financial year as shown in the Statements of Cash Flows as follows:				
Balances as above	1,003	1,093	216	378
Add: Receivables due from other banks	263	42	263	42
Less: Payables due to other banks	(45)	(25)	(45)	(25)
	1,221	1,110	434	395

13. Trading securities

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Banking activities				
Interest bearing securities at fair value				
Bank bills, certificates of deposits and other negotiable securities	5,685	4,291	5,685	4,291
Total trading securities	5,685	4,291	5,685	4,291

The above trading securities are all financial assets classified at fair value through the profit or loss.

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14. Investment securities

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Banking activities				
Investments at cost				
Shares in subsidiaries at cost	-	-	9,814	9,687
Shares held in trust	6	8	1	1
	6	8	9,815	9,688
Investments available-for-sale				
Interest bearing securities				
Negotiable securities	1,254	-	1,254	-
Equity securities	13	-	13	-
	1,267	-	1,267	-
	1,273	8	11,082	9,688
General Insurance activities				
Quoted investments designated at fair value through profit or loss				
Interest bearing securities				
Debentures and corporate bonds	3,993	4,764	-	-
Government and semi-government securities	2,710	2,693	-	-
Discounted securities	1,889	1,162	-	-
	8,592	8,619	-	-
Equity securities	875	1,410	-	-
Property trusts	24	36	-	-
Unit trusts	71	47	-	-
Other	11	8	-	-
	9,573	10,120	-	-
Unquoted investments designated at fair value through profit or loss				
Property trust	14	6	-	-
	14	6	-	-
	9,587	10,126	-	-
Wealth Management activities				
Investments designated at fair value through profit or loss				
Interest bearing securities				
Debentures and corporate bonds	2,986	2,253	-	-
Government and semi-government securities	364	592	-	-
Discounted securities	345	213	-	-
	3,695	3,058	-	-
Equity securities	1,654	3,390	-	-
Property trusts	371	728	-	-
Unit trusts	2,497	3,455	-	-
Other	59	133	-	-
	8,276	10,764	-	-
Investments available-for-sale				
Unlisted unit trusts and unlisted managed investment schemes at fair value	-	22	-	-
	8,276	10,786	-	-
Total investment securities	19,136	20,920	11,082	9,688

At 30 June 2008 investment securities of $191 million (2007: $nil) have been pledged as collateral for liabilities under sale and repurchase agreements. These transactions are conducted under terms that are usual and customary for repurchase agreements.

15. Loans, advances and other receivables

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Banking activities [1]				
Housing loans [2]	27,247	23,795	27,245	23,791
Consumer loans	863	1,063	863	1,063
Business loans	26,103	19,914	23,752	17,625
Structured finance	5	6	5	6
Other lending	589	189	901	191
Bank acceptances of customers	865	886	865	886
	55,672	45,853	53,631	43,562
Provision for impairment (note 16)	(154)	(120)	(144)	(108)
	55,518	45,733	53,487	43,454
General Insurance activities				
Premiums outstanding [3]	1,401	1,346	-	-
Investment revenue receivable [3]	59	12	-	-
Investment settlements [3]	28	67	-	-
Insurance managed funds receivable [4]	33	35	-	-
Insurance recoveries and other receivables [3]	3	92	-	-
	1,524	1,552	-	-
Life Insurance activities				
Premiums outstanding [3]	19	16	-	-
Investment revenue receivable [3]	37	52	-	-
Investment settlements [3]	17	236	-	-
Reinsurance recoveries receivable [3]	55	52	-	-
Other [4]	173	48	-	-
	301	404	-	-
Total loans, advances and other receivables	57,343	47,689	53,487	43,454
Current	11,493	9,921	9,484	7,495
Non-current	45,850	37,768	44,003	35,959
Total loans, advances and other receivables	57,343	47,689	53,487	43,454

Notes

(1) Banking loans and receivables are measured at amortised cost.
(2) Includes securitised housing loan balances of $6.4 billion (2007: $7.8 billion) which has an associated securitised liability of $6.4 billion (2007: $7.9 billion).
(3) Financial assets designated at fair value through the profit or loss.
(4) Financial assets measured at amortised cost.

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16. Provision for impairment

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Banking activities				
Collective provision				
Balance at the beginning of the financial year	95	103	88	96
Charge/credit against Income Statements (note 9)	(15)	(8)	(14)	(8)
Balance at the end of the financial year	80	95	74	88
Specific provision				
Balance at the beginning of the financial year	25	21	20	19
Charge against Income Statements (note 9)	66	18	63	12
Bad debts written-off	(17)	(14)	(13)	(11)
Balance at the end of the financial year	74	25	70	20
Total provision for impairment of loans, advances and other receivables	154	120	144	108

17. Reinsurance and other recoveries

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
General Insurance				
Expected undiscounted outstanding reinsurance and other recoveries	1,307	1,319	-	-
Discount to present value	(178)	(170)	-	-
Total outstanding reinsurance and other recoveries	1,129	1,149	-	-
Life Insurance				
Gross policy liabilities ceded under reinsurance	253	255	-	-
Total outstanding reinsurance and other recoveries	253	255	-	-
Current	532	447	-	-
Non-current	850	957	-	-
Total outstanding reinsurance and other recoveries	1,382	1,404	-	-

18. Deferred insurance assets

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Deferred acquisition costs [1]				
Deferred acquisition costs at beginning of the financial year	350	213	-	-
Effect of change in accounting policy	-	2	-	-
Acquisition costs deferred	1,197	580	-	-
Amortisation charged to consolidated Income Statement	(972)	(405)	-	-
Write off for liability adequacy test deficiency	-	(40)	-	-
Deferred acquisition costs at end of the financial year	575	350	-	-
Deferred reinsurance assets				
Deferred reinsurance assets at beginning of financial year	96	10	-	-
Reinsurance premiums paid during the year	469	218	-	-
Reinsurance premiums charged to consolidated Income Statement	(449)	(208)	-	-
Acquisition (disposal) of subsidiaries	(3)	76	-	-
Deferred reinsurance assets at end of financial year	113	96	-	-
Current	681	432	-	-
Non-current	7	14	-	-
Total deferred insurance assets	688	446	-	-

Notes

(1) Deferred acquisition costs in relation to life insurance activities are those incremental acquisition costs deferred on investment contracts.

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19. Investments in associates and joint ventures

The financial statements of the Group includes the financial position, the results from operations and cash flows of the following associates and joint ventures in accordance with the accounting policy described in note 3(a). Information relating to the associates and joint ventures is set out below.

Name of entity	Country of Incorporation	Principal activity	Ownership interest 2008 %	Ownership interest 2007 %	Consolidated carrying amount 2008 $m	Consolidated carrying amount 2007 $m
Associates						
NTI Ltd [1][5]	Australia	Management Services	50	50	-	47
RAC Insurance Pty Ltd	Australia	Insurance	50	50	100	105
AA Warranty Ltd [2]	New Zealand	Non-trading	50	50	-	-
AA Life Servces Ltd [3]	New Zealand	Marketing of financial services products	50	50	-	-
Capital Managers Pty Ltd	Australia	Distribution	50	-	-	-
MMc Limited [2]	New Zealand	Funds administration	50	-	1	-
					101	152
Joint venture entities						
RACQ Insurance Limited [1]	Australia	Insurance	50	50	112	129
RAA - GIO Insurance Holdings Ltd	Australia	Insurance	50	50	14	16
Australand Land and Housing No 5 (Hope Island) Pty Ltd	Australia	Property investment	50	50	9	11
Australand Land and Housing No 7 (Hope Island) Pty Ltd	Australia	Property investment	50	50	9	11
Australand Land and Housing No 8 (Hope Island) Pty Ltd	Australia	Property investment	50	50	9	11
RACT Insurance Pty Ltd [4]	Australia	Insurance	70	100	10	-
Standard Pacific (Qld) Pty Ltd	Australia	Distribution	50	-	-	-
					163	178
					264	330

Joint venture operations	Principal activity	2008 %	2007 %
National Transport Insurance	Facilitation of insurance arrangements	50	50

Joint venture assets	Principal activity	2008 %	2007 %
Polaris data centre project	Property development	50	50
Spring farm development	Property development	50	50

Notes
(1) RACQ Insurance Ltd and NTI Ltd have a 31 December balance date.
(2) AA Warranty Ltd and MMc Limited have a 31 March balance date.
(3) AA Life Services Ltd has a balance date of 30 September.
(4) While the Group's ownership interest in RACT Insurance Pty Ltd is 70%, strategic and operating decisions relating to its activities are made jointly.
(5) The carrying amount of the investment in NTI Ltd is recognised on the Balance Sheet as an asset held for sale at 30 June 2008.

19. Investments in associates and joint ventures (continued)

(a) Investments in associates

	Consolidated	
	2008	2007
	$m	$m
Movements in carrying amounts of associates		
Balance at the beginning of the financial year	152	-
Acquisition of subsidiaries	-	151
Share of profits from ordinary activities after income tax	3	2
Amortisation of intangible assets acquired	(10)	(1)
Increased investments in associates	1	-
Transfer to assets held for sale	(45)	-
Balance at the end of the financial year	101	152
Results of associates		
Share of associates' profit before income tax	4	4
Share of income tax expense	(1)	(2)
Share of associates' net profit - as disclosed by associates	3	2
Share of associates' lease commitments	6	7
Summary financial information of associates		
Revenues (100%)	370	65
Profit (loss) (100%)	9	6
Share of associates' net profit (loss) recognised	3	2
Total assets (100%)	508	398
Total liabilities (100%)	(318)	(200)
Net assets as reported by associates (100%)	190	198
Share of associates' net assets equity accounted	101	152

There are no other material commitments or contingent liabilities of the associates.

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19. Investments in associates and joint ventures (continued)

(b) Investments in joint venture entities

	Consolidated 2008 $m	Consolidated 2007 $m
Movements in carrying amounts of joint venture entities		
Balance at the beginning of the financial year	178	138
Share of profits after income tax	8	55
Dividends received/receivable	(26)	(30)
Impairment losses	(13)	-
Increased investments in joint venture entities	16	15
Balance at the end of the financial year	163	178
Results of joint venture entities		
Share of joint venture entities' profit before income tax	11	78
Share of income tax expense	(3)	(23)
Share of joint venture entities' net profit - as disclosed by joint venture entities	8	55
Dividends received/receivable	(26)	(30)
Share of joint venture entities' lease commitments	1	1
Summary financial information of joint venture entities		
Revenues (100%)	664	613
Expenses (100%)	648	502
Profit (loss) (100%)	16	110
Share of joint venture entities' net profit (loss) recognised	8	55
Current assets (100%)	482	463
Non-current assets (100%)	718	679
Current liabilities (100%)	(568)	(464)
Non-current liabilities (100%)	(340)	(382)
Net assets as reported by joint venture entities (100%)	292	296
Share of joint venture entities' net assets equity accounted	163	178

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

(c) Joint venture assets

Share of joint venture assets included in the consolidated Balance Sheet are as follows:

	Consolidated carrying amount 2008 $m	Consolidated carrying amount 2007 $m
Other assets - development properties	89	44
Total joint venture assets	89	44
Share of joint ventures' commitments	7	16

20. Property, plant and equipment

Consolidated	Land $m	Buildings $m	Leasehold Improve-ments $m	Plant & Equipment $m	Capital works in progress $m	Total $m
2008						
Gross carrying amount	4	43	282	479	13	821
Less: accumulated depreciation and impairment losses	-	(17)	(173)	(281)	-	(471)
Balance at the end of the financial year	4	26	109	198	13	350
Movements in property, plant and equipment						
Balance at the beginning of the financial year	4	27	121	157	11	320
Acquisition of subsidiaries	-	-	-	-	-	-
Additions	-	-	11	84	44	139
Disposals	-	-	(9)	(11)	-	(20)
Depreciation	-	(1)	(21)	(67)	-	(89)
Transfers between categories	-	-	7	35	(42)	-
Exchange difference	-	-	-	-	-	-
Balance at the end of the financial year	4	26	109	198	13	350
2007						
Gross carrying amount	4	43	243	458	11	759
Less: accumulated depreciation and impairment losses	-	(16)	(122)	(301)	-	(439)
Balance at the end of the financial year	4	27	121	157	11	320
Movements in property, plant and equipment						
Balance at the beginning of the financial year	4	28	6	58	35	131
Acquisition of subsidiaries	-	-	17	53	-	70
Additions	-	-	50	66	55	171
Disposals	-	-	(1)	(6)	-	(7)
Depreciation	-	(1)	(13)	(33)	-	(47)
Transfers between categories	-	-	62	17	(79)	-
Exchange difference	-	-	-	2	-	2
Balance at the end of the financial year	4	27	121	157	11	320

Company

The carrying values of the Company's land and buildings and plant and equipment are $30 million (2007: $30 million) and $2 million (2007: $1 million) respectively.

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21. Investment property

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
General Insurance activities				
Freehold land and buildings				
Balance at the beginning of the financial year	221	196	-	-
Acquisition of subsidiaries	-	6	-	-
Additions / capitalised expenditure	3	1	-	-
Property classified as held for sale	(105)	-	-	-
Fair value adjustments	52	18	-	-
Balance at the end of the financial year	171	221	-	-

During the financial year ended 30 June 2008, $34 million (2007: $33 million) was recognised as rental income in the consolidated Income Statement and $22 million (2007: $19 million) in respect of direct operating expenses were recognised as expenses in the consolidated Income Statement relating to investment property.

Investment property comprises a number of commercial properties held for short term rentals and long term leases to third parties and premises held for capital appreciation. Each of the long term leases contains an initial non-cancellable period of 30 years. Subsequent renewals are negotiated with the lessee.

The basis of valuation of the investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases and rental income. The 2008 valuations were based on independent assessments made by a member of the Australian Property Institute.

A General Insurance entity entered into lease securitisation and defeasance transactions in May 1993 under which the entity has agreed not to sell or create a charge over investment properties with a fair value of $136 million (2007: $108 million) without the consent of the other parties to the transaction.

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on the leases are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Less than one year	10	9	-	-
Between one and five years	39	34	-	-
More than five years	26	48	-	-
	75	91	-	-

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22. Goodwill and intangible assets

Consolidated

2008	Goodwill $m	Brands $m	Customer contracts & other relationships $m	Outstanding claims liability intangible $m	Franchise systems $m	Software $m	Total $m
Consolidated							
Gross carrying amount	5,385	661	1,281	187	15	510	8,039
Less: accumulated amortisation and impairment losses	(260)	(44)	(311)	(54)	(7)	(273)	(949)
Balance at the end of the financial year	5,125	617	970	133	8	237	7,090
Movements in intangible assets							
Balance at the beginning of the financial year	5,152	641	1,197	169	10	288	7,457
Acquisitions through business combinations	6	-	-	-	-	-	6
Other acquisitions	-	-	-	-	-	35	35
Amortisation for the year	-	(24)	(227)	(36)	(2)	(86)	(375)
Exchange gains or losses	(29)	-	-	-	-	-	(29)
Disposals	(4)	-	-	-	-	-	(4)
Balance at the end of the financial year	5,125	617	970	133	8	237	7,090
2007							
Consolidated							
Gross carrying amount	5,382	661	1,281	187	16	477	8,004
Less: accumulated amortisation and impairment losses	(230)	(20)	(84)	(18)	(6)	(189)	(547)
Balance at the end of the financial year	5,152	641	1,197	169	10	288	7,457
Movements in intangible assets							
Balance at the beginning of the financial year	1,053	-	-	-	10	61	1,124
Acquisitions through business combinations	4,095	661	1,281	187	-	229	6,453
Other acquisitions	-	-	-	-	1	48	49
Amortisation for the year	-	(20)	(84)	(18)	(1)	(49)	(172)
Exchange gains or losses	4	-	-	-	-	-	4
Disposals	-	-	-	-	-	(1)	(1)
Balance at the end of the financial year	5,152	641	1,197	169	10	288	7,457

(a) Methods and assumptions for valuation

Franchise systems

An independent valuation of the franchise systems was carried out at 30 June 2007 on the basis of current fair market value and provided a valuation range of $87 million to $93 million. As franchise systems are recorded at cost, the valuation has not been brought to account (refer note 3(n)).

Brands

Fair value of brands has been determined using the relief from royalty method except for the Promina brand which has been valued on replacement cost basis. In determining the value of brands, royalty rates have been determined based on the strengths of each brand and its importance to the customers' purchasing decisions. Royalty rates have been applied to net earned premiums for general insurance brands and total revenues for wealth management brands. Premium and fee income forecasts are based on management projections for the first three years and then long term growth rates.

Customer contracts and other relationships

Value of in-force customer contracts

The fair value of in-force business has been determined based on expected profit that will emerge from the book of in-force business as it matures and all claims are paid. In the general insurance businesses, the in-

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22. Goodwill and intangible assets (continued)

Customer contracts and other relationships (continued)

Value of in-force customer contracts (continued)

force value relates to the premiums that have been paid in full for a policy and the contractual exposure period for the policy that has not fully elapsed. Unearned premium has been calculated as net unearned premium, less deferred acquisition costs, less fire services levy. Claims cost has been calculated as fair value of unexpected risk including claims handling expenses, less bound business, less reinsurance premiums payable. In the life insurance business, the in-force business is the future premiums and profits from existing policies, calculated as value of business in-force plus adjusted net worth less net tangible assets.

Customer relationships

Future profit on customer relationships has been valued using the income approach, based on the present value of future profits expected to arise from existing customer relationships. Premium/fee income and margin forecasts are based on management projections for the first three years and then a long term growth rate. Useful life and lapse rate assumptions for the existing customer base have been determined based on historical lapse rate information for each business.

Distribution relationships

Distribution relationships have been valued using the income approach representing the present value of future earnings expected to be generated by the existing distribution channels. The expected life of various categories of brokers have been determined based on an analysis of the length of the historical relationships with the various categories of broker, the relative strength of perceived relationships and the level of competition for broker relationships.

General Insurance outstanding claims liabilities

The fair value of the outstanding claims liabilities has been determined using a market assessed risk margin. However, the value of general insurance claims reserves recognised on acquisition has been determined using a risk margin consistent with the Group's policy with an offsetting intangible also recognised, which gives a net balance which is equivalent to the fair value based on market assumptions.

Software

Software acquired in business combinations has been valued using the replacement cost approach. Internally developed or purchased software is measured as described in note 3(n).

(b) Amortisation and impairment charge

All intangible assets other than goodwill have been assessed as having finite lives in the ranges as follows:

Category	Useful life
Brands	1-50 years
Customer contracts	1-20 years
Customer relationships	4-30 years
Development software	3-5 years
Distribution relationships	5-15 years
Franchise systems	20 years
Outstanding claims liabilities intangible	20 years

22. Goodwill and intangible assets (continued)

(c) Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
General Insurance - Commercial unit	1,605	1,605	-	-
General Insurance - Personal unit	2,570	2,575	-	-
Wealth Management unit	456	449	-	-
Vero NZ unit	244	273	-	-
Retail Banking unit	198	198	-	-
Business Banking unit	52	52	-	-
	5,125	5,152	-	-

The Group's goodwill is an intangible asset with an indefinite life, and therefore the carrying amount of the cash generating units ("CGUs") to which goodwill is allocated must be tested for impairment annually. The significant CGUs to which goodwill has been allocated are set out above.

The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount of each CGU is based on its value in use and was determined with the assistance of independent valuers. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

Value in use was determined by discounting the future cash flows generated from the continuing use of units and was based on the following key assumptions:

- Cash flows being projected based on actual operating results and three year projections. In addition, cash flows for a further 10 year period were extrapolated using a constant growth rate of 3.5%, which does not exceed the long-term average growth rate for the industry.
- The annual profit in each year of the projection represents a return on risk based capital that reduces over five years from existing levels to a long term assumptions across the Group ranging from 15% to 45% per annum.
- Post-tax discount rates ranging between 9.5% to 11.5%, representing each CGU's cost of capital based on a weighted average of risk based capital.

In the prior financial year, recoverable amount was calculated using fair value less costs to sell. As the CGUs to which goodwill was allocated are not Australian Securities Exchange ("ASX") listed entities, the fair value less costs to sell of each CGU was estimated by multiplying each CGU's profit after tax by an average price earnings multiple for the CGU's industry peer group. The average price earnings multiple for each CGU was determined after considering historical and forecast profit and the market capitalisation of relevant ASX listed industry competitors, and the similarity of the CGU's business to that of its industry competitors.

At 30 June 2008, the recoverable amount of each CGU exceeds its carrying amount and, as a result, no impairment loss has been recognised in the consolidated Income Statement. Based on information available and market conditions at 30 June 2008, a reasonably possible change in the assumptions made in this assessment would not cause any CGU's recoverable amount to be less than its carrying amount.

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23. Other assets

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Deferred expenditure - lease brokerage	25	26	-	-
Accrued income [(1)]	238	194	141	99
Prepayments	75	63	20	16
Sundry assets [(2)]	169	75	200	96
Surplus on defined benefit funds	15	41	-	-
Income tax receivable	32	-	32	-
Development properties	89	44	-	-
Total other assets	643	443	393	211

(1) Financial assets designated at fair value through profit or loss.
(2) Comprises predominantly financial assets carried at amortised cost.

24. Deposits and short term borrowings

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Unsecured				
Call deposits	10,380	10,590	11,064	10,590
Term deposits	11,211	8,409	11,211	8,409
Short term securities issued	16,606	10,835	16,606	10,835
Offshore borrowings at amortised cost	173	134	173	134
Offshore borrowings designated at fair value through profit or loss	4,574	2,659	4,574	2,659
Long term securities issued maturing within 12 months	2,276	285	2,276	285
Accrued interest	80	67	80	67
Total deposits and short term borrowings	45,300	32,979	45,984	32,979

As described in note 3(q)(i), the Group has designated its short term offshore borrowing program as being fair value through profit or loss. All other deposits and short term borrowings are recognised at amortised cost.

The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies where hedge accounting is not applied was a payable of $77 million (2007: a payable of $68 million).

25. Payables and other liabilities

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Unpresented bank cheques	58	70	58	70
Accrued interest payable	318	237	274	117
Amounts due to reinsurers	62	67	-	-
Trade creditors and accrued expenses	1,140	1,017	317	412
Derivative payable (1)	661	637	515	480
Investment settlements (2)	42	873	-	-
Total payables and other liabilities	2,281	2,901	1,164	1,079
Current	1,948	2,239	831	1,079
Non-current	333	662	333	-
Total payables and other liabilities	2,281	2,901	1,164	1,079

Notes

(1) Unsettled hedging positions relate to cross currency swaps for offshore borrowings. Movements in the hedging positions are fully offset by movements in underlying offshore borrowings.

(2) Settlements relating to the investment securities of the general insurance and wealth management business are recognised at fair value.

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26. Employee benefit obligations

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Deficit of plan assets over defined benefit obligations	18	11	-	-
Employee benefits and related on-costs liabilities	232	225	-	-
	250	236	-	-
Provision for employee benefits - current	181	184	-	-
Provision for employee benefits - non-current	69	52	-	-
	250	236	-	-

As explained in note 3(r), the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values:

	Consolidated 2008	Consolidated 2007
Weighted average rate of increases in annual employee benefits to settlement	4.0% - 5.0%	4.0% - 4.5%
Weighted average discount rate	5.70% - 6.57%	6.45% - 7.00%
Weighted average term to settlement of liabilities	4 - 7 years	4 - 6 years

(a) Defined benefit funds

Each superannuation fund administered on behalf of the employees of the Group provides benefits to members on retirement, death or disability. All new employees are currently being given membership of defined contribution funds rather than defined benefit funds.

Certain subsidiaries sponsor seven (2007: seven) defined benefits superannuation plans for employees. In total, three (2007: three) funds are established for Australian employees, and four (2007: four) funds for New Zealand employees.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the Actuaries use the Projected Unit Cost ("PUC") method to determine the present value of the defined benefit obligations, the related current service cost and any past service cost. As at balance date, the three Australian and two of the four New Zealand defined benefit funds were in surplus, while the other two New Zealand funds were in deficit (2007: five funds were in surplus and two in deficit). The Group has no obligation to settle any liabilities with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the defined benefit plans at rates of 1.0% - 20.6% (2007: 0% - 20.6%) of salaries in line with the Actuaries' latest recommendations.

For the Guardian Assurance Superannuation Plan the amount of the surplus recognised is restricted to an amount lower than the fair value of the plan assets less the present value of the defined benefit obligation, in accordance with accounting standards.

Defined benefit funds - Surplus (Deficit) position	Surplus 2008 $m	(Deficit) 2008 $m	Net surplus/ (deficit) 2008 $m	Surplus 2007 $m	(Deficit) 2007 $m	Net surplus/ (deficit) 2007 $m
Australia						
Suncorp Staff Superannuation Plan	2	-	2	4	-	4
Promina Group Staff Superannuation Fund	7	-	7	28	-	28
AAMI Staff Superannuation Fund	2	-	2	3	-	3
New Zealand						
Vero and Asteron New Zealand Staff Pension Scheme	-	(15)	(15)	-	(10)	(10)
RIG Superannuation Fund	-	(3)	(3)	-	(1)	(1)
Commercial Union General Insurance Staff Pension Scheme	1	-	1	3	-	3
Guardian Assurance Superannuation Fund	3	-	3	3	-	3
Total Surplus (Deficit)	15	(18)	(3)	41	(11)	30

26. Employee benefit obligations (continued)

(a) Defined benefit funds (continued)

	Consolidated	
	2008	2007
	$m	$m
Present value of the defined benefit funds		
Fair value of plan assets at 30 June 2008 (2007: 30 June 2007)	198	**251**
Defined benefit obligations as at 30 June 2008 (2007: 30 June 2007)	(192)	**(212)**
Reduction in surplus for amount unable to be recognised under AASB 119	(5)	**(12)**
Adjustment for contributions tax	(4)	**3**
Net asset (liability) recognised in the Balance Sheet	(3)	**30**
Changes in the present value of the defined benefit obligation:		
Defined benefit obligation at the beginning of the financial year	212	**6**
Acquisition of subsidiaries	-	**219**
Current service cost	6	**3**
Interest cost	9	**5**
Actuarial losses (gains)	8	**(11)**
Benefits paid	(28)	**(12)**
Exchange difference	(15)	**2**
Defined benefit obligation at the end of the financial year	192	**212**
Changes in the fair value of plan assets:		
Fair value of plan assets at the beginning of the financial year	251	**9**
Acquisition of subsidiaries	-	**234**
Expected return on fund assets	16	**7**
Actuarial gains (losses)	(31)	**9**
Contributions by Group companies	5	**2**
Benefits paid	(28)	**(12)**
Exchange difference	(15)	**2**
Fair value of plan assets at the end of the financial year	198	**251**
	%	%
Major categories of funds assets as a percentage of total fund assets:		
Cash	7	**5**
Equities	61	**62**
Listed property	2	**3**
Fixed income	27	**28**
Other	3	**2**
	$m	$m
Expense recognised in the consolidated Income Statement		
Current service cost	6	**3**
Interest cost	9	**4**
Expected return on fund assets	(14)	**(7)**
Decrease in allowance for contributions tax on net liability	4	**(8)**
Effect of recognition limit on surplus	(6)	**7**
Actuarial losses (gains)	38	**(17)**
	37	**(18)**
The income (expense) is recognised in the following line items in the Consolidated Income Statement:		
Other income	-	**1**
Operating expenses	37	**(19)**
	37	**(18)**
Actual return on fund assets	(15)	**14**

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26. Employee benefit obligations (continued)

(a) Defined benefit funds (continued)

	Consolidated 2008 %	Consolidated 2007 %
Principal actuarial assumptions and employer contributions:		
(at the balance sheet date expressed as weighted averages)		
Australia		
Employer contribution rate [(1)]	10.5 - 18	12 - 18
Discount rate at 30 June (net of tax)	5.3 - 5.6	5.1 - 5.3
Expected return on fund assets at 30 June (net of tax)	6.8 - 7.9	7 - 7.5
Future salary increases	4.0	4.0
New Zealand		
Employer contribution rate [(1)]	1 - 20	0 - 20
Discount rate at 30 June (net of tax)	4.5	5.0 - 5.5
Expected return on fund assets at 30 June (net of tax)	5.5	5.0 - 5.5
Future salary increases	5.0	4.5 - 5.0

[(1)] Not all funds are contributing for members.

The overall expected long term rate of return on assets is 6.8% to 7.9% (2007: 7.0% to 7.5%) in Australia and 5.5% (2007: 5.0% to 5.5%) in New Zealand. The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees.

	Consolidated 2008 $m	2007 $m	2006 $m	2005 $m
Historic Summary				
Present value of defined benefit obligations	(192)	(212)	(6)	(6)
Fair value of assets held by the funds	198	251	9	8
Surplus (deficit)	6	39	3	2
Experience gains (losses) arising on fund liabilities	(8)	11	-	-
Experience gains (losses) arising on fund assets	(31)	9	1	-

(b) Defined contribution superannuation fund

Total contributions for defined contribution superannuation funds recognised as an expense during the year ended 30 June 2008 were $88 million (2007: $58 million).

26. Employee benefit obligations (continued)

(c) Share based payments

At an Extraordinary General Meeting of the Company held on 14 March 1997, shareholders approved an Exempt Employee Share Plan ("EESP"), a Deferred Employee Share Plan ("DESP"), and an Executive Option Plan ("EOP").

At the Annual General Meeting on 1 November 2000, shareholders approved the establishment of the Non-Executive Directors Share Plan ("NEDSP").

On 21 October 2002, directors resolved to discontinue the issue of options to Executive Officers under the EOP and establish an Executive Performance Share Plan ("EPSP"). There were no options outstanding at 30 June 2008 (2007: nil).

The Promina Exempt Share Plan and Deferral Plans were suspended in October 2006. There will be no further share allocations to these plans. On 1 April 2007 offers were made to executives and managers who had previously participated in the Promina Senior Management Performance Share Plan to participate in the EPSP.

Shares required for the above share plans are acquired by a special purpose trustee and/or custodial companies in ordinary trading on the Australian Securities Exchange.

Features of the plans currently in operation are as follows:

EESP

Eligibility	Employees (other than participants in the EPSP) having completed 12 months' service (or less at the discretion of the Board).
Basis of Share Offers	Each eligible employee can receive shares up to a maximum value of $1,000 in any one year. The value of shares to be offered each year is determined by the Board based on the Group's overall performance.
Price	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.
Vesting	Fully vested, not subject to forfeiture.
Performance Criteria	Shares offered to employees under this Plan are not subject to individual performance criteria.
Minimum holding period	Three years from date of allocation, or upon cessation of employment.
Plan Maximum Limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlements	Full entitlement from the date of shares are allotted to participants.
Voting rights	Participating employees have the right to vote from the date the shares are held by the employee in the Plan.

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26. Employee benefit obligations (continued)

(c) Share based payments (continued)

DESP

Eligibility	Employees having completed three months' service (or less at the discretion of the Board).
Basis of Share Offers	Employees can elect to fund the acquisition of shares to be held under this Plan from their pre-tax remuneration or the Company may offer shares to employees as part of their terms of employment. Shares offered to employees under this Plan as part of their terms of employment are subject to achievement of tenure based criteria or criteria based on the individual's performance.
Price	Shares acquired from employees' pre-tax remuneration are purchased on market. The price of shares acquired for offers funded by the Company is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.
Vesting	If the acquisition of the shares is funded through the employee's remuneration the shares are fully vested at the date of acquisition. If entitlement to shares is subject to performance criteria, those shares will vest when that criteria is satisfied.
Performance Criteria	If the acquisition of the shares is funded through the employee's remuneration no performance criteria apply. If the acquisition of shares is funded by the Company then performance criteria are applied. Those criteria will either be tenure based or based on the individual's performance over specified periods.
Minimum holding period	One year or as otherwise specified in the terms of individual offers.
Plan Maximum Limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlements	Full entitlement from the date shares are held in the Plan.
Voting rights	Participating employees have the right to vote from the date the shares are held by the employee in the Plan.

EPSP

Eligibility	Executive Officers
Basis of Share Offers	Offers under this Plan can be made on commencement of employment however offers are also made on an annual basis. The value of shares offered is determined by the Board based on the participating Executive Officer's level of remuneration and individual performance. Share offers are subject to performance criteria.
Price	The price of shares acquired for any offer is based on the Volume Weighted Average Price of the Company's shares over a five day period preceding the date of the offer.
Vesting	Vesting of shares is subject to satisfaction of performance criteria over the performance period.
Performance criteria	The criteria is based on total shareholder returns ("TSR") achieved by the Company over a performance period compared to the TSR of a comparator group comprising the Top 50 Industrial companies in the S&P/ASX 100, excluding listed property trusts.

26. Employee benefit obligations (continued)

(c) Share based payments (continued)

EPSP (continued)

Performance Criteria (continued)	If the Company's TSR ranking is less than the 50th percentile no shares will vest, at the 50th percentile 50% of shares will vest and at or above the 75th percentile 100% of the shares will vest. Between the 50th and 75th percentiles, an additional 2% of the shares will vest for each 1% increase (on a straight line basis) in the Company's TSR ranking above the 50th percentile. A performance period generally commences on the date of offer to participate in the Plan and the first performance measurement point is three years after the offer date. The Executive Officer has the right to elect to receive an allocation of shares at the end of the performance period, based on the performance result described above, or extend the performance period a further two years. If the Executive Officer elects to accept the year three performance result, any shares subject to that same offer that are not allocated are forfeited. After year three, performance measurements are undertaken on a six monthly basis, in March and September each year, up to the end of year five. Executive Officers electing to extend the performance period from three to five years waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five. The Executive Officer's entitlement to an allocation of shares at the end of year five will be based on the highest performance measurement result recorded at any of the prescribed performance measurement points over the period from the end of year three to the end of year five inclusive. Shares not allocated at the end of year five are forfeited.
Waiver of TSR Criteria	In October 2006 the performance criteria was waived in relation to the October 2004 and 2005 allocations. All other conditions of the offers remain in force.
Minimum holding period	No minimum holding period applies once shares have been allocated unless otherwise determined by the Board.
Plan Maximum Limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlements	Full entitlement from date of allocation (vesting).
Voting rights	Voting rights are held by the Plan Trustee until shares have vested with the participating employee.

NEDSP

Eligibility	Non-executive directors or their associates as approved by the Board.
Basis of Share Offers	All non-executive directors are invited to participate in this Plan. If a director elects to participate, they nominate a percentage of their pre-tax remuneration that is to be used to fund the acquisition of shares on market. Shares acquired are held in the Plan for a maximum of ten years from the date of acquisition.
Price	Shares acquired from director's pre-tax remuneration are purchased on market at predetermined dates during the year. Those dates reflect the terms of the Company's share trading policy.
Vesting	As the acquisition of shares is funded through the participating director's remuneration, the shares are fully vested at the date of acquisition.
Performance Criteria	Not applicable.
Minimum holding period	None.
Plan Maximum Limit	Shares must not be issued under this Plan if the number to be issued would exceed 5% of total shares on issue for the Company when aggregated with the number of shares acquired or issued during the previous five years pursuant to any employee share or option Plan of the Company.
Dividend entitlement	Full entitlement from the date shares are held in the Plan.
Voting rights	Participating directors have the right to vote from the date shares are held by the director in the Plan.

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26. Employee benefit obligations (continued)

(c) Share based payments (continued)

Shares

Details of the deferred ordinary shares granted under the EPSP as long term incentives in this or previous financial years which affect remuneration this year are detailed below:

Grant date	Initial vesting date	Fair value of share $	Number of shares 30 June 2008	Number of shares 30 June 2007
13 December 2002	12 December 2006	6.554	-	72,926
1 January 2003	5 January 2006	6.843	-	100,000
1 January 2003	5 January 2007	7.139	-	100,000
1 January 2003	5 January 2008	7.397	-	100,000
1 October 2003	30 September 2006 (7)	7.090	63,390	63,390
4 May 2004	30 September 2007	7.090	-	5,871
1 July 2004	30 September 2007	7.090	-	1,530
1 September 2004	30 September 2007	7.090	-	22,884
1 October 2004	30 September 2007 (1) (7)	17.865	71,687	268,587
1 October 2004	30 September 2007 (2) (7)	20.755	100,000	100,000
1 February 2005	30 September 2007 (1)	17.865	-	15,216
1 March 2005	30 September 2007 (1)	17.865	-	3,281
1 October 2005	30 September 2008 (3)	24.790	343,301	366,134
1 October 2005	30 September 2008 (4)	29.410	120,000	120,000
1 October 2006	30 September 2009	12.410	532,559	560,669
1 April 2007	30 September 2009 (5)	11.410	321,760	454,235
17 April 2007	30 September 2007 (6) (7)	20.570	5,672	13,571
17 April 2007	13 December 2007 (6)	20.570	-	2,405
17 April 2007	05 January 2008 (6)	17.320	-	9,900
17 April 2007	30 September 2008 (6)	20.570	17,678	18,312
17 April 2007	30 September 2009 (6)	7.790	17,537	18,462
1 October 2007	30 September 2010	14.600	1,284,219	-
			2,877,803	2,417,373

Notes:

(1) Fair value of these shares was revised from 9.005 to 17.865 as a result of the waiver of TSR criteria upon a modification of a condition on 24 October 2006.
(2) Fair value of these shares was revised from 9.005 to 20.755 as a result of the waiver of TSR criteria upon a modification of a condition on 24 October 2006.
(3) Fair value of these shares was revised from 11.22 to 24.79 as a result of the waiver of TSR criteria upon a modification of a condition on 7 June 2007.
(4) Fair value of these shares was revised from 11.22 to 29.41 as a result of the waiver of TSR criteria upon a modification of a condition on 7 June 2007.
(5) Offer to Promina executives in line with the terms and conditions of the EPSP on 1 April 2007.
(6) Adjustment to shares assigned as a result of the entitlement offer made on 17 April 2007.
(7) Some employees elected to extend the vesting period by a further 2 years.

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26. Employee benefit obligations (continued)

(c) Share based payments (continued)

Shares (continued)

The movement in the number of shares is as follows:

	Number of shares 2008	Number of shares 2007
Outstanding at the beginning of the financial year	2,417,373	1,739,861
Granted during the year	1,343,984	1,107,956
Allocated during the year	(512,339)	(204,997)
Forfeited during the year	(310,428)	(117,791)
Released during the year	(60,787)	(107,656)
Outstanding at the end of the financial year	2,877,803	2,417,373

The fair value of services received in return for deferred ordinary shares granted are measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte-Carlo model and reflects the fact that entitlement to the shares is dependent on meeting performance hurdles based on Total Shareholder Return. The entitlement to the shares are also subject to non-market conditions but these are not taken into account in the grant date fair value measurement of the services received.

	Measurement Dates								
	06-Jan-03	06-Jan-03	06-Jan-03	01-Oct-03	01-Oct-04	01-Oct-05	01-Oct-06	01-Apr-07	01-Oct-07
Fair value at measurement date	$6.843	$7.139	$7.397	$7.090	$9.005	$11.220	$12.390	$11.410	$14.600
Share price	$11.24	$11.24	$11.24	$11.95	$15.47	$19.71	$21.94	$20.80	$20.35
Expected volatility (based on the Company's historic volatility)	22%	22%	22%	22%	20%	20%	17%	19%	19%
Vesting period	3 years	4 years	5 years	3 years	3 years	3 years	3 years	2.5 years	5 years
Dividend yield	4.2%	4.2%	4.2%	5.0%	5.3%	4.7%	4.9%	5.0%	5.1%
Risk-free interest rate (based on Australian Government bonds)	4.860%	4.860%	4.860%	4.912%	5.172%	5.340%	5.800%	6.200%	6.440%

The amount included in the consolidated Income Statement in relation to the EPSP for the year ended 30 June 2008 was $13 million (2007: $11 million).

Other share based payments

Details of the shares issued under the DESP and NEDSP are as follows:

	Dates on which shares were issued/allocated	Total number of shares issued/allocated	Issue/Allocation prices	Fair value (market value at dates of issue/allocation)	Amounts received from employees
2008 financial year	Various dates	743,173	Various, based on market value at date of issue	$13 million	$5 million
2007 financial year	Various dates	660,994	Various, based on market value at date of issue	$14 million	$7 million

Share issued during the year under the DESP and NEDSP that were funded by employee and non-executive Director salary sacrifice have a nil impact on the consolidated Income Statement.

During the financial year $nil (2007: $11 million) was recognised in the consolidated Income Statement relating to share-based payments to acquire shares to the value of $nil (2007: $1,000) for each employee eligible under the EESP.

26. Employee benefit obligations (continued)

(c) Share based payments (continued)

Options

During the year ended 30 June 2008 there were no options held or exercised as the Company ceased to issue options under the Executive Option Plan. During the year ended 30 June 2007 the following options for fully paid ordinary shares of the Company under the Executive Option Plan were exercised:

	Weighted average exercise price 2008 $	Number of options 2008	Weighted average exercise price 2007 $	Number of options 2007
Outstanding at the beginning of the year	-	-	11.82	406,333
Forfeited during the year	-	-	12.30	(32,666)
Exercised during the year	-	-	11.77	(373,667)
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

27. Unearned premium liabilities

	Consolidated		Company	
	2008 $m	2007 $m	2008 $m	2007 $m
Balance at the beginning of the financial year	3,206	1,376	-	-
Acquisition of subsidiaries	-	1,709	-	-
Premiums written during the year	6,415	3,794	-	-
Premiums earned during the year	(6,316)	(3,680)	-	-
Net foreign exchange difference	(42)	7	-	-
Balance at the end of the financial year	3,263	3,206	-	-
Current	3,255	3,193	-	-
Non-current	8	13	-	-
Total unearned premium liabilities	3,263	3,206	-	-

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28. Outstanding claims liabilities

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Outstanding claims - general insurance	7,010	7,150	-	-
Outstanding claims - life insurance	130	131	-	-
Total outstanding claims liabilities	7,140	7,281	-	-

Outstanding claims liabilities – general insurance

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Gross central estimate - undiscounted	7,217	6,960	-	-
Risk margin	1,101	1,409	-	-
Claims handling expenses	321	280	-	-
	8,639	8,649	-	-
Discount to present value	(1,629)	(1,499)	-	-
Gross outstanding claims liabilities - discounted	7,010	7,150	-	-
Current	2,743	2,512	-	-
Non-current	4,267	4,638	-	-
	7,010	7,150	-	-

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28. Outstanding claims liabilities (continued)

Outstanding claims liabilities – general insurance (continued)

Reconciliation of movement in discounted outstanding claims liabilities

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Opening net outstanding claims liabilities	6,001	3,761	-	-
Prior periods				
Claims payments	(1,516)	(781)	-	-
Discount unwind	250	143	-	-
Margin release on prior periods	(166)	(113)	-	-
Incurred claims due to changes in assumptions and experience	(384)	(422)	-	-
Change in discount rate	(32)	(47)	-	-
Change in risk margin percentage	(339)	(109)	-	-
Acquisition of Subsidiaries				
Outstanding claims liabilities acquired	-	2,334	-	-
Claims payments	-	(323)	-	-
Discount unwind	-	41	-	-
Margin release on prior periods	-	(44)	-	-
Incurred claims due to changes in assumptions and experience	-	(92)	-	-
Change in discount rate	-	(36)	-	-
Net foreign exchange difference	-	5	-	-
Deferred premium	-	18	-	-
Change in risk margin percentage	-	106	-	-
Current period				
Incurred claims	4,710	2,644	-	-
Claims payments	(2,643)	(1,084)	-	-
Closing net outstanding claims liabilities	5,881	6,001	-	-
Reinsurance and other recoveries on outstanding claims liabilities	1,129	1,149	-	-
Gross outstanding claims liabilities - discounted	7,010	7,150	-	-

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28. Outstanding claims liabilities (continued)

Outstanding claims liabilities – general insurance (continued)

Claims development table

The following table shows the development of undiscounted outstanding claims relative to the ultimate expected claims for the seven most recent accident years. Amounts are net of reinsurance and third party recoveries.

Accident year	**Prior** $m	**2002** $m	**2003** $m	**2004** $m	**2005** $m	**2006** $m	**2007** $m	2008 $m	Total $m
Consolidated									
Estimate of ultimate claims cost:									
At end of accident year		796	1,018	1,045	1,173	1,209	1,245	1,290	
One year later		952	990	1,059	1,063	1,119	1,179		
Two years later		932	928	927	938	1,038			
Three years later		865	824	833	898				
Four years later		850	719	762					
Five years later		788	666						
Six years later		777							
Current estimate of cumulative claims cost		777	666	762	898	1,038	1,179	1,290	
Cumulative payments		(667)	(510)	(460)	(404)	(279)	(159)	(52)	
Outstanding claims - undiscounted	803	110	156	302	494	759	1,020	1,238	4,882
Discount	(296)	(19)	(29)	(53)	(83)	(136)	(204)	(280)	(1,100)
Deferred premium	-	-	-	-	-	-	-	(11)	(11)
Outstanding claims - long tail	507	91	127	**249**	**411**	**623**	**816**	947	3,771
Outstanding claims - short tail									954
Claims handling expense									263
Risk margin									893
Total net outstanding claims liability									5,881
Reinsurance and other recoveries on outstanding claims liabilities									1,129
Total gross outstanding claims liabilities									7,010

The reconciliation of the movement in outstanding claims liabilities and the claims development table has been presented on a net of reinsurance and other recovery basis to give the most meaningful insight into the impact on the consolidated Income Statement.

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29. Gross policy liabilities

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Investment contract policy liabilities				
Gross investment contract liabilities at beginning of financial year	4,707	1,558	-	-
Movement in investment contract policy liabilities reflected in the Income Statement	(520)	292	-	-
Foreign exchange difference	(38)	9	-	-
Investment contract contributions recognised in policy liabilities	808	527	-	-
Investment contract withdrawals recognised in policy liabilities	(981)	(417)	-	-
Fee expense recognised as change in policy liabilities	(38)	(5)	-	-
Investment contract policy liabilities acquired	-	2,743	-	-
Gross investment contract policy liabilities at end of financial year	3,938	4,707	-	-
Insurance contract policy liabilities				
Gross insurance contract liabilities at beginning of financial year	3,279	2,348	-	-
Movement in insurance contract policy liabilities reflected in the Income Statement	(340)	299	-	-
Foreign exchange difference	(13)	3	-	-
Insurance contract contributions recognised in policy liabilities	474	606	-	-
Claims expense recognised recognised in policy liabilities	(545)	(375)		
Insurance contract policy liabilities acquired	-	398	-	-
Gross insurance contract policy liabilities at end of financial year	2,855	3,279	-	-
Total life insurance policy liabilities	6,793	7,986	-	-
Current	762	750	-	-
Non-current	6,032	7,236	-	-
	6,793	7,986	-	-
Unvested policyowner benefits				
Unvested policyowner benefits at beginning of financial year	242	270	-	-
Unvested policyowner benefits acquired	-	19	-	-
Foreign exchange difference	(2)	-	-	-
Increase/(decrease) in unvested policyowner benefits	74	(47)	-	-
Unvested policyowner benefits at end of financial year	314	242	-	-
Liabilities ceded under reinsurance				
Liabilities ceded under reinsurance at beginning of financial year	255	61	-	-
Foreign exchange difference	(1)	-	-	-
Movement in reinsurance assets reflected in the Income Statement	(1)	24	-	-
Policy liabilities acquired	-	170	-	-
Liabilities ceded under reinsurance at end of financial year	253	255	-	-
Current	(6)	(5)	-	-
Non-current	259	260	-	-
	253	255	-	-

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30. Managed funds units on issue

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Managed funds units on issue	813	1,256	-	-

Managed funds units on issue represent unitholder funds in controlled managed investment schemes held by parties other than the Group and are presented as a liability in accordance with AASB 132 *Financial Instruments: Presentation.*

31. Securitisation liabilities

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Secured				
Class A1 Note invested AUD	2,241	3,151	-	-
Class A1 Note invested EUR	108	136	-	-
Class A1 Note invested USD	71	109	-	-
Class A2 Note invested AUD	-	17	-	-
Class A2 Note invested EUR	1,588	2,232	-	-
Class A2 Note invested USD	59	92	-	-
Class A3 Note invested AUD	183	219	-	-
Class B Notes AUD	264	301	-	-
Short Term Warehouse Securities AUD	1,895	1,691	-	-
Total securitisation liabilities at amortised cost	6,409	7,948	-	-

32. Bonds, notes and long term borrowings

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Unsecured				
Offshore borrowings	2,823	3,988	2,823	3,988
Long term securities issued	1,649	300	1,649	300
Drawdown facility [(1)]	123	54	-	-
Total bonds, notes and long term borrowings at amortised cost	4,595	4,342	4,472	4,288

Notes

(1) The drawdown facility is secured over the assets of the NZ Guardian Trust Wholesale Mortgage Fund.

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33. Subordinated notes

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Fixed rate notes due June 2013 (USD)	100	277	100	277
Fixed rate notes due September 2014	123	126	-	-
Floating rate notes due September 2014	65	65	-	-
Floating rate notes due September 2010	220	220	220	220
Fixed rate notes due June 2016	191	194	191	194
Floating rate notes due June 2011	100	100	100	100
Fixed rate notes due October 2016	90	93	-	-
Fixed rate notes due June 2017 (GBP)	411	470	-	-
Floating rate notes due October 2011 (EUR)	246	237	246	237
Fixed rate notes due October 2012 (GBP)	672	-	672	-
Fixed rate notes due September 2025	125	125	-	-
Floating rate notes due September 2025	125	125	-	-
Perpetual floating rate notes	170	170	170	170
Total subordinated notes at amortised cost	2,638	2,202	1,699	1,198

The notes are unsecured obligations of the Group. Payments of principal and interest on the notes have priority over Company dividend payments only, and in the event of the winding-up of the Company the rights of the note holders will rank in preference only to the rights of the preference and ordinary shareholders.

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

34. Preference shares

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
1,440,628 reset preference shares each fully paid (2007: 1,440,628)	144	144	144	144
7,350,000 convertible preference shares each fully paid (2007: nil)	719	-	719	-
Total preference shares at amortised cost	863	144	863	144

Reset Preference Shares

The Company's reset preference shares ("RPS") are perpetual, paying fixed non-cumulative dividends with certain terms periodically reset. The first reset date occurred on 14 September 2006, with $106 million worth of shares being converted into ordinary shares. The next reset date is 14 September 2011. Holders have an option on each reset date to request the preference shares be exchanged for ordinary shares of approximately equal value to the original issue price of the preference shares.

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

Holders of RPS are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as ordinary shareholders with one vote per preference share. The limited circumstances are set out in the Prospectus.

In the event of the winding up of the Company, reset preference shareholders rank above ordinary shareholders but after creditors and subordinated note holders and are entitled to the proceeds of liquidation only to the extent of the issue price of the shares.

34. Preference shares (continued)

Convertible Preference Shares

The Company's convertible preference shares ("CPS") issued on 12 June 2008 are fully paid preference shares which will mandatorily convert into a variable number of ordinary shares on 14 June 2013 (subject to certain requirements being met). In addition, Suncorp must convert the CPS into a variable number of ordinary shares or redeem the CPS for cash within 35 days of the occurrence of an Acquisition Event (subject to certain conditions being met). Holders of the CPS are entitled to receive floating rate quarterly non-cumulative preferred dividends calculated by the formula set out in the Prospectus and which are subject to payment tests also documented in the Prospectus. Such dividends are at the discretion of the directors and only payable if the restrictions as set out in the Prospectus are complied with. The dividends are expected to be fully franked.

Holders of CPS are entitled to vote in limited circumstances in which case shareholders will have the same rights as to the manner of attendance and to voting as ordinary shareholders with one vote per preference share. The limited circumstances are set out in the Prospectus.

In the event of winding up of the Company, convertible preference shareholders rank ahead of ordinary shareholders, equal with RPS and any other equal ranking instruments, but behind all depositors, creditors and non participating shares.

35. Capital and reserves

(a) Reconciliation of movement in capital and reserves attributable to equity holders of the parent

2008	Issued capital $m	Share-based payments $m	Treasury shares $m	General reserves for credit losses $m	Hedging reserve $m	Assets available for sale reserve $m	Other reserves $m	Retained profits $m	Total $m	Minority interests $m	Total equity $m
Consolidated											
Balance at the beginning of the financial year	10,419	18	(75)	119	64	3	30	1,812	12,390	1	12,391
Total recognised income and expense	-	-	-	-	56	6	-	556	618	5	623
Transfer to general reserve for credit losses	-	-	-	40	-	-	-	(40)	-	-	-
Shares issued	436	-	-	-	-	-	-	-	436	-	436
Share-based remuneration	-	10	-	-	-	-	-	-	10	-	10
Treasury shares movements	-	-	(9)	-	-	-	-	-	(9)	-	(9)
Currency translation differences	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Transfer Pre Conversion reserve to retained profits	-	-	-	-	-	-	(13)	13	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(989)	(989)	-	(989)
Balance at the end of the financial year	10,855	28	(84)	159	120	9	(79)	1,352	12,360	6	12,366
2007											
Consolidated											
Balance at the beginning of the financial year	3,007	9	(43)	93	14	1	13	1,341	4,435	-	4,435
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(7)	(7)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	8	8
Total recognised income and expense	-	-	-	-	50	2	-	1,064	1,116	-	1,116
Transfer to general reserve for credit losses	-	-	-	26	-	-	-	(26)	-	-	-
Shares issued	7,329	-	-	-	-	-	-	-	7,329	-	7,329
Shares issued costs	(23)	-	-	-	-	-	-	-	(23)	-	(23)
Conversion of preference shares to ordinary shares	106	-	-	-	-	-	-	-	106	-	106
Share-based remuneration	-	9	-	-	-	-	-	-	9	-	9
Treasury shares movements	-	-	(32)	-	-	-	-	-	(32)	-	(32)
Currency translation differences	-	-	-	-	-	-	17	-	17	-	17
Dividends to shareholders	-	-	-	-	-	-	-	(567)	(567)	-	(567)
Balance at the end of the financial year	10,419	18	(75)	119	64	3	30	1,812	12,390	1	12,391

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35. Capital and reserves (continued)

(a) Reconciliation of movement in capital and reserves attributable to equity holders of the parent (continued)

2008	Issued capital $m	Share-based payments $m	General reserve for credit losses $m	Hedging reserve $m	Assets available for sale reserve $m	Other reserves $m	Retained profits $m	Total $m
Company								
Balance at the beginning of the financial year	10,419	17	119	67	-	13	922	11,557
Total recognised income and expense	-	-	-	57	8	-	772	837
Transfer to general reserve for credit losses	-	-	40	-	-	-	(40)	-
Shares issued	436	-	-	-	-	-	-	436
Share-based remuneration	-	10	-	-	-	-	-	10
Transfer pre-conversion reserve to retained profits	-	-	-	-	-	(13)	13	-
Dividends to shareholders	-	-	-	-	-	-	(993)	(993)
Balance at the end of the financial year	10,855	27	159	124	8	-	674	11,847

2007	Issued capital $m	Share-based payments $m	General reserve for credit losses $m	Hedging reserve $m	Assets available for sale reserve $m	Other reserves $m	Retained profits $m	Total $m
Company								
Balance at the beginning of the financial year	3,007	8	93	18	-	13	687	3,826
Total recognised income and expense	-	-	-	49	-	-	834	883
Transfer to general reserve for credit losses	-	-	26	-	-	-	(26)	-
Shares issued	7,329	-	-	-	-	-	-	7,329
Conversion of preference shares to ordinary shares	106	-	-	-	-	-	-	106
Shares issued costs	(23)	-	-	-	-	-	-	(23)
Share-based remuneration	-	9	-	-	-	-	-	9
Dividends to shareholders	-	-	-	-	-	-	(573)	(573)
Balance at the end of the financial year	10,419	17	119	67	-	13	922	11,557

(b) Share capital

	Ordinary shares		Non-participating shares	
	2008 '000	2007 '000	2008 '000	2007 '000
Company				
Balance at the beginning of the financial year	924,895	556,707	2	2
Issued due to exercise of options under the Executive Option Plan [(1)]	-	374	-	-
Issued under the Dividend Reinvestment Plan	14,709	6,701	-	-
Issued under an Underwriting Agreement in relation to the interim dividend	15,924	-	-	-
Converted from preference shares	-	5,408	-	-
Issued as consideration for acquisition of subsidiaries	-	280,279	-	-
Issued under entitlements offer	-	75,426	-	-
Balance at the end of the financial year	955,528	924,895	2	2

Notes:

(1) 289,667 options with an issue price of $11.62 were exercised in September 2006 and 84,000 options with an issue price of $12.30 were exercised in November 2006. There have been no options issued during the 2008 financial year and there are no options outstanding at 30 June 2008.

Effective 1 July 1998 the *Company Law Review Act* abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

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35. Capital and reserves (continued)

(b) Share capital (continued)

Ordinary shares

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

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

Dividend Reinvestment Plan

On 1 October 2007, 6,184,414 ordinary shares were issued at $19.53 under the Dividend Reinvestment Plan (includes ordinary shares issued pursuant to an Underwriting Agreement) in respect of the 30 June 2007 final dividend.

On 1 April 2008, 24,449,780 ordinary shares were issued at $12.88 under the Dividend Reinvestment Plan and underwriting agreement in respect of the 30 June 2008 interim dividend.

(c) Share-based payments

Share-based payments represent the fair value of equity settled share-based remuneration provided to employees.

(d) Treasury shares

Treasury shares represent the value of shares held by a subsidiary that the Group is required to include in the consolidated financial statements. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(e) General reserves for credit losses

The general reserve for credit losses comprises transfers from retained profits required where the Group's specific and collective provisions for impairment are insufficient relative to APRA's provisioning benchmark of 0.5% of risk weighted assets.

(f) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions where the hedged item has not yet affected profit or loss.

(g) Assets available-for-sale reserve

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

(h) Other reserves

Pre-conversion reserve

Retained profits and reserves of Metropolitan Permanent Building Society ("the Society"), amounting to $13 million as at 1 July 1988, being the date of conversion of the Society to Suncorp-Metway Ltd (then known as Metway Bank Limited), were placed in a pre-conversion reserve account. Under a trust arrangement the reserve was not be available for distribution to shareholders in the ordinary course of business. Upon meeting the conditions for termination of the trust on 30 June 2008, the reserve has been transferred to retained profits.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group.

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36. Dividends

	Company			
	2008		2007	
	Cents per share	$m	Cents per share	$m
Ordinary shares				
Final 2007 dividend (franked) paid 1 October 2007 (2007: 2 October 2006)	55	509	50	279
Interim 2008 dividend (franked) paid 1 April 2008 (2007: 14 March 2007)	52	484	52	294
		993		573
Reset preference shares recognised as liability				
Half-yearly dividend (franked) paid 14 September 2007 (2007: 14 September 2006), recognised in interest expense	255	4	315	8
Half-yearly dividend (franked) paid 14 March 2008 (2007: 14 March 2007), recognised in interest expense	253	4	251	4
		8		12
Dividends not recognised in the Balance Sheet				
In addition to the above dividends, since year end the directors have proposed the following:				
Final 2008 dividend (franked) expected to be paid on 1 October 2008 (2007: 1 October 2007) out of retained profits at 30 June 2008, but not recognised as a liability in the Balance Sheet	55	526	55	509
Total dividends not recognised in the Balance Sheet		526		509

Franked dividends proposed, declared or paid during the year were fully franked at the tax rate of 30% (2007: 30%).

	Company	
	2008	2007
	$m	$m
Dividend franking account		
The franked portions of the dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the financial year ending 30 June 2009.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	682	777

The available franking credits are based on the balance of the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at year end; and

(d) franking credits that the Company may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $233 million (2007: $220 million). In accordance with the tax consolidation legislation, the Company as the head company of the ultimate single tax consolidated group has assumed the franking credits of the Group including Promgroup Limited.

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37. Risk management

A structured risk management framework has been implemented throughout the Group in respect of all risks. The universe of risks includes credit, market, liquidity, insurance, compliance, operational and strategic risks. The risk management framework comprises the language, accountabilities, principles, policies and practices, systems and tools, and reporting processes used to enable the delivery of fast, effective and profitable business to the Group's customers in a safe environment.

The Executive General Manager Group Risk owns the Group's enterprise risk management framework, as a central risk management function. Chief Risk Officers ("CROs") exist in Banking, Insurance, Wealth Management and New Zealand supported by Risk and Compliance Managers embedded in these Lines of Business to create a greater ownership, understanding and awareness of risk. A Risk Council comprising the Executive General Manager Group Risk and all CROs is charged with the development of consistent policies and reporting across the Group and brings these policies and frameworks to the Executive Risk Committee before being presented to the Board Risk Committee.

The Board Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk and recommends the Group's risk appetite to the Board. Management has the primary responsibility and accountability for embedding the risk management framework within the business operations of the Group. Group functions provide monitoring and advisory functions on an independent basis and facilitates the reporting of the status, appropriateness and quality of risk management capabilities to the Board Risk Committee.

Management is required as part of the monthly Due Diligence process to identify and report any risk events which have occurred and any breaches in authorities, policies or legislative requirements. These reports are endorsed through management and executives and included in the Chief Executive Officer's Due Diligence Report to the Board Risk Committee.

Further details of the specific risk management frameworks applying to Banking activities, General Insurance activities and Wealth Management activities are contained in notes 38(c), 39(f) and 40(g) respectively.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk affects all business units within the Group. The main categories of operational risk are internal and external fraud, processing failure, system failure, disasters and business interruption and risks associated with products, clients and business practices, vendor, suppliers and service providers, employment practices and workplace safety.

Board policy requires managers to understand the operational risks to which the business is exposed, assess the exposures and implement necessary mitigators. Following the merger with Promgroup Limited, Suncorp has designed a new Group Operational Risk Management Framework for use across the Group. The framework comprises an accountability model and risk management methodology and standard for the identification, assessment, monitoring and reporting of operational risk. The methodology adopted is based on a structured approach to risk profiling.

Each business line completes a risk profile covering operational risks within that business line. Recognising that risk profiles change over time, management are required to monitor and manage these on an ongoing basis.

These risk profiles are required to be reviewed and signed off at least semi-annually by the relevant Executive General Managers and their respective Group Executives. Group Operational Risk reviews the completed risk profiles for currency, consistency and completeness from a Group perspective. A consolidated Operational Risk Profile is prepared based on these risk profiles and reviewed by the Executive Risk Committee for submission to the Board Risk Committee which authorises the limits of acceptable risk. This declaration process supports the execution of the annual Risk Management Declaration required by APRA.

Operational loss experience is monitored and tracked to enable identification and correction of deficiencies in policies, processes and procedures for managing operational risk. Risk events are regularly reported to the Executive Risk Committee and the Board Risk Committee. The operational loss data accumulated over time is used for Group monitoring and reporting, and for analysis and identification of trends and potential systemic issues.

As part of the new framework, Key Risk Indicators are being developed and will be tracked across the Group to provide early indication of any unacceptable increase in operational risk trends.

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37. Risk management (continued)

Operational risk (continued)

Risks which cross all business units such as business continuity, regulatory compliance, outsourcing, IT security as well as employment practices and workplace safety are subject to group-wide policy and framework and are coordinated centrally.

Capital management

Group Capital

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

In managing the Group's capital, both internal and external measures of capital are used. Externally, the Group is subject to minimum prudential capital requirements imposed by APRA. Revised Prudential Standards reflecting the Basel II Accord principles took effect in Australia from 1 January 2008. Prior to 1 January 2008, the Group reported capital adequacy under the prudential requirements derived from the Basel I framework.

Capital requirements are measured at three levels of consolidation within the Group. The Bank and certain controlled banking and corporate services entities which meet the APRA definition of extended licensed entities ("ELE") are reported as "Level 1". In addition, each of the licensed general insurers is a "Level 1" reporting entity. The "Level 2" banking group consists of the Bank, its controlled banking and corporate services entities and some other entities within the statutory banking group which are not included in the ELE. The "Level 2" insurance groups currently consist of Suncorp Metway Insurance Limited and its controlled insurance entities ("SMIL") and Vero Insurance Limited and its controlled insurance entities ("VIL"). APRA changes to "Level 2" general insurance groups are expected to be implemented from 1 January 2009. "Level 3" consists of the consolidated Suncorp Group.

The Group's statutory capital consists of share capital, reserves and retained profits. Regulatory capital differs from statutory capital due to the inclusion of some liabilities such as preference shares and subordinated notes, and the deduction of intangible assets such as goodwill and software assets.

The Group has three main business lines, each with different regulatory requirements for capital. The structure of the Group has the Bank as the holding company with subsidiaries operating in the General Insurance, Wealth Management and other business lines. The following table (including consolidation entries) demonstrates the distribution of regulatory capital.

37. Risk management (continued)

Capital management (continued)

Group capital (continued)

	as at 30 June 2008					
	Banking $m	General Insurance [3] $m	Wealth Management $m	Other $m	Consolidation [5] $m	Total $m
Tier 1						
Ordinary share capital	10,882	-	-	-	-	10,882
Subsidiary share capital (eliminated upon consolidation)	-	2,216	545	294	(3,055)	-
Reserves	5	6	-	-	-	11
Retained profits [1]	676	1,134	751	(132)	(714)	1,715
Preference shares	879	-	-	-	-	879
Insurance liabilities in excess of liability valuation	-	333	-	-	-	333
Less goodwill, brands	(7,798)	(1,077)	(15)	-	2,036	(6,854)
Less software assets	(86)	(9)	(4)	-	(137)	(236)
Less deductible capitalised expenses	(67)	-	-	-	-	(67)
Less deferred tax asset	(22)	(101)	(29)	-	152	-
Less other required deductions [4]	(2)	(249)	-	(54)	(344)	(649)
Less tier 1 deductions for investments in subsidiaries, capital support	(1,015)	-	-	-	1,015	-
Total tier 1 capital	3,452	2,253	1,248	108	(1,047)	6,014
Tier 2						
APRA general reserve for credit losses	197	-	-	-	-	197
Subordinated notes	1,819	940	-	-	-	2,759
Less tier 2 deductions for investments in subsidiaries, capital support	(1,015)	-	-	-	1,015	-
Total tier 2 capital	1,001	940	-	-	1,015	2,956
Total capital base	4,453	3,193	1,248	108	(32)	8,970
Target capital base [2]	4,265	2,884	1,172	27	(14)	8,334
Excess	188	309	76	81	(18)	636

Notes:

(1) For Banking and General Insurance, this represents the APRA calculation of retained profits. 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 Wealth Management and Other businesses.

(2) APRA requires regulated entities to have internal capital targets. For the Banking business the capital target is a capital adequacy ratio percentage. The target capital for the General Insurance business is based on a multiple of the various MCR components. The Wealth Management 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. The target capital for entities within the Other businesses are based upon their actual capital base.

(3) The General Insurance group includes only those licensed entities regulated by APRA plus the New Zealand general insurance operations. Other entities within the statutory General Insurance reporting group are included in the Other businesses in this table.

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

(5) The consolidation column includes internal adjustments made to the APRA MCR calculation to fully risk weight exposures of the General Insurance business to unregulated Group companies and Joint Ventures.

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37. Risk management (continued)

Capital management (continued)

Group capital (continued)

	as at 30 June 2007					
	Banking $m	General Insurance [3] $m	Wealth Management $m	Other $m	Consolidation [5] $m	Total $m
Tier 1						
Ordinary share capital	10,436	-	-	-	-	10,436
Preference shares	144	-	-	-	-	144
Subsidiary share capital (eliminated upon consolidation)	-	2,172	565	317	(3,054)	-
Retained profits [1]	1,046	1,446	676	(441)	(485)	2,242
Reserves	2	-	2	-	-	4
Insurance liabilities in excess of liability valuation	-	538	-	-	-	538
Less goodwill, brands	(7,738)	(1,093)	(10)	84	1,663	(7,094)
Less software assets	(76)	(8)	(1)	-	(203)	(288)
Less deductible capitalised expenses	(53)	-	-	-	-	(53)
Less deferred tax asset	(64)	-	(1)	-	65	-
Less other required deductions [4]	-	(332)	(2)	-	(450)	(784)
Total tier 1 capital	3,697	2,723	1,229	(40)	(2,464)	5,145
Tier 2						
APRA general reserve for credit losses	154	-	-	-	-	154
Subordinated notes	1,200	1,003	-	-	-	2,203
Total tier 2 capital	1,354	1,003	-	-	-	2,357
Deductions from capital						
Investments in subsidiaries	(1,983)	-	-	-	1,983	-
Guarantees and facilities to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(1,988)	-	-	-	1,988	-
Total capital base	3,063	3,726	1,229	(40)	(476)	7,502
Target capital base [2]	3,106	2,907	1,076	28	-	7,117
Excess	(43)	819	153	(68)	(476)	385

Note: Refer previous page for footnotes (1),(2),(3),(4),(5).

Internally, an Economic Capital framework has been developed and is used as a tool to analyse the level of risk and measure relative performance.

Banking capital adequacy

APRA adopts a risk-based capital assessment framework for Australian banks based on internationally accepted capital measurement standards. This risk-based approach requires eligible capital to be divided by total risk weighted exposures, with the resultant ratio being used as a measure of a bank's capital adequacy. Under APRA guidelines, the Bank must maintain a ratio of regulatory capital to risk weighted exposures of at least 9.5%.

Regulatory capital is divided into Tier 1 and Tier 2. Tier 1 comprises the highest quality components of capital and is divided into "Fundamental Tier 1 capital" and "Residual Tier 1 capital". Fundamental Tier 1 capital is the highest form of capital such as ordinary share capital, reserves and retained profits, while Residual Tier 1 capital is divided into "Non-innovative Residual Tier 1 capital" and "Innovative Tier 1 capital". Non-innovative Residual Tier 1 capital comprises instruments such as perpetual non-cumulative preference shares and Innovative Tier 1 capital consists of all other Residual Tier 1 capital instruments that can include features such as fixed terms, "step-up" in dividends or interest.

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

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37. Risk management (continued)

Capital management (continued)

Banking capital adequacy (continued)

For capital adequacy purposes, the capital base is defined as the sum of Tier 1 and Tier 2 capital after all specified deductions and adjustments. Eligible Tier 2 capital cannot exceed the level of Tier 1 capital. Lower Tier 2 capital after all specified deductions and adjustments cannot exceed 50% of net Tier 1 capital. During the financial year, the Group was granted transitional relief for Lower Tier 2 instruments issued prior to January 2008. The transitional relief extends from 1 January 2008 to 30 June 2009 and allows existing Lower Tier 2 instruments to be included in the Bank's capital base.

The Bank is required to deduct investments in entities engaged in general insurance and life insurance from its capital base. Goodwill relating to these investments as well as other intangible assets are required to be deducted from Tier 1 capital.

The measurement of risk weighted exposures is based on:

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

For calculation of minimum prudential capital requirements, the Group has adopted the Standardised Approaches. The regulatory capital adequacy ratio of the banking group at the end of the financial year was 10.44% (2007: 9.86% - calculated in accordance with prudential standards in force at 30 June 2007) compared to the Group's target range of 10.0% to 10.5%. The consolidated Banking Level 2 capital adequacy position is set out in note 38(b).

General Insurance minimum capital ratio

All General Insurance entities that carry on insurance business in Australia are authorised by APRA and are subject to prudential standards which set out the basis for calculating the minimum capital requirement ("MCR"). The MCR is the minimum level of capital that the regulator deems must be held to meet policyholder obligations. An insurer's capital base is expected to be adequate for its size, business mix, complexity and risk profile of its business and therefore the MCR applies a risk based approach to capital adequacy. Licensed general insurance entities within the Group use the standardised framework for calculating the MCR in accordance with the relevant prudential standards.

For capital adequacy purposes, a general insurer's capital base is the sum of its Tier 1 and Tier 2 capital as defined by the Prudential Standards issued by APRA. Goodwill and other intangible assets are required to be deducted from Tier 1 capital. Any provisions (net of taxation impact) for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% are classified as capital. The Group applies a risk margin to the central estimate of net outstanding claims to achieve a 90% (2007: 94%) confidence level. General insurers are required to hold regulatory capital in excess of their MCR. APRA has set a minimum MCR of 1.25 times for the Suncorp Metway Insurance Limited Group and 1.20 times for the Vero Insurance Limited Consolidated Group.

For internal purposes of setting a target benchmark for Vero Insurance Limited Consolidated Group, adjustments are made to the regulatory capital and MCR calculated in accordance with APRA guidelines in relation to some exposures to non general insurance related entities.

The regulatory capital position of the general insurance groups at the end of the financial year was:

General Insurance MCR	2008	2008 Adjusted	2007	2007 Adjusted	Internal Target
Suncorp Metway Insurance Limited group	1.52	1.52	1.66	1.66	1.60
Vero Insurance Limited Consolidated group	1.86	1.90	2.60	1.84	1.60
Combined general insurance group	1.80	1.68	2.08	1.73	1.60

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

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37. Risk management (continued)

Capital management (continued)

General Insurance minimum capital ratio (continued)

In the absence of regulatory requirements, the Group determines the minimum capital requirements for its New Zealand general insurance business according to the business and operational needs.

The General Insurance minimum capital requirement position is set out in note 39(e).

Wealth Management capital requirements

The Group's life insurance businesses are subject to regulatory capital requirements which prescribe the amount of capital to be held depending on the policy liabilities, investments and reinsurance assets held on the balance sheet. The life insurance businesses hold a target surplus of capital in excess of the prescribed minimum. Where capital falls below this target surplus, the life insurance businesses undertake a series of predetermined actions to improve the capital position. In addition to the tests required by regulatory standards, sensitivity tests are performed at least annually to ascertain the ability of the statutory funds to withstand various adverse "asset shock" scenarios.

In the absence of regulatory requirements, the Group determines the minimum capital requirements for its New Zealand life insurance business according to the business and operational needs.

Fund managers in Australia are subject to responsible entity regulation by the Australian Securities and Investment Commission ("ASIC"). The regulatory capital requirements vary depending on the type of Australian Financial Services Licence held, but a requirement of up to $5 million of net tangible assets applies for each licensed entity.

The solvency requirements and the ratios in respect of those requirements for the life insurance businesses are set out in note 40(f).

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38. Specific disclosures – Banking

38(a) Contribution to profit from Banking activities

	Consolidated Banking	
	2008	2007
	$m	$m
Net interest income [1]		
Interest revenue	4,659	3,428
Interest expense	(3,629)	(2,518)
	1,030	910
Net banking fee and commission income		
Fee and commission revenue	239	220
Fee and commission expense	(91)	(80)
	148	140
Other operating revenue		
Net profits on trading and investment securities	14	5
Net profits on derivative and other financial instruments	8	7
Other income	44	11
	66	23
Non-interest income	214	163
Total income from Banking activities	1,244	1,073
Operating expenses		
Staff	(339)	(305)
Occupancy	(41)	(33)
Computer and depreciation	(55)	(49)
Communication	(29)	(29)
Advertising and promotion	(31)	(27)
Other	(51)	(36)
	(546)	(479)
Contribution to profit from Banking activities before impairment losses on loans and advances and tax	698	594
Impairment losses on loans and advances	(71)	(25)
Contribution to profit before tax from Banking activities	627	569

Notes

(1) The only components of interest income and expense reported above that does not relate to financial assets or liabilities that are not at fair value through profit and loss is the interest income and expenses related to derivatives and trading assets designated at fair value through profit and loss of $542 million (2007: $256 million) and liabilities designated at fair value through profit and loss of $175 million (2007: $104 million).

Whilst Business Banking and Retail Banking have been disclosed as separate reportable segments in note 4, the Executive and Board also consider the total Banking result disclosed above as relevant to understanding the Group's performance. The above profit result consolidates Business Banking, Retail Banking and Treasury Services (which is within the "Other" segment in note 4). This also represents the results of the consolidated Banking group which is regulated by APRA.

The information set out above includes transactions that have been eliminated in the consolidated Income Statement. It excludes dividends received from subsidiaries.

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38. Specific disclosures – Banking (continued)

38(b) Banking capital adequacy

The consolidated Banking capital adequacy position is set out below:

	Consolidated Banking	
	2008	2007
	$m	$m
Tier 1		
Fundamental Tier 1		
Ordinary share capital	10,882	10,436
Reserves	5	2
Retained profits	676	1,046
	11,563	11,484
Residual Tier 1		
Reset preference shares	144	144
Convertible preference shares	735	-
Residual Tier 1 transferred to Upper Tier 2	(22)	-
	857	144
Tier 1 Deductions		
Goodwill	(7,798)	(7,738)
Software assets	(86)	(76)
Other intangible assets per APRA definitions	(67)	(53)
Deferred tax asset	(22)	(64)
Other Tier 1 deductions	(2)	-
Tier 1 deductions for investments in subsidiaries, capital support	(1,015)	(994)
	(8,990)	(8,925)
Total Tier 1 capital	3,430	2,703
Tier 2		
Upper Tier 2		
APRA general reserve for credit losses	197	154
Perpetual subordinated notes	170	170
Residual Tier 1 transferred to Upper Tier 2	22	-
	389	324
Lower Tier 2		
Subordinated notes	1,649	1,030
Lower Tier 2 deductions	-	-
	1,649	1,030
Tier 2 deductions		
Tier 2 deductions for investments in subsidiaries, capital support	(1,015)	(994)
Total Tier 2 capital	1,023	360
Capital base	4,453	3,063
Total assessed risk	42,650	31,063
Risk weighted capital ratio	10.44%	9.86%

The 30 June 2008 capital adequacy position has been calculated in accordance with the revised prudential standards reflecting the Basel II principles. The 30 June 2007 capital adequacy position has been calculated in accordance with prudential standards in force at that time, but the information has been presented in the format of the revised prudential standards.

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38. Specific disclosures – Banking (continued)

38(b) Banking capital adequacy (continued)

Risk weighted assets

	Consolidated Banking			
	Carrying value		Risk weighted balance	
	2008 $m	2007 $m	2008 $m	2007 $m
Assets				
Cash, claims on Reserve Bank of Australia, short term claims on Australian Commonwealth Government and other liquid assets	365	465	35	8
Claims on Australian and foreign governments	260	58	1	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	581	143	119	29
Claims secured against eligible residential mortgages	23,162	17,513	9,996	8,757
Past due claims	511	-	696	-
Other assets and claims	26,175	20,576	25,700	20,599
Total banking assets	51,054	38,755	36,547	29,393
	Notional value 2008 $m	Credit equivalent 2008 $m	Risk weighted balance 2008 $m	Risk weighted balance 2007 $m
Off balance sheet positions				
Guarantees entered into in the normal course of business	353	193	186	141
Commitments to provide loans and advances	9,790	3,190	2,273	1,016
Capital commitments	96	96	96	33
Foreign exchange contracts	17,097	266	91	94
Interest rate contracts	49,527	477	136	94
Total off balance sheet positions	76,863	4,222	2,782	1,378
Market risk capital charge			597	292
Operational risk capital charge			2,724	-
Total off balance sheet positions			2,782	1,378
Total risk weighted assets			36,547	29,393
Total assessed risk			42,650	31,063
Risk weighted capital ratios			%	%
Tier 1			8.04	8.70
Tier 2			2.40	1.16
Total risk weighted capital ratios			10.44	9.86

The 30 June 2008 capital adequacy position has been calculated as per revised prudential standards reflecting the Basel II principles.

38(c) Banking risk management

Credit risk

Credit risk is the likelihood of future financial loss resulting from the failure of clients or counterparties to meet contractual payment obligations as they fall due. Credit risk is managed on a structured basis combining a well-defined framework that lays out the fundamental risk management principles and guidelines, with approval decisions being taken within credit approval authorities delegated by the Board.

The Board of Directors is the highest credit authority. The Board determines the Group credit risk appetite and also decisions individual credit assessments where the exposure exceeds the level of authority delegated to the Management Committee.

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Credit risk (continued)

Under authority of the Board of Directors, the Board Risk Committee approves the Bank's risk management framework and monitors the effectiveness of the credit risk management by receiving regular reports on performance of the loan portfolios. The Board Risk Committee also defines and reviews (at least annually) the Credit Principles that are overarching statements establishing the Group's lending direction and setting the criteria within which management may make its decisions and take action.

The Group Risk division is an independent group responsible for the acceptance and management of credit risk. Within the direction defined by the Credit Principles, the Risk division has responsibility for: setting and maintaining detailed credit policies and standards; maintaining an independent credit chain with authority to accept credit risk; monitoring trends impacting the credit quality of lending portfolios; developing and maintaining risk grading and automated risk assessment systems; and managing troublesome and impaired assets.

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio; and risk graded portfolio.

The statistically managed portfolio covers consumer business (ie personal loans and housing loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank's end to end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

The risk-graded portfolio includes business and corporate exposures. Within this portfolio, exposures are individually assessed and an internal risk grade assigned depending on discrete analysis of each customer or group of related customer's risk profile. Exposures within this portfolio are generally subject to annual (or more frequent) review including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the client manager including regular performance monitoring, reporting and, in need, automatic transfer to a central Credit Recovery unit.

A structure of industry concentration limits has been developed to monitor exposure levels within the risk-graded portfolio. These are tactical limits upon which business planning and developmental activity is based but also act as guidelines for portfolio concentration purposes.

To ensure credit risk is managed in accordance with the approved risk management framework the Group Risk division, in conjunction with the Internal Audit division, undertake regular inspections of credit risk related activities of the various business segments and complete an analysis of the Group risk profile and provide timely reporting to senior management and the Board.

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

	Consolidated Banking	
	2008	2007
	Number	Number
25 percent and greater	-	-
20 percent to less than 25 percent	-	1
15 percent to less than 20 percent	-	-
10 percent to less than 15 percent	5	2
5 percent to less than 10 percent	5	7

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Credit risk (continued)

Risk concentrations with respect to the Banking assets of the Group excluding investments in subsidiaries are shown below. Details of credit risk amounts for credit commitments are set out in note 44 and for derivative financial instruments in note 42.

	Consolidated Banking									
2008	Receivables due from other banks $m	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments $m	Derivative instruments $m	Total risk $m	Impaired assets $m	Past Due $m	Total not past due or impaired $m
Agribusiness	-	-	-	3,706	52	-	3,758	14	30	3,714
Construction and development	-	-	-	6,154	1,308	-	7,462	267	159	7,036
Financial services	263	5,685	1,273	1,910	98	743	9,973	-	-	9,973
Hospitality	-	-	-	1,730	-	-	1,730	4	40	1,686
Manufacturing	-	-	-	928	-	-	928	2	6	920
Professional services	-	-	-	851	-	-	851	2	6	843
Property investment	-	-	-	7,515	-	-	7,515	61	64	7,390
Real estate - Mortgage	-	-	-	27,608	1,313	-	28,921	10	1,225	27,686
Personal	-	-	-	864	-	-	864	-	23	841
Government and public authorities	-	-	-	8	-	-	8	-	-	8
Other commercial and industrial	-	-	-	4,708	362	-	5,070	24	110	4,936
Total gross credit risk	263	5,685	1,273	55,982	3,133	743	67,080	384	1,662	65,034
Impairment provisions							(80)	(74)	-	(154)
							67,000	310	1,662	64,880
2007										
Agribusiness	-	-	-	3,397	23	-	3,420	12	46	3,362
Construction and development	-	-	-	4,276	367	-	4,643	100	95	4,448
Financial services	42	4,291	8	1,188	90	719	6,338	-	-	6,338
Hospitality	-	-	-	1,434	-	-	1,434	6	4	1,424
Manufacturing	-	-	-	790	-	-	790	5	1	784
Professional services	-	-	-	793	-	-	793	9	9	775
Property investment	-	-	-	5,694	-	-	5,694	5	9	5,680
Real estate - Mortgage	-	-	-	24,155	1,130	-	25,285	6	741	24,538
Personal	-	-	-	1,064	-	-	1,064	2	10	1,052
Government and public authorities	-	-	-	6	-	-	6	-	-	6
Other commercial and industrial	-	-	-	3,056	136	-	3,192	12	56	3,124
Total gross credit risk	42	4,291	8	45,853	1,746	719	52,659	157	971	51,531
Impairment provisions							(95)	(25)	-	(120)
							52,564	132	971	51,411

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Credit risk (continued)

	Company									
2008	**Receivables due from other banks $m**	**Trading securities $m**	**Investment securities $m**	**Loans, advances and other receivables $m**	**Credit commitments $m**	**Derivative instruments $m**	**Total risk $m**	**Impaired assets $m**	**Past Due $m**	**Total not past due or impaired $m**
Agribusiness	-	-	-	3,706	52	-	3,758	12	29	3,717
Construction and development	-	-	-	6,154	1,308	-	7,462	266	155	7,041
Financial services	263	5,685	11,082	1,910	98	743	19,780	-	0	19,780
Hospitality	-	-	-	1,730	-	-	1,730	3	39	1,688
Manufacturing	-	-	-	928	-	-	928	2	4	922
Professional services	-	-	-	851	-	-	851	1	4	846
Property investment	-	-	-	7,515	-	-	7,515	61	64	7,390
Real estate - Mortgage	-	-	-	27,608	1,313	-	28,921	10	1,225	27,686
Personal	-	-	-	864	-	-	864	-	23	841
Government and public authorities	-	-	-	8	-	-	8	-	-	8
Other commercial and industrial	-	-	-	2,357	362	-	2,719	16	102	2,601
Total gross credit risk	263	5,685	11,082	53,631	3,133	743	74,536	371	1,645	72,520
Impairment provisions							(74)	(71)	-	(145)
							74,462	300	1,645	72,375
2007										
Agribusiness	-	-	-	3,397	23	-	3,420	7	45	3,369
Construction and development	-	-	-	4,277	367	-	4,644	103	93	4,448
Financial services	42	4,291	9,688	1,188	90	719	16,018	-	-	16,018
Hospitality	-	-	-	1,435	-	-	1,435	6	4	1,425
Manufacturing	-	-	-	789	-	-	789	3	-	786
Professional services	-	-	-	793	-	-	793	6	7	780
Property investment	-	-	-	5,693	-	-	5,693	5	9	5,679
Real estate - Mortgage	-	-	-	24,154	1,130	-	25,284	8	741	24,535
Personal	-	-	-	1,064	-	-	1,064	-	10	1,054
Government and public authorities	-	-	-	6	-	-	6	-	-	6
Other commercial and industrial	-	-	-	767	136	-	903	6	53	844
Total gross credit risk	42	4,291	9,688	43,562	1,746	719	60,048	144	961	58,943
Impairment provisions							(88)	(20)	-	(108)
							59,960	124	961	58,835

The following table provides information regarding the aggregate credit risk exposure of the consolidated Banking Group and the Company excluding receivables due from other banks, Trading securities, Investment securities, Credit commitments and Derivative instruments. Impaired loans are those for which the bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. This includes loans that are individually impaired and those forming the group of homogeneous assets in respect of which a collective impairment provision has been calculated.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. An estimate of the fair value of collateral and other security enhancements held by the Company and Banking Group against loans and receivables is shown in the table below.

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Credit risk (continued)

	Consolidated Banking				Company			
	2008		2007		2008		2007	
	Loans, Advances & Receivables $m	Collateral held $m	Loans, Advances & Receivables $m	Collateral held $m	Loans, Advances & Receivables $m	Collateral held $m	Loans, Advances & Receivables $m	Collateral held $m
Credit recovery commenced								
Individually impaired	384	330	157	130	371	319	144	122
Allowance for impairment	(74)	-	(25)	-	(71)	-	(20)	-
	310	330	132	130	300	319	124	122
Collectively impaired	1,212	1,263	923	953	1,201	1,217	912	907
Allowance for impairment	(65)	-	(86)	-	(58)	-	(79)	-
	1,147	1,263	837	953	1,143	1,217	833	907
Loans on Watchlist								
Loans in collective provision group	330	420	168	394	322	396	164	371
Allowance for impairment	(15)	-	(9)	-	(15)	-	(9)	-
Other non impaired	498	211	255	197	374	211	255	197
	813	631	414	591	681	607	410	568
Past due but not impaired								
Retail banking loans	1,331		797		1,331		797	
Business banking loans	331		174		314		164	
	1,662		971		1,645		961	
Neither past due nor impaired								
Retail banking loans	25,821		23,446		25,819		23,442	
Business banking loans	25,765		19,933		23,899		17,684	
Includes amounts with renegotiated terms	-		-		-		-	
	51,586		43,379		49,718		41,126	
Total carrying amount	55,518		45,733		53,487		43,454	

Past due but not impaired loans and advances for the consolidated Banking Group and for the Company comprise:

	Consolidated Banking Past due but not impaired						Company Past due but not impaired					
	0-30 days $m	30-60 days $m	60-90 days $m	90-180 days $m	> 180 days $m	Total $m	0-30 days	30-60 days $m	60-90 days $m	90-180 days $m	> 180 days $m	Total $m
2008												
Loans and advances [1]												
Retail Banking	841	228	106	101	55	1,331	841	228	106	101	55	1,331
Business Banking [2]	-	178	47	106	-	331	-	165	45	104	-	314
	841	406	153	207	55	1,662	841	393	151	205	55	1,645
2007												
Loans and advances [1]												
Retail Banking	552	135	54	37	19	797	552	135	54	37	19	797
Business Banking [2]	-	58	33	83	-	174	-	51	31	82	-	164
	552	193	87	120	19	971	552	186	85	119	19	961

Notes

(1) The balances of financial assets other than loans, advances and other receivables are all neither past due nor impaired.

(2) For Business Banking assets, internal management reporting only reports past due but not impaired assets greater than 30 days.

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Market risk

Market risk is the risk of loss of current and future earnings from adverse moves in interest rates, foreign exchange rates and prices of other financial contracts including derivatives.

Traded interest rate risk and foreign exchange risk is managed using a framework that includes value at risk ("VaR") limits, sensitivity limits and stop loss limits. VaR is a statistical estimate of the potential loss that could be incurred if the Banking entity's trading positions were maintained for a pre-defined time period. A 99% confidence level and a one-day holding period are used for the simulation. A 99% confidence level implies that for every 100 days, the loss will not exceed the VaR on 99 of those days. The VaR model, based on a Monte Carlo simulation methodology, takes into account correlations between different positions and the potential for movements to offset one another within the individual portfolios. The major limitation of this methodology is that the historical market data used to forecast parameters of the model might not be an appropriate proxy of those parameters. Market risk from proprietary trading activities is independently calculated and monitored on a daily basis. Actual results are back tested to check the accuracy of the model and scenario analysis is regularly performed to simulate more extreme market movements. All trading positions are valued daily and taken to the Income Statements on a fair value basis.

The Market risk analysis presented below for the consolidated banking entities applies equally to the Company.

Interest rate risk

Interest rate risk is the risk of a loss of current and future Bank earnings from adverse moves in interest rates. The two major sources of interest rate risk in relation to Banking are non-trading activities and trading activities. Under authority of the Board of Directors, the Board Risk Committee has responsibility for oversight of interest rate risk for the Group. The Board Risk Committee approves all interest rate risk policies and reviews relevant risk measures. Executive management of interest rate risk is delegated to the Asset and Liability Committee who review risk measures and limits, provide guidance, endorse non-traded interest rate risk strategy and monitor execution of strategy.

Non-traded interest rate risk

Non-traded interest rate risk arises from the structure and characteristics of the Banking assets and liabilities and in the mismatch in their repricing dates. The principal objective of non-traded interest rate risk management is to maximise and stabilise net interest income and the present value of the balance sheet over time providing secure and sustainable net interest income in the long term.

Operational management of non-traded interest rate risk is delegated to the Balance Sheet Management section of the Group Treasury division. Non-traded interest rate risk is independently monitored against approved policies by the Market Risk section of the Risk division.

The risk to the net interest earnings over the next 12 months from a change in interest rates is measured on at least a monthly basis. A simulation model is used to combine underlying financial position data with assumptions about new business and expected repricing behaviour to calculate the Banking entity's net interest income at risk. The analysis is generally based on contractual repricing information.

A 1% parallel shock in the yield curve is used to determine the potential adverse change in net interest income in the ensuing 12 month period. This is a standard risk quantification measure used by Suncorp. A number of supplementary scenarios comprising variations in size and timing of interest rate moves together with changes in the balance sheet size and mix are also used to provide a range of net interest income outcomes.

The figures in the table below indicate the potential change in net interest income for an ensuing 12-month period. The change is expressed as a percentage of expected net interest earnings based on a 1% parallel adverse shock.

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Non-traded interest rate risk (continued)

	Company and Consolidated Banking	
	2008	2007
	%	%
Exposure at the end of the year	-	-
Average monthly exposure during the year	0.38	0.33
High month exposure during the year	1.02	0.89
Low month exposure during the year	-	-

As a measure of longer-term sensitivity, the Banking entity measures the present value sensitivity of its balance sheet and also periodically prepares a value at risk type analysis to value asset, liability and off-balance sheet positions under a range of possible interest rate scenarios.

The present value sensitivity of the Bank's balance sheet represents the present value of the net interest income at risk of all known cashflows in the future. A predefined adverse interest rate shock is applied to the market curve and the balance sheet is revalued. The difference between the present value of the balance sheet using the market curve and the shocked curve shows the sensitivity of the present value of the balance sheet to the predefined shock.

The figures in the table below indicate the potential adverse change in present value sensitivity of the Bank's balance sheet. The change is based on an adverse 1% shock.

	Company and Consolidated Banking	
	2008	2007
	$m	$m
Exposure at the end of the year	66	43
Average monthly exposure during the year	46	34
High month exposure during the year	66	43
Low month exposure during the year	27	23

Value at risk provides information on the potential adverse change that could occur to the present value of assets and liabilities under a range of possible interest rate scenarios where repricing dates do not match. The interest rate scenarios are derived from actual interest rate movements that have occurred over discrete three-month and two-year historical observation periods. A 97.5% confidence level and a one-month holding period are used for the simulation. The information is based on contractual repricing information.

	Company and Consolidated Banking	
	2008	2007
	$m	$m
Exposure at the end of the year	50	14
Average monthly exposure during the year	23	11
High month exposure during the year	50	14
Low month exposure during the year	14	7

Traded interest rate risk

The Banking entity trades a range of on-balance sheet and derivative interest rate products. The principal objective of traded interest rate risk management is to generate income through disciplined trading, provide a service to the Bank's customers and act as a market maker to the entity's own internal customers. Income is earned from spreads achieved through market making and from effective trading conducted within the traded market risk management framework.

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Traded interest rate risk (continued)

Operational management of traded interest rate risk is delegated to the Trading and Risk Management sections of the Group Treasury division. Traded interest rate risk is independently monitored against approved policies on a daily basis by the Market Risk section of the Risk division.

The VaR for the Banking entity's interest rate trading portfolios for the year was as follows:

	Company and Consolidated Banking	
	2008	2007
	$m	$m
VaR at the end of the year	0.83	0.03
Average VaR during the year	0.58	0.05
Maximum VaR during the year	3.41	0.19
Minimum VaR during the year	0.04	0.02

Foreign exchange risk

Foreign exchange risk is the risk of a loss of current and future earnings from adverse movements in exchange rates. The two sources of foreign exchange risk are non-trading activities (balance sheet management) and trading activities. Under authority of the Board of Directors, the Board Risk Committee has responsibility for oversight of foreign exchange risk for the Group. The Board Risk Committee approves all foreign exchange risk policies and reviews relevant risk measures. Executive management of foreign exchange risk is delegated to the Asset and Liability Committee who review risk measures and limits, provide guidance, endorse and monitor non-traded foreign exchange risk strategy.

Non-traded foreign exchange risk

Non-traded foreign exchange risk arises where investments in non-Australian operations expose current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The policy is to fully hedge any such exposure and accordingly minimal exposure to non-traded foreign exchange risk exists. All offshore borrowing facilities arranged as part of the overall funding diversification process (refer 'Concentrations of deposit and borrowing' in Liquidity Risk below) have been economically hedged in respect of their potential foreign exchange risk, through the use of derivative financial instruments (refer Note 41(b)).

Traded foreign exchange risk

The Bank trades a range of foreign exchange products including derivatives. The principal objective of traded foreign exchange risk management is to generate income through disciplined trading, provide a service to the Bank's customers and act as a market maker to internal customers. Income is earned from spreads achieved through market making and from effective trading conducted within the traded market risk management framework.

Operational management of traded foreign exchange risk is delegated to the Trading and Risk Management section of the Group Treasury division. Traded foreign exchange risk is independently monitored against approved policies on a daily basis by the Market Risk section of the Risk division.

The VaR for the foreign exchange trading portfolios for the year was as follows:

	Company and Consolidated Banking	
	2008	2007
	$m	$m
VaR at the end of the year	0.06	0.10
Average VaR during the year	0.18	0.07
Maximum VaR during the year	0.59	0.34
Minimum VaR during the year	0.02	0.01

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Market risk (continued)

Total traded market risk

Combined risk from both interest rate and foreign exchange trading activities is independently calculated using VaR methodology and monitored against approved limits on a daily basis. The risk calculations, based on the Monte Carlo simulation methodology, take into account correlations between different positions in both the interest rate and foreign exchange trading portfolios, that is, the potential for movements in one portfolio to offset movements in the other portfolio.

The VaR for the Bank's total interest rate and foreign exchange trading activities for the year was as follows:

	Company and Consolidated Banking	
	2008	2007
	$m	$m
VaR at the end of the year	0.84	0.12
Average VaR during the year	0.57	0.09
Maximum VaR during the year	2.96	0.35
Minimum VaR during the year	0.05	0.02

Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity risk arises from mismatches in the cash flows of financial transactions or the inability of financial markets to absorb the transactions of the Bank. Under authority of the Board of Directors, the Board Risk Committee has responsibility for oversight of liquidity risk. The Board Risk Committee approves all liquidity policies and reviews relevant risk limits. Executive management of liquidity risk is delegated to the Asset and Liability Committee who review risk measures and limits, provide guidance, endorse and monitor funding and liquidity strategy. The primary objective of liquidity policy is to ensure that the Group has sufficient funds available to meet all its known and potential commitments on a normal, going concern basis and in a crisis situation.

Liquidity risk is managed using a framework that includes going concern and name crisis scenario analysis, minimum high quality liquid asset ratios, minimum liquid asset ratios, liquidity concentration limits and other supplementary management trigger limits. At 30 June 2008 the minimum high quality liquid asset ratio was Consolidated Banking 7.2% (2007: 2.6%) and the minimum liquid asset ratio was 2008: 12.5% (2007: 11.1%). The Bank ended the financial year to June 2008 with average balance sheet duration, including subordinated debt and hybrids, of around 0.6 of a year, the same level as at 30 June 2007.

Operational management of liquidity risk is delegated to the Balance Sheet Management section of the Treasury Services division. Liquidity risk is independently monitored against approved policies on a daily basis by the Group Market Risk section of the Risk division.

Concentration of deposits and borrowing

Details of the concentration of financial liabilities used by the Company and consolidated Banking group to raise funds are as follows:

38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Liquidity risk (continued)

Concentrations of deposits and borrowing (continued)

	Consolidated Banking and Company	
	2008	2007
	$m	$m
Australian funding sources		
Retail deposits	22,257	19,180
Wholesale funding	18,331	11,354
AUD domestic programme	2,925	984
Securitisation [(1)]	4,591	5,387
	48,104	36,905
Overseas wholesale funding sources		
European commercial paper and medium term note market	8,706	6,932
Subordinated debt programme	1,018	514
United States Commercial paper programme	368	-
Securitisation [(1)]	1,826	2,569
	11,918	10,015
	60,022	46,920
Comprised of the following:		
Deposits from other banks	238	238
Other money market deposits	3,968	3,327
Amounts owed to other depositors	18,913	15,990
Certificates of deposits	16,606	10,835
Promissory notes and other liabilities evidenced by paper	4,574	2,659
Other borrowed funds	15,723	13,871
	60,022	46,920

Notes

(1) Funds raised from securitisation through the Suncorp Apollo trusts are on-lent to the Company through intercompany loan arrangements.

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Liquidity risk (continued)

Maturity analysis

The following maturity distribution of financial liabilities relating to Banking activities of the Group is based on undiscounted contractual cash flows as required by AASB 7 *Financial Instruments: Disclosures.* Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the less than 3 months column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

It should be noted that the Banking entity does not use this contractual maturity information as presented in the management of the balance sheet. Additional factors are considered when managing the maturity profiles of the business.

Consolidated Banking	Consolidated Banking						
	Carrying amount	At call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total Cash flows
2008	$m	$m	$m	$m	$m	$m	$m
Deposits and short term borrowings	46,652	12,369	24,548	9,712	1,270	2	47,901
Payables due to other banks	45	45	-	-	-	-	45
Payables and other liabilities	1,364	-	1,364	-	-	-	1,364
Derivative financial instruments (trading)	148	-	148	-	-	-	148
Securitisation liabilities	6,416	-	508	3,428	3,041	433	7,410
Bonds, notes and long term borrowings	4,472	-	48	317	5,012	-	5,377
Subordinated notes	1,699	-	13	105	2,039	-	2,157
Preference shares	863	-	18	47	1,102	-	1,167
	61,659	12,414	26,647	13,609	12,464	435	65,569
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	448	2,048	4,066	-	6,562
Contractual amounts receivable		-	(337)	(1,775)	(3,744)	-	(5,856)
	366	-	111	273	322	-	706
2007							
Deposits and short term borrowings	33,334	10,762	16,385	4,196	2,148	2	33,493
Payables due to other banks	25	25	-	-	-	-	25
Payables and other liabilities	2,184	-	2,184	-	-	-	2,184
Derivative financial instruments (trading)	16	-	16	-	-	-	16
Securitisation liabilities	7,956	-	680	3,196	4,502	848	9,226
Bonds, notes and long term borrowings	4,288	-	96	303	4,784	-	5,183
Subordinated notes	1,198	-	9	241	1,167	120	1,537
Preference shares	144	-	4	4	170	-	178
	49,145	10,787	19,374	7,940	12,771	970	51,842
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	363	504	5,234	-	6,101
Contractual amounts receivable		-	(307)	(334)	(4,667)	-	(5,308)
	464	-	56	170	567	-	793

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38. Specific disclosures – Banking (continued)

38(c) Banking risk management (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company	Company						
Company	Carrying amount	At call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total Cash flows
2008	$m	$m	$m	$m	$m	$m	$m
Deposits and short term borrowings	45,984	12,369	23,880	9,712	1,270	2	47,233
Payables due to other banks	45	45	-	-	-	-	45
Payables and other liabilities	1,164	-	1,164	-	-	-	1,164
Derivative financial instruments (trading)	148	-	148	-	-	-	148
Payables to subsidiaries (1)	6,416	-	508	3,428	3,041	433	7,410
Bonds, notes and long term borrowings	4,472	-	48	317	5,012	-	5,377
Subordinated notes	1,699	-	13	105	2,039	-	2,157
Preference shares	863	-	18	47	1,102	-	1,167
	60,791	12,414	25,779	13,609	12,464	435	64,701
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	448	2,048	4,066	-	6,562
Contractual amounts receivable		-	(337)	(1,775)	(3,744)	-	(5,856)
	366	-	111	273	322	-	706
2007							
Deposits and short term borrowings	32,979	10,762	16,385	4,196	2,148	2	33,493
Payables due to other banks	25	25	-	-	-	-	25
Payables and other liabilities	1,079	-	1,079	-	-	-	1,079
Derivative financial instruments (trading)	16	-	16	-	-	-	16
Payables to subsidiaries (1)	7,946	-	680	3,196	4,502	848	9,226
Bonds, notes and long term borrowings	4,288	-	96	303	4,784	-	5,183
Subordinated notes	1,198	-	9	241	1,167	120	1,537
Preference shares	144	-	4	4	170	-	178
	47,675	10,787	18,269	7,940	12,771	970	50,737
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	363	504	5,234	-	6,101
Contractual amounts receivable		-	(307)	(334)	(4,667)	-	(5,308)
	464	-	56	170	567	-	793

Notes

(1) Funds raised from securitisation through the Suncorp Apollo trusts are on-lent to the Company through intercompany loan arrangements.

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38. Specific disclosures – Banking (continued)

38(d) Critical accounting estimates and judgements

Significant estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience and other factors. These include expectations of future events that are believed to be reasonable under the circumstances.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

Provision for impairment – collective provision

A provision for impairment – collective provision is established against loan portfolios when events have occurred that have historically resulted in loan losses, but for which at balance date individual loans have not yet become impaired requiring individual (specific) provisioning. The collective provision is determined by identifying groups of loans with similar credit risk characteristics and loss events, and estimating the adverse impact of these events on future cash flows on the loans and subsequent potential losses that could arise.

The Group has determined its groups of loans with similar credit risk characteristics as follows:

- Retail loans, small business and non-credit risk rated business loans are grouped by product; and
- Credit risk rated business loans are grouped by the industry types, being agribusiness, commercial, development finance and property investment.

The key loss event identified for retail, small business and non-credit risk rated business loans is borrower in monetary default. The key loss events for credit risk rated business loans substantially align with existing credit review and management procedures to identify loans where events have occurred but which are currently not individually provisioned for.

The Group has developed models to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics. These models estimate impairment losses by applying probability of default and loss given default statistical factors derived from prior experience.

Each model determines an impairment loss based on the Group's historical experience adjusted for current economic conditions. It is possible that the estimated impairment loss will differ from the actual losses to be incurred from the groups of identified impaired loans.

During the year ended 30 June 2008, estimates were reassessed in respect of the level of the Banking collective provision required over its loans, advances and other receivables. The provision decreased by $15 million due to changes in the model used to determine the collective provision.

During the year ended 30 June 2007, estimates were reassessed in respect of the level of the Banking collective provision required over its loans, advances and other receivables. The provision decreased by $8 million due to changes in the model used to determine the collective provision ($11 million) offset by the impact of an increase in impaired assets ($3 million).

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39. Specific disclosures – General Insurance

39(a) Contribution to profit from General Insurance activities

The specific disclosures for General Insurance contained in this note include the results of the personal insurance, commercial insurance and Vero New Zealand segments.

	Consolidated General Insurance 2008 $m	Consolidated General Insurance 2007 $m
Net earned premium		
Direct premium revenue	6,290	3,673
Inwards reinsurance premium revenue	26	7
Premium revenue	6,316	3,680
Outwards reinsurance premium expense	(449)	(208)
	5,867	3,472
Net incurred claims		
Claims expense	(5,100)	(2,766)
Reinsurance and other recoveries revenue	1,016	598
	(4,084)	(2,168)
Underwriting expenses		
Acquisition costs	(972)	(405)
Movement in liability adequacy test deficiency	43	6
Other underwriting expenses	(725)	(458)
	(1,654)	(857)
Reinsurance commission revenue	41	13
Underwriting result	170	460
Investment revenue - insurance funds		
Investment income on insurance funds	474	299
Investment expense on insurance funds	(37)	(30)
	437	269
Insurance trading result	607	729
Investment income on shareholder funds	(170)	240
Investment expense on shareholder funds	(12)	(16)
Fee for service and other income	195	179
Share of net profit of associates and joint venture entities	11	57
Non-banking interest expense	(157)	(87)
Other expenses	(204)	(126)
	(337)	247
Contribution to profit from General Insurance activities before tax and amortisation	270	976

Segment information set out above includes transactions that have been eliminated in the consolidated Income Statement. Non-banking interest expense represents interest expense on subordinated debt and preference shares allocated to General Insurance.

39. Specific disclosures – General Insurance (continued)

39(b) Net incurred claims

Details of net incurred claims for General Insurance are as follows:

	Consolidated General Insurance					
	2008			2007		
	Current year $m	Prior year $m	Total $m	Current year $m	Prior year $m	Total $m
Direct business						
Gross claims incurred and related expenses						
Undiscounted	6,211	(1,296)	4,915	3,639	(800)	2,839
Discount and discount movement	(421)	459	38	(297)	227	(70)
	5,790	(837)	4,953	3,342	(573)	2,769
Reinsurance and other recoveries						
Undiscounted	(1,194)	178	(1,016)	(644)	47	(597)
Discount and discount movement	65	(49)	16	37	(36)	1
	(1,129)	129	(1,000)	(607)	11	(596)
Total direct business	4,661	(708)	3,953	2,735	(562)	2,173
Net inwards reinsurance			131			(5)
Total net claims incurred			4,084			2,168

The impact of movements in prior year net provisions on the net incurred cost for 2008 amounted to a reduction of $708 million. This is primarily due to prior year net central estimate releases, an increase in the discount rate applied to outstanding payments and releases of risk margin.

The prior year releases are mainly due to continued favourable incurred cost development in comparison with the assumptions adopted. There were a variety of reasons for this favourable development, with the most general being the outworkings of the impact of tort law reform.

Quantification of the financial effect of changes in claims assumptions, experience and risk margins are set out in note 39(h).

39(c) Managed funds

During the year, subsidiaries were licensed to maintain statutory insurance funds for external clients. The application of the statutory funds by the subsidiaries was restricted to the collection of premiums and the payment of claims, related expenses and other payments authorised under the relevant Acts. The subsidiaries are not liable for any deficiency in the funds, or entitled to any surplus. For these reasons, the directors are of the opinion that the subsidiaries do not have control nor have the capacity to control the statutory funds. The statutory funds are of a separate and distinct nature. Therefore in accordance with AASB 127 *Consolidated and Separate Financial Statements*, income, expenses, assets and liabilities of the statutory funds are not included in the consolidated Income Statements and Balance Sheets.

New South Wales Self Insurance Corporation

A subsidiary, GIO General Limited, has a contractual agreement with the New South Wales Self Insurance Corporation as an agent for the New South Wales Treasury Managed Fund – Workers' Compensation Portfolio 1, Health Liability Claims, Other Claims and the Pre-Managed Fund Reserve. The NSW Treasury Managed Fund is a scheme of self-insurance introduced by the NSW Government in 1989 and protects the insurable assets and exposures of all NSW public sector agencies financially dependent on the Consolidated Fund, all public hospitals and a number of statutory authorities. The Pre-Managed Fund Reserve is in run-off and pays outstanding public liability claims.

New South Wales WorkCover

The WorkCover Authority of New South Wales is constituted by the *Workplace Injury Management and Workers' Compensation Act 1998* as a statutory corporation representing the Crown. The Nominal Insurer is established by the *Workers' Compensation Amendment (Insurance Reform) Act 2003*. The Nominal Insurer is the legal entity responsible for the NSW WorkCover Scheme. The funds of the Scheme are held in the Workers Compensation Insurance Fund, which are managed by the Nominal Insurer.

A subsidiary, GIO General Limited has been appointed as a Scheme Agent by the Nominal Insurer within the meaning of the 2003 Act to provide certain services in relation to premium collection and claims management for workers' compensation policies.

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39. Specific disclosures – General Insurance (continued)

39(c) Managed funds (continued)

Victorian WorkCover

GIO Workers' Compensation (Victoria) Limited is an Authorised Agent under the Accident Compensation Act 1985 (Vic) ("the Act") and administers the Act and the Accident Compensation (WorkCover) Insurance Act 1993 (Vic) ("the Insurance Act"). The role of GIO Workers' Compensation (Victoria) Limited is limited to the collection of premium and the payment of claims and other authorised expenses.

39(d) Liability adequacy test deficiency

The liability adequacy test ("LAT") has been conducted using the central estimate of the premium liabilities calculation together with an appropriate margin for uncertainty for each portfolio of contracts, being Australian personal insurance, Australian commercial insurance, and New Zealand general insurance. The test is based on prospective information and so is heavily dependent on assumptions and judgements.

The LAT as at 30 June 2008 has resulted in a surplus for each portfolio of contracts.

In the prior financial year for Australian personal insurance, a deficiency of $12 million was recognised. This deficiency represented the amount by which the present value of the expected future cash flows for future claims of the Australian personal insurance portfolio of $1,699 million exceeded the unearned premium liability of $1,972 million less the related deferred acquisition costs of $285 million.

In the prior financial year for Australian commercial insurance, a deficiency of $31 million was recognised. This deficiency represented the amount by which the present value of the expected future cash flows for future claims of the Australian commercial insurance portfolio of $608 million exceeded the unearned premium liability of $796 million less the related deferred acquisition costs and related reinsurance assets of $133 million and $86 million respectively.

For the purposes of the LAT in Australia, the present value of expected future cash flows for future claims including the risk margin for the Group of $2,298 million (2007: $2,307 million) comprises the discounted central estimate $2,387 million (2007: $2,264 million), and a risk margin of $58 million (2007: $155 million) less the present value of expected future cash inflows arising from reinsurance recoveries on future claims of $147 million (2007: $112 million).

For the purpose of the LAT for the New Zealand General Insurance business, the net present value of future cash flows for future claims, including the risk margin is $195 million (2007: $247 million), comprising the discounted central estimate of $182 million (2007: $235 million) and a risk margin of $13 million (2007: $17 million).

The risk margin included in the Group's expected future cash flows for future claims as a percentage of the central estimate is 2.6% (2007: 6.8%). The risk margin was determined to give a probability of adequacy of approximately 60% (2007: 75%).

The probability of adequacy adopted for estimating the present value of expected future cash flows for future claims for the purposes of the LAT differs from the 90% probability of adequacy adopted in determining the outstanding claims liability. The reason for these differences is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability carried on the Balance Sheet.

In addition to the above change in probability of adequacy, the methodology and assumptions used to calculate the risk margins also changed. The effect of these changes on a consolidated basis would be an increase in deferred acquisition costs of $75 million and a decrease in underwriting expense of $75 million. Of this, $56 million relates to General Insurance personal business and $19 million relates to General Insurance commercial business. The effect of these changes in future financial years will depend on the amount of net premium liabilities at future reporting dates.

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39. Specific disclosures – General Insurance (continued)

39(e) Minimum capital requirements

The minimum capital requirement ("MCR") for consolidated Vero Insurance Limited and Suncorp Metway Insurance Limited is set out below.

	Consolidated Vero Insurance Limited		Consolidated Suncorp Metway Insurance Limited	
	2008 $m	2007 $m	2008 $m	2007 $m
Tier 1 Capital				
Share capital	617	617	1,468	1,468
Reserves	6	-	-	-
Retained profits at end of reporting period	255	567	718	703
Technical provision in excess of liability valuation	133	270	289	423
Less: Tax effect of excess technical provisions	(40)	(81)	(87)	(127)
	971	1,373	2,388	2,467
Less:				
Goodwill	(82)	(77)	(927)	(932)
Other Tier 1 deductions	(52)	(31)	(54)	-
Total deductions from Tier 1 capital	(134)	(108)	(981)	(932)
Total Tier 1 Capital	837	1,265	1,407	1,535
Tier 2 Capital				
Tier 2 Capital - subordinated debt	418	633	277	283
Total Tier 2 Capital	418	633	277	283
Total capital base	1,255	1,898	1,684	1,818
Outstanding claims risk charge	276	266	478	455
Premium liabilities risk charge	193	173	217	210
Investment risk charge	214	231	265	332
APRA approved adjustment	(27)	-	-	-
General insurance catastrophe risk charge	20	60	150	100
Minimum capital requirement	676	730	1,110	1,097
Capital adequacy multiple	1.86	2.60	1.52	1.66
Adjusted Capital adequacy multiple	1.90	1.84	1.52	1.66

39(f) General Insurance risk management

The Boards of each of the general insurance entities have approved and issued a Risk Management Strategy that sets out the risk management framework for adoption within these entities. In addition the insurance entities have adopted a Risk Management Statement setting out specific guidelines for the investment of the entities' funds including the use of derivative financial instruments.

Reinsurance Management Strategies have been developed that outline the Group's management of risk in respect of reinsurance. These policies are in accordance with APRA Prudential Standards and have been approved by both the Board and APRA.

Insurance risk

Insurance risk is the risk that inadequate or inappropriate product design, pricing, underwriting, reserving, claims management and reinsurance management will expose an insurer to financial loss and consequent inability to meet its liabilities. The Group's insurance activities primarily involve the underwriting of risks and claim management. The Group has an objective to control insurance risk and thereby reduce the volatility of earnings.

Risk management objectives and policies for mitigating insurance risk

The risk management activities include prudent underwriting, pricing, acceptance and management of risk, together with claims management and reserving. The objective of these disciplines is to enhance the financial performance of the Group's overall insurance operations.

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39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Insurance risk (continued)

The key policies in place to mitigate risks arising from insurance contracts includes the following:

- The maintenance and use of sophisticated management information systems that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time;
- The use of actuarial models based on historical data to calculate premiums and monitor claims patterns;
- The setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk;
- The monitoring of natural disasters such as earthquakes, floods, storms and other catastrophes. Exposures to such risks is monitored using catastrophe models;
- The use of reinsurance to limit the Group's exposure to large single claims and accumulations of claims that arise from the same event;
- The monitoring of a reinsurers credit risk rating to control exposure to reinsurance counterparty default;
- The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claims payments with the maturity dates of assets; and
- The reduction in the variability in loss experience through diversification over classes of insurance business, geographical segments and large numbers of uncorrelated individual risks.

Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiable. Non-standard and long term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the financial statements. There are no embedded derivatives that are separately recognised from a host insurance contract.

Concentration of insurance risk

The Group writes general insurance business across a number of classes and industries, ensuring the portfolio is sufficiently diversified such that there is no undue concentration by risk class or by industry. The Group also writes business across broad geographical regions within Australia and New Zealand with some risks located in other countries. Catastrophe reinsurance is purchased to ensure that any accumulation of losses from one area is protected.

Any concentration of risk associated with the Group's run-off portfolios are actively managed and sought to be reduced through commutation or claim settlement.

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39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Credit risk

Credit risk is the likelihood of future financial loss resulting from the failure of clients or counterparties to meet contractual obligations as they fall due. Credit risk arises as a result of receivables due from policyholders and intermediaries, placement of reinsurance programs with counterparties and investment in financial instruments. The Board Risk Committee oversees the effectiveness of credit risk management in relation to General Insurance activities, including the investments and insurance portfolios, and reviews exposure to reinsurers.

The Group enters into reinsurance arrangements to preserve capital and manage earnings volatility from large individual or catastrophic claims. The credit risk associated with these arrangements is monitored and managed internally and by specialised reinsurance brokers operating within the international reinsurance market.

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed by individual counterparty, by credit rating and industry type. The Group does not expect any counterparties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security to support credit risk exposures. Over-concentration of credit risk is avoided by placement of cover with a number of reinsurers as well as setting participation limits and minimum security requirements on the program. Reinsurance is placed only with companies with Standard and Poor's credit ratings of "A minus" or better in accordance with policy.

Investments in financial instruments are held in accordance with the investment mandates and the operational guidelines on use of derivatives established in the Risk Management Statements. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. There are no concentrations of credit risk.

The following tables provide information regarding the aggregate credit risk exposure of the Group's General Insurance businesses at the balance date in respect of the major classes of financial assets. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA – BBB are classified non investment grade.

	Credit Rating						
	AAA $m	AA $m	A $m	BBB $m	Non investment grade $m	Not Rated $m	Total $m
2008							
Cash and cash equivalents	-	154	482	-	-	22	658
Interest bearing financial assets at fair value through profit or loss	4,156	3,241	775	217	21	24	8,434
Loans and receivables	(60)	43	39	1	-	1,501	1,524
Reinsurance and other recoveries on outstanding claims	192	250	200	2	-	485	1,129
Derivative financial instruments	2,044	-	-	-	-	42	2,086
	6,332	3,689	1,496	219	21	2,074	13,831
2007							
Cash and cash equivalents	-	116	37	-	-	19	171
Interest bearing financial assets at fair value through profit or loss	2,533	2,187	3,776	173	-	84	8,753
Loans and receivables	151	11	190	2	-	1,198	1,552
Reinsurance and other recoveries on outstanding claims	355	85	340	1	1	367	1,149
Derivative financial instruments	864	-	-	-	-	(15)	849
	3,903	2,398	4,342	176	1	1,653	12,474

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39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Credit risk (continued)

The carrying amount of the relevant asset classes in the Balance Sheet represents the maximum amount of credit exposures, except for derivatives. The fair value of derivatives shown on the Balance Sheet represents the current risk exposure, but not the maximum risk exposure. The face value and fair value of derivatives are illustrated in note 42(b).

The following table provides information regarding the carrying value of the Group's General Insurance financial assets that have been impaired and the ageing of those that are past due but not impaired at the balance date. An amount is considered to be past due when a contractual payment falls overdue by one or more days. When an amount is classified as past due, the entire balance is disclosed in the past due analysis.

		Past due but not impaired					
	Neither past due nor impaired $m	0-3 mths $m	3-6 mths $m	6-12 mths $m	> 12 mths $m	Impaired $m	Total $m
2008							
Premiums outstanding	1,180	187	31	3	-	-	1,401
Investment revenue receivable	59	-	-	-	-	-	59
Insurance managed funds receivable	33	-	-	-	-	-	33
Investment settlements	28	-	-	-	-	-	28
Reinsurance and other recoveries on outstanding claims	1,129	-	-	-	-	-	1,129
Insurance recoveries and other receivables		3	-	-	-	-	3
	2,430	190	31	3	-	-	2,654
2007							
Premiums outstanding	1,039	266	27	11	3	-	1,346
Investment revenue receivable	12	-	-	-	-	-	12
Insurance managed funds receivable	35	-	-	-	-	-	35
Investment settlements	67	-	-	-	-	-	67
Reinsurance and other recoveries on outstanding claims	1,149	-	-	-	-	-	1,149
Insurance recoveries and other receivables	90	2	-	-	-	-	92
	2,392	268	27	11	3	-	2,701

Market risk

Market risk in the Group's General Insurance business is the risk of loss of current and future earnings from adverse moves in interest rates, foreign exchange rates, equity prices, credit spreads and prices of other financial contracts including derivatives.

The main source of market risk comes from the investment portfolios. The Group's General Insurance business has distinct investment portfolios, each with their own investment mandate. The investment mandates specify investment restrictions including but not limited to asset class limits, authorised investments, duration limits, derivative restrictions, minimum credit ratings and counterparty credit limits.

The Liabilities investment portfolios support the outstanding claims liabilities of the business. The portfolios are managed over benchmarks set in a manner consistent with the expected duration of claims payments ensuring any variations from a matched position is constrained. Assets held are predominantly fixed interest securities.

The Shareholder investment portfolios are held for the investment of funds in support of share capital and retained profits. To provide better expected returns on capital, the investment mandate for this portfolio has a more diverse investment strategy including equities, fixed interest, property and cash. The investment mandates balance expected investment returns, volatility of expected investment returns and the impact of volatility on both the capital adequacy and profitability of the business.

Investments are measured at market value and changes in market value are recognised in the Income Statement. The property investments are subject to regular valuations.

39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk of loss in current and future earnings from adverse moves in interest rates. Interest rate risk arises from the investments in interest bearing securities. Interest rates have an impact on both the value of assets and liabilities and the main sources of loss are adverse changes in the valuation of investments in interest bearing securities and outstanding claims liabilities.

A change in the market value of investments in interest bearing securities is immediately recognised in the Income Statement. The General Insurance investment portfolios hold significant interest bearing securities in support of corresponding outstanding claims liabilities and are invested in a manner consistent with the expected duration of claims payments.

The valuation of the outstanding claims liabilities includes the discounting to present value at balance date of expected future claim payments. Any assessment of the impact of changes in interest rates on investment income must include the offsetting adjustment to claims expense for changes in discount rates adopted in outstanding claims valuations.

This risk is managed by establishing investment portfolio mandates on the basis of the appropriate matching principles so as to minimise the impact on the operating result of changes in the general level of market interest rates. Interest rate risk is also managed by the controlled use of interest rate derivative instruments. The discount rates being applied to future claims payments in determining the valuation of outstanding claims is disclosed in note 39(h).

The sensitivity of profit and loss after tax and equity reserves to movements in interest rates in relation to interest bearing financial assets held at the balance date is shown in the table below. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves. The risks faced and the methods used for deriving sensitivity information and significant variables did not change from the previous period.

				2008		2007	
	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	Profit (loss) after tax $m	Equity reserves $m	Profit (loss) after tax $m	Equity reserves $m
Cash and cash equivalents	658	172	+1	6	-	1	-
			-1	(6)	-	(1)	-
Interest bearing investment securities	8,425	8,728	+1	(158)	(3)	(169)	(4)
			-1	159	4	169	4
Loans, advances and receivables	-	12	+1	-	-	-	-
			-1	-	-	-	-
Derivative financial instruments	498	352	+1	4	-	11	-
			-1	(4)	-	(12)	-
Subordinated debt	190	190	+1	(1)	-	(1)	-
			-1	1	-	1	-
Other financial liabilities	399	359	+1	(2)	-	(2)	-
			-1	2	-	2	-

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39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Foreign exchange risk

Foreign exchange risk in the Group's General Insurance entities is the risk of a loss of current and future earnings from adverse movements in exchange rates. The Group's General Insurance entities have ongoing foreign exchange obligations in relation to a number of outstanding claims which have arisen in relation to previously written offshore inwards reinsurance business. The outstanding claims liability has been established on the basis of assessments in relation to potential exposure.

As this business is no longer being written, the Group established a special investment portfolio to ensure sufficient funds were set aside to accommodate all final settlements. The claim payments will be predominantly in United States dollars. The investment portfolio consists of cash and short term discount securities with a forward foreign exchange agreement. The details of the forward foreign exchange agreement are contained in note 42(b).

The Group's exposure to foreign currency risk in the General Insurance businesses at balance date is shown in the sensitivity analysis below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2007.

				2008		2007	
	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	Profit (loss) after tax $m	Equity reserves $m	Profit (loss) after tax $m	Equity reserves $m
Euro	28	41	+10	1	-	1	-
			-10	(1)	-	(1)	-
GBP	(9)	36	+10	(1)	-	2	-
			-10	1	-	(1)	-
JPY	25	0	+10	-	-	(2)	-
			-10	-	-	3	-
USD	105	102	+10	(5)	-	(8)	-
			-10	7	-	10	-
Other	30	42	+10	1	-	2	-
			-10	(1)	-	(2)	-

Other market risks

Other market risks are the risk of a loss of current and future earnings from adverse movements in the changes in market prices due to factors other than interest rates and foreign exchange. Those factors may be specific to the individual financial instrument or its issuer, or factors that affect all similar financial instruments traded in the market. The main "other market risks" that the Group's General Insurance investment portfolios are exposed to include equity risk and credit spread risk.

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39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Market risk (continued)

Equity risk is the risk of loss in current and future General Insurance earnings from adverse moves in equity prices. The Group's General Insurance investment portfolios contain exposures to equity markets. The main sources of loss are adverse changes in the valuation of investments in equities.

An overall downturn in the equity markets may impact the current and future results of the Group. Equity risk is managed by incorporating a diverse holding of leading companies and through the controlled use of derivative financial instruments, as discussed in note 42.

The potential impact of movements in the market value of listed equites at balance date on the Group's General Insurance Income Statement and Balance Sheet is shown in the sensitivity analysis below. The price risk in relation to unlisted securities is immaterial in terms of the possible impact on profit or loss and has not been included in the sensitivity analysis. The analysis is performed on the same basis for 2007.

				2008		2007	
	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	Profit (loss) after tax $m	Equity reserves $m	Profit (loss) after tax $m	Equity reserves $m
Australian equities	903	1,700	+10	64	-	116	-
			-10	(64)	-	(116)	-
International equities	117	143	+10	8	-	8	-
			-10	(8)	-	(8)	-

Credit spread risk is the risk of loss in current and future General Insurance earnings from adverse moves in credit spreads. Credit spread risk is determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer. The main source of loss is adverse changes in the valuation of investments in interest bearing securities. A change in the market value of investments in interest bearing securities is immediately recognised in the Income Statement. The General Insurance investment portfolios hold significant interest bearing securities in support of corresponding insurance provisions. The portfolio is heavily weighted towards investments with a high quality investment grade.

This risk is managed by incorporating a diverse holding of investments in the Group's General Insurance investment portfolios, establishing maximum exposure limits for counterparties and the controlled use of credit derivatives. Investments are also subject to minimum credit rating criteria. The table provided under the heading of 'Credit risk' above provides information in relation to aggregate credit exposure of the Group's General Insurance investment portfolio by credit rating at the balance date.

The Group's General Insurance investment portfolios also contain exposure to the property market. The exposures may be by way of investment in listed property trusts or direct holdings. The main source of risk is the risk of loss from adverse changes in the valuations of these investments. An overall downturn in the property market may impact the future results of the Group. This risk is managed by incorporating a diverse holding of investments and asset classes in the Group's General Insurance investment portfolios.

Sensitivity of the Group's General Insurance businesses credit exposure to a +/-100 basis point change in yield is as follows:

				2008	2007
	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	Profit (loss) after tax $m	Profit (loss) after tax $m
Credit exposure (including Semi Government)	7,079	7,501	+1	(114)	(114)
			-1	110	110

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39. Specific disclosures – General Insurance (continued)

39(f) General Insurance risk management (continued)

Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The ability to make claims payments in a timely manner is critical to the Group's General Insurance business. The investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations. Investment funds are set aside within the investment portfolio in support of these reserves to accommodate significant claims payment obligations. In addition, under the terms of the Group's reinsurance arrangements, immediate access to cash is available in the event of a major catastrophe.

The table below summarises the maturity profile of certain financial liabilities based on the remaining undiscounted contractual obligations. It also includes the maturity profile for outstanding claims liabilities determined on the discounted estimated timing of net cash outflows.

	1 year or less $m	1 to 5 years $m	Over 5 years $m	Total Cash Flows $m
2008				
Amounts due to reinsurers	62	-	-	62
Trade creditors and accrued expenses	324	17	-	341
Investment settlements	16	-	-	16
Interest rate swap and futures - net settled	10	62	73	145
Unearned premium liabilities	3,255	3	5	3,263
Gross outstanding claims liabilties	2,743	2,991	1,276	7,010
Interest bearing liabilities	42	-	-	42
Subordinated notes	22	86	1,007	1,115
Other financial liabilities	287	32	24	343
	6,761	3,191	2,385	12,338
Gross settled derivatives				
Amounts receivables	(16)	(64)	(56)	(136)
Amounts payable	26	126	129	281
	10	62	73	145
2007				
Amounts due to reinsurers	67	-	-	67
Trade creditors and accrued expenses	341	-	-	341
Investment settlements	698	-	-	698
Interest rate swap and futures - net settled	8	29	14	52
Unearned premiums and unexpired risk liabilities	3,193	13	-	3,206
Gross outstanding claims liabilties	2,512	3,904	734	7,150
Interest bearing liabilities	58	-	4	62
Subordinated notes	21	86	1,085	1,192
Other financial liabilities	82	46	33	160
	6,979	4,078	1,870	12,927
Gross settled derivatives				
Amounts receivables	(16)	(64)	(41)	(121)
Amounts payable	20	97	55	173
	4	33	14	52

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39. Specific disclosures – General Insurance (continued)

39(g) Critical accounting estimates and judgements

Significant estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience and other factors. These include expectations of future events that are believed to be reasonable under the circumstances.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below.

Outstanding claims liabilities

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Claims reported to the Group at reporting date are estimated with due regard to the claim circumstance as reported by the insured, legal representative, assessor, loss adjuster and/or other third party and then combined, where appropriate, with historical evidence on the cost of settling similar claims. Estimates are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported ("IBNR") and claims incurred but not enough reported ("IBNER") are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR and IBNER claims may often not be adequately reported until many years after the events giving rise to the claims have happened. Long tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR and IBNER reserves. Short tail claims are typically reported soon after the claim event, and hence, estimates are more certain.

In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical Group and industry experience that assumes that the development pattern of the current claims will be consistent with past Group experience and/or general industry benchmarks as appropriate. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The ultimate net outstanding claims provision also includes an additional margin to allow for the uncertainty within the estimation process.

Details of specific actuarial techniques and assumptions used in calculating the outstanding claims liability at reporting date are described in note 39(h).

Assets arising from reinsurance contracts and other recoveries

Estimates of reinsurance and other recoveries are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk.

Assets arising from insurance managed funds contracts

Insurance managed funds fees receivables are based on management's best estimate of the likely fee at year end. There is a significant amount of judgement involved in the estimation process of the fees receivable which are not finalised for a number of years.

The fee revenue earned by the Group comprises a base fee component and an incentive fee based on performance results in relation to each fund managed by the Group.

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

39. Specific disclosures – General Insurance (continued)

39(h) Actuarial assumptions and methods

The Group writes two classes of general insurance business: Personal and Commercial.

Personal insurance includes the sale of home, pleasurecraft and motor insurance products throughout Australia and New Zealand and sale of compulsory third party insurance in Queensland and New South Wales.

Commercial insurance includes the sale of products such as commercial motor vehicle, marine and aviation, public liability and professional indemnity to small and medium size enterprises in Australia and New Zealand, workers' compensation insurance and some inwards reinsurance.

Multiple actuarial methods have generally been applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

Claims inflation is incorporated into the resulting projected payments to allow for both expected levels of general economic inflation and superimposed inflation. Projected payments are discounted to allow for the time value of money.

Assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

	2008				2007			
	Personal		Commercial		Personal		Commercial	
	Aust	NZ	Aust	NZ	Aust	NZ	Aust	NZ
Weighted average term to settlement (years)	3.3	0.4	5.9	1.0	3.3	0.3	5.8	1.0
Inflation rate	4.4%	3.0%	4.5%	3.0%	4.5%	3.0%	4.5%	3.0%
Superimposed inflation rate	3.1%	0.0%	4.4%	2.0%	3.3%	0.0%	2.7%	0.7%
Discount rate	6.7%	7.3%	6.6%	7.1%	6.5%	7.4%	6.4%	7.6%
Claims handling expense ratio	4.9%	6.8%	6.1%	7.4%	5.1%	6.1%	6.1%	4.9%
Risk margin	14.2%	12.0%	24.8%	28.8%	21.0%	13.7%	31.2%	35.2%

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39. Specific disclosures – General Insurance (continued)

39(h) Actuarial assumptions and methods (continued)

Process used to determine assumptions

A description of the processes used to determine these assumptions is provided below:

Weighted average term to settlement

The weighted average term to settlement is calculated separately by class of business and is based on historic settlement patterns.

Inflation and superimposed inflation

The inflation assumptions for the outstanding claim liabilities can be considered the sum of economic inflation and superimposed inflation. The former would be typically based on consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the past tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect past experience and future expectations.

Discount rate

The outstanding claims liabilities are discounted at a risk free discount rate. Discount rates are derived from market yields on Commonwealth Government securities in Australia and ten year government stock rate in New Zealand at the balance date.

Claims handling expense ratio

The future claims handling ratios were calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes. Uncertainty was analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall position which is intended to have approximately a 90% probability of sufficiency (2007: 94%). The impact of this change in probability of sufficiency in the consolidated Income Statement is $220 million.

The overall risk margin applied, allowing for diversification, was 17.8% (2007: 24.5%).

39. Specific disclosures – General Insurance (continued)

39(h) Actuarial assumptions and methods (continued)

Sensitivity analysis

Summary

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying assumptions. The deviation of any variable from the assumptions will impact the performance and equity of the Group. Sensitivity analysis is conducted on each variable, whilst holding all other variables constant. It should be noted that the ranges used for sensitivity analysis that follows do not necessarily represent a reasonable range between which the assumptions may vary. The tables below and the analysis on the following page describe how a change in each assumption will affect the outstanding claims liabilities.

Variable	Impact of movement in variable
Weighted average term to settlement	A decrease in the average term to settlement would imply that claims are being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the weighted average term would have a corresponding decrease or increase on outstanding claims liabilities.
Economic and superimposed inflation	Expected future payments for all classes are inflated. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding increase or decrease on outstanding claims liabilities.
Discount rate	The outstanding claims liability is calculated with reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposite impact on the overall outstanding claims liabilities.
Claims handling expense ratio	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding increase or decrease on outstanding claims liabilities.
Risk margin	The outstanding claims liability includes a risk margin to allow for the inherent uncertainty in the estimates of future claims cost. An increase or decrease in the percentage risk margin will have a corresponding increase or decrease in the overall outstanding claims liabilities.

Impact of changes in key variables

The table below summarises the sensitivity of the net outstanding claims liabilities to changes in key variables.

		Financial Impact [1]			
		2008		2007	
	Movement in variable	Profit (loss) after tax $m	Total Equity $m	Profit (loss) after tax $m	Total Equity $m
Weighted average term to settlement (years)	+ 0.5	(39)	(39)	(39)	(39)
	- 0.5	39	39	38	38
Inflation rate	+1%	(170)	(170)	(176)	(176)
	-1%	159	159	162	162
Discount rate	+1%	162	162	164	164
	-1%	(175)	(175)	(178)	(178)
Claims handling expense ratio	+1%	(54)	(54)	(53)	(53)
	-1%	54	54	53	53
Risk margin	+1%	(49)	(49)	(46)	(46)
	-1%	49	49	46	46

(1) Determined at the Group level net of reinsurance and taxation at the prima facie rate of 30%

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40. Specific disclosures – Wealth Management

40(a) Contribution to profit from Wealth Management activities

	Consolidated Wealth Management 2008 $m	Consolidated Wealth Management 2007 $m
Revenue		
Premiums received or receivable	1,981	1,421
Premiums recognised as a change in gross policy liabilities	(1,283)	(1,133)
Premium revenue	698	288
Outwards reinsurance premium expense	(170)	(69)
	528	219
Investment revenue	(880)	1,083
Fees from trust and fiduciary activities	151	93
Other revenue	124	52
	(77)	1,447
Operating expenses		
Claims paid or payable	(1,943)	(957)
Claims recognised as a change in gross policy liabilities	1,532	792
Claims expense	(411)	(165)
Reinsurance recoveries revenue	146	52
	(265)	(113)
Policy acquisition expenses		
Commission	(66)	(25)
Other	(80)	(56)
Policy maintenance expenses		
Commission	(49)	(16)
Other	(141)	(69)
Investment management expenses	(28)	(18)
Other operating expenses	(221)	(106)
Decrease (Increase) in net insurance contract liabilities	342	(274)
Decrease (Increase) in net investment contract liabilities	514	(299)
(Increase) Decrease in unvested policy owner benefits	(74)	47
Outside beneficial interests in managed funds	193	(297)
Non-banking interest expense	(7)	-
	118	(1,226)
Contribution to profit from Wealth Management activities before tax and amortisation	41	221

The above segment result includes profits relating to minority interests and policy owners' tax.

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40. Specific disclosures – Wealth Management (continued)

40(b) Sources of Life Insurance operating profit

	Consolidated Wealth Management			
	Life Insurance Contracts $m	Investment Linked Contracts $m	Other Life Investment Contracts $m	Total Statutory Funds $m
2008				
Shareholder's operating profit in the statutory funds				
The shareholder's operating profit after tax in the statutory funds is represented by:				
Investment earnings on shareholder's retained profits and capital	2	(2)	-	-
Emergence of shareholder's planned profits	108	-	-	108
Experience profit (loss)	10	-	-	10
Reversal of capitalised loss (losses capitalised)	1	-	-	1
Management Services Profit	-	9	(1)	8
	121	7	(1)	127
Cumulative losses carried forward at the end of the financial year	34	-	-	34
Life Act policy owners' operating profit in the statutory funds				
The Life Act policy owners' operating profit after tax in the statutory funds is represented by:				
Investment earnings on retained profits	(4)	-	-	(4)
Emergence of policy owner planned profits	164	-	-	164
Experience profit (loss)	(11)	-	-	(11)
	149	-	-	149
2007				
Shareholder's operating profit in the statutory funds				
The shareholder's operating profit after tax in the statutory funds is represented by:				
Investment earnings on shareholder's retained profits and capital	21	7	-	28
Emergence of shareholder's planned profits	53	-	-	53
Experience profit (loss)	16	-	-	16
Reversal of capitalised loss (losses capitalised)	2	-	-	2
Management Services Profit	-	8	(1)	7
	92	15	(1)	106
Cumulative losses carried forward at the end of the financial year	1	-	-	1
Life Act policy owners' operating profit in the statutory funds				
The Life Act policy owners' operating profit after tax in the statutory funds is represented by:				
Investment earnings on retained profits	28	-	-	28
Emergence of policy owner planned profits	126	-	-	126
Experience profit (loss)	(8)	-	-	(8)
	146	-	-	146

40(c) Net policy liabilities

Policy liabilities are amounts which, when taken together with future premiums and investment earnings, are required to meet the payment of future benefits and expenses and for life insurance contracts, may incorporate profit margins on existing business to be released when earned in future periods. Policy liabilities for life investment contracts are determined as the fair value of the financial instrument plus the liability in respect of the management services element.

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40. Specific disclosures – Wealth Management (continued)

40(c) Net policy liabilities (continued)

The effective dates of the actuarial reports on policy liabilities and solvency reserves for Suncorp Life & Superannuation Limited ("SLSL"), Asteron Life Limited (Australia) and Asteron Life Limited (New Zealand) are 30 June 2008. The actuarial report for Suncorp Life & Superannuation Limited was prepared by Mr Rowan Ward, Appointed Actuary BSc FIAA. The actuarial report for Asteron Life Limited (Australia) was prepared by Michael Lubke, Appointed Actuary BSc (Hons) FIAA and Asteron Life Limited (New Zealand) report was prepared by Mr John Smeed, BCom, FIA, FNZSA, Company Actuary. All reports indicated that the Appointed/Company Actuaries are satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in this financial report, the *Life Act* and with the Prudential Standards issued by APRA.

Policy liabilities in Australia have been calculated in accordance with APRA Prudential Standard LPS 1.04 "Valuation of Policy Liabilities" issued under Section 230A(1) of the *Life Act*. Policy liabilities in New Zealand have been calculated in accordance with Professional Standard Number 3, "Determination of Life Insurance Policy Liabilities" issued by the New Zealand Society of Actuaries.

For Life Insurance contracts, the Prudential Standards require the policy liabilities to be calculated in a way which allows for the proper and timely release of profits over the life of the business as services are provided to policy owners and premiums are received. For Life Investment contracts, the Prudential Standards require the policy liabilities to be calculated as the fair value of liabilities in accordance with accounting standards.

The methods and profit carriers for the major policy types of Life Insurance contracts are as follows:

Business type	Method	Profit carrier
Individual		
Conventional	Projection	Participating business – Bonuses
		Non-participating business – expected claim payments
Investment account (1)	Projection	Interest credits
Accidental cash back (1)	Projection	Expected payments
Allocated pension (1)	Projection	Interest credits
Lump sum risk (1) (2)	Projection	Expected claim payments (3)
Disability income	Projection	Expected claim payments
Annuity (1) (2)	Projection	Annuity payments
Group		
Investment account	Projection	Interest credits
Lump sum risk (4)	Accumulation	-
Disability income (4)	Accumulation	-
Lump sum risk (5)	Projection	Expected claim payments
Disability income risk (5)	Projection	Expected claim payments

Notes

(1) Australia
(2) New Zealand
(3) Trauma business written by SLSL uses expected premiums
(4) SLSL
(5) Asteron

Under the projection method, estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected into the future. The projected profit margins are expressed as a percentage of the relevant profit carrier. The policy liability is calculated as the net present value of these projected cash flows. Under the accumulation method for risk business the policy liability is

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40. Specific disclosures – Wealth Management (continued)

40(c) Net policy liabilities (continued)

equal to the sum of reserves for incurred but not reported claims, unearned premiums and open disability income claims.

The following table sets out key assumptions used in the calculation of policy liabilities:

Assumption	Basis of assumption	Significant changes since 2007
Investment earnings	For participating business, assumed earning rates are determined having regard to the asset mix of the investment portfolio backing the benefits, the assumed earning rates for each sector, market conditions at the valuation date and tax on investment earnings appropriate to the class of business and asset sector. For SLSL pre-tax rates varied from 5.60% (2007: 5.30%) for the cash sub-funds to 10.30% (2007: 9.20%) for the balanced sub-funds and 11.60% (2007: 11.30%) for the equity sub-funds. For Asteron the investment assumption used for this class of business was 8.01% (2007: 7.69%) in Australia and 8.20% (2007: 8.49%) in New Zealand. All non-participating business uses an investment earnings and discount rate assumption of the risk free rate. For SLSL this has been determined from the government bond curve and varied (before tax) between 6.4% and 7.0% (2007: 6.2% and 6.5%). For Asteron Australia the risk free rate is derived from the inter-bank swap rates of appropriate duration and these varied (before tax) between 7.59% and 8.19% (2007: 6.87% and 7.07%) and for New Zealand the risk free rate is derived from the 10 year inter-bank swap rates and is 7.30% (2007: 7.68%).	None.
Maintenance expenses	Per policy expense rates are based upon expected costs to service existing contracts in the period following the reporting date. Expense rates vary by product line and class of business. Tax deductibility of expenses is allowed for at rates appropriate to the taxation basis of the business.	None.
Inflation	The inflation assumption is reviewed at each valuation. For this valuation 3.0% (2007: 3.0%) per annum was assumed for Australia and 2.5% (2007: 2.5%) for New Zealand, taking into account the difference between long term government bonds and indexed government bonds for Australia.	No changes in approach.
Benefit Indexation	Where the increase in future benefits increases in line with inflation, Asteron has used an assumption of 2.5% (2007: 2.5%) and SLSL has used 3.0% (2007: 3.0%).	SLSL: None Asteron: Increase in the take-up rate of indexation increases.
Voluntary discontinuance	Rates are based upon recent internal investigations and industry experience. Rates may vary by product, class of business, policy value, age and duration in force. Allowance is also made for cash withdrawals. Future long term rates of discontinuance assumed vary between 2.5% and 30% (2007: between 2% and 30%) for SLSL and between 6% and 16% (2007: 6% and 20%) for the major classes of business in Asteron and between 6% and 18% (2007: 7% and 15%) for the major classes of business in Asteron New Zealand.	SLSL: Some minor changes for risk products. Reductions for corporate superannuation business. Increases for personal superannuation (including traditional) business. Asteron Australia: Improvements for Disability Income and increases in the age based overlay for lump sum business.
Surrender values	Surrender values are determined by applying the surrender bases current at the reporting date.	None.
Rates of taxation	The rates of taxation assumed are based on current income tax legislation applicable to the type of product.	None.
Mortality – individual risk products	SLSL: Mortality rates for risk products have been determined using the standard mortality table (IA95-97) with adjustments for smoking status and also to allow for previous experience. Adjustments for Australia range from 76% (2007: 76%) to 180% (2007: 160%). Table IA95-97 was developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997. Asteron: The proportion of IA95-97 before allowance for smoker/non smoker adjustments for Australia is 65% for underwritten business and 85% for direct business (2007: 70% for both) and for New Zealand is 95% (2007: 106%).	SLSL: Mortality rate for smokers increased. Asteron: Rates split between underwritten and direct business.

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40. Specific disclosures – Wealth Management (continued)

40(c) Net policy liabilities (continued)

Assumption	Basis of assumption	Significant changes since 2007
Mortality – annuitants	SLSL: Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments, being 55% for males and 65% for females. Tables IM/IF80 were developed by the Institute of Actuaries and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982. Asteron: Uses an adjusted IM/IF80 and for New Zealand annuitant mortality was further adjusted for age related improvement. Asteron: Annuitant mortality rates, which vary by age and sex, have been based on industry experience. They are set at 55% (2007: 55%) for Australia and 72% (2007: 74%) for New Zealand of the IM80 and IF80 mortality tables allowing for future mortality improvement.	None.
Disability - lump sum	Disability rates on lump sum Total and Permanent Disablement policies have been based on industry and population experience with adjustments to reflect SLSL's and Asteron Life Limited's (Australia and New Zealand) experience. For trauma policies, assumed incidence rates are based on Australian population statistics with adjustments to reflect SLSL's and Asteron's experience and policy conditions.	SLSL: None. Asteron Australia: Increases in incidence rates for some claim conditions. Asteron New Zealand: Reduction in the incidence rates for lump sum morbidity.
Disability – income	Disability rates on income policies have been determined using the IAD89-93 table with adjustments to reflect SLSL's and Asteron Life Limited's (Australia and New Zealand) experience. IAD89-93 was developed by the Institute of Actuaries of Australia based on Australian industry experience from 1989 to 1993. For New Zealand, these rates were adjusted by factors dependent on New Zealand industry experience, company experience and nature of benefits.	None.
Group lump sum (Asteron)	Claim rates are set as a proportion of premiums net of commission and stamp duty.	No changes in approach.
Group disability income (Asteron)	Claim rates are set as a proportion of premiums net of commission and stamp duty. Claim termination rates are determined using CIDA85 with adjustments to reflect Asteron's experience.	No changes in approach.
Future supportable bonuses and interest credits to participating policies	Future bonus rates and interest credits assumed are those supported by the policy liabilities and the assumed future experience, including allowance for the shareholder's right to participate in distributions. Using these rates the net present value of expected future cash flows equals the value of assets supporting the business. For participating whole of life and endowment business, the Group's policy is to set bonus rates such that, over long periods, the returns to policy owners (as a group, but not necessarily individually) are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. For participating investment account business crediting rates are set such that over long periods policy owners (as a group, but not necessarily individually) receive full investment earnings on their accounts less a deduction of explicit fees and charges. Distributions are split between policy owners and shareholder with the valuation allowing for the shareholder to share in distributions at the maximum allowable rate of 20%. In determining policy owner distributions consideration is given to equity between generations of policy owners and equity between the various classes and sizes of policies in force.	No changes in approach.

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40. Specific disclosures – Wealth Management (continued)

40(c) Net policy liabilities (continued)

	Consolidated Life Insurance		
	Current basis [4]		Previous basis [5]
	2008	2007	2008
Insurance contract policy liabilities	$m	$m	$m
Best estimate liability			
Value of future policy benefits [1]	4,253	4,038	4,191
Value of future expenses	1,570	1,474	1,450
Value of unrecouped acquisition expenses	(149)	(127)	(149)
Balance of future premiums	(5,084)	(4,859)	(4,859)
	590	526	633
Value of future profits			
Policy owner bonuses [2]	980	1,293	967
Shareholder profit margins	967	1,019	938
	1,947	2,312	1,905
Total value of declared bonuses [3]	67	186	67
Total net policy liabilities	2,604	3,024	2,605
Life insurance reinsurance ceded	252	255	254
Gross insurance contract liabilities	2,856	3,279	2,859
Gross investment contract liabilities at year end	3,937	4,707	3,937
Gross policy liabilities	6,793	7,986	6,796
Policy liabilities subject to capital guarantee	1,540	1,532	1,553

Notes

(1) Future policy benefits include bonuses credited to policy owners in prior periods but exclude current period bonuses (as set out in the Income Statement) and future bonuses as set out in (2). Where business is valued by other than projection techniques, future policy benefits includes the account balance.
(2) Future bonuses exclude current period bonuses.
(3) Current year declared bonuses valued in accordance with the Actuarial Standard.
(4) Using the actuarial methods and assumptions relevant at the current reporting date, on current in force business.
(5) Using the actuarial methods and assumptions relevant at the previous reporting date, but on current in force business.

40(d) Asset restrictions, managed assets, trustee activities and mortgage investments

Restrictions on assets

Investments held in the life insurance statutory funds can only be used within the restrictions imposed under the *Life Act* and the constitution of Suncorp Life & Superannuation Limited and Asteron Life Limited (Australia). The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions. Participating policy owners can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements are met.

Participating policyowners and shareholders in Asteron Life Limited (New Zealand) can only receive a distribution when the prudential reserving requirement is met.

40. Specific disclosures – Wealth Management (continued)

40(d) Asset restrictions, managed assets, trustee activities and mortgage investments (continued)

Managed assets

Tyndall Investment Management Limited operates as the investment manager for the funds of external clients and subsidiaries, superannuation schemes and unit trusts of the Group. This Company manages nine (2007: nine) unit trusts with a combined total of $2,660 million (2007:$3,050 million) of assets under management. Suncorp Investment Management Limited manages 14 (2007: 14) unit trusts with a combined total of $12,315 million (2007: $14,400 million) of assets under management. Arrangements are in place for the asset management activities to be managed separately from the life operations of the Group.

Tyndall Investment Management New Zealand Limited ("Tyndall") operates as the investment manager for the funds of external clients and the New Zealand subsidiaries, superannuation schemes and unit trusts of the Group. Tyndall manages 13 (2007: 2) unit trusts with at combined total of $118 million (2007: $nil) of assets under management. Tyndall had funds under management of $2,800 million (2007: $3,300 million). The funds management activities of Tyndall are segregated from the settlement, title and custody of its clients' funds.

Trustee activities

The Group has the following trustee activities:

Suncorp Portfolio Services Limited (formerly Asteron Portfolio Services Limited) acts as trustee for the Asteron Limited Group superannuation funds, Promina Group Staff Superannuation Fund, Connelly Temple Public Superannuation Fund ("PSF") and Connelly Temple Pooled Superannuation Trust ("PST") and had $4,494 million under trusteeship at 30 June 2008 (2007: $4,558 million). On 30 June 2008 Suncorp Portfolio Services Limited became the trustee in relation to the Suncorp superannuation policies issued by Suncorp Life & Superannuation Limited, at which time the assets of the Asteron and Suncorp superannuation funds (excluding Suncorp Easysuper) were transferred to the Suncorp Master Trust. Prior to this date, Suncorp Superannuation Pty Ltd was the licensed trustee for the Suncorp Superannuation Funds.

The New Zealand Guardian Trust Company Limited ("NZGT") is a trustee company constituted under its own Act of Parliament and is empowered to act as an executor, trustee, agent, manager or custodian as well as a trustee for unit trusts, KiwiSaver schemes, debt securities and securitisation structures. NZGT had $3,536 million (2007:$4,110 million) assets under administration and $27,502 million (2007: $28,530 million) securities supervised.

Asteron Retirement Investment Limited and Asteron Trust Services Limited act as trustees or managers for a number of wholesale, superannuation and investment funds. The assets and liabilities of these trusts and funds are not consolidated in the financial reports as the Group does not control these entities. Assets held under trusteeship as at 30 June 2008 totalled $395 million (2007: $522 million).

Arrangements are in place to ensure that the activities of each trustee are managed separately from the life operations of the Group.

Mortgage investments

A special purpose Group Investment Fund, NZGT Wholesale Mortgage Fund ("GIF5"), was set up on 22 July 2004 to enable the New Zealand Financial Services business to invest in mortgages. At 30 June 2007 Asteron and NZGT held 100% of the units in the GIF5 and exercised control over the GIF5 under the provisions of the Trust Deed. As at 30 June 2008 the GIF5 has mortgage loan investments of $96 million (2007: $74 million). A $119 million drawdown facility was in place at 30 June 2008, of which $79 million (2007: $54 million) was utilized. Receipts from the mortgage portfolio are used to pay the interest and principal commitments due on the cash advance facility and other administration expenses. The cash advance facility is secured over the assets of the GIF5.

A special purpose Fund, GTFM Mortgage Fund ("GTFM"), was set up in June 2008 to purchase part of the mortgage portfolio of the NZGT Mortgage Trust. As at 30 June 2008 Asteron Life Limited (New Zealand) held 100% of the units in the GTFM and exercised control over the GTFM under the provisions of the Trust Deed. As at 30 June 2008 the GTFM has mortgage loan investments of $42 million (2007: $nil). A $59 million drawdown facility with ANZ Bank was in place at 30 June 2008, of which $44 million (2007: $nil) was utilized. Receipts from the mortgage portfolio are used to pay the interest and principal commitments due on the cash advance facility and other administration expenses. The cash advance facility is secured over the assets of the fund and the assets of the Asteron Life Shareholder Fund and is limited to $24 million (2007: $nil).

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40. Specific disclosures – Wealth Management (continued)

40(e) Disaggregated information by fund

	Suncorp Life & Superannuation Limited			
	Non-investment linked Statutory Fund No. 1	Investment linked Statutory Fund No. 2	Total Statutory Funds	Shareholder fund
2008	$m	$m	$m	$m
Investment assets	3,025	1,586	4,611	14
Policy liabilities ceded to reinsurers	78	-	78	-
Other assets	94	68	162	52
Total assets	3,197	1,654	4,851	66
Gross policy liabilities	2,557	1,587	4,144	-
Policy owner retained profits	297	-	297	-
Other liabilities	148	19	167	31
Total liabilities	3,002	1,606	4,608	31
Net assets	195	48	243	35
Share capital	-	-	-	39
Capital transfers	5	24	29	(29)
Minority Interest	-	-	-	-
Retained profits	190	24	214	25
Total equity	195	48	243	35
Premium revenue	221	3	224	-
Investment revenue	(146)	(245)	(391)	5
Claims expense	(120)	-	(120)	-
Movement in net insurance contract liabilities	256	-	256	-
Movement in investment contract liabilities	(2)	239	237	-
Net operating (expenses) / income	(168)	(26)	(194)	5
Profit before tax	41	(30)	11	10
Profit after tax	58	4	62	9
Transfer of profits	(17)	-	(17)	17
2007				
Investment assets	3,122	1,845	4,967	13
Policy liabilities ceded to reinsurers	78	-	78	-
Other assets	279	176	455	88
Total assets	3,479	2,021	5,500	101
Gross policy liabilities	2,881	1,900	4,781	-
Policy owner retained profits	222	-	222	-
Other liabilities	246	52	298	32
Total liabilities	3,349	1,952	5,301	32
Net assets	130	69	199	69
Share capital	-	-	-	39
Capital transfers	5	25	30	(30)
Retained profits	125	44	169	60
Total equity	130	69	199	69
Premium revenue	168	3	171	-
Investment revenue	380	287	667	5
Claims expense	(106)	-	(106)	-
Movement in net insurance contract liabilities	(284)	-	(284)	-
Movement in investment contract liabilities	-	(236)	(236)	-
Net operating expenses	(31)	(26)	(57)	(4)
Profit before tax	127	28	155	1
Profit after tax	62	11	73	1
Transfer of profits	(48)	-	(48)	48

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40. Specific disclosures – Wealth Management (continued)

40(e) Disaggregated information by fund (continued)

	Asteron Life Limited (Australia)						
	Non-investment linked Statutory Fund No. 1 $m	Investment linked Statutory Fund No. 2 $m	Non-Investment linked Statutory Fund No. 3 $m	Investment linked Statutory Fund No. 4 $m	Non-Investment linked Statutory Fund No. 5 $m	Total Statutory Funds $m	Shareholder Fund $m
2008							
Investment assets	557	65	25	1,976	139	2,762	11
Policy liabilities ceded to reinsurers	164	-	-	-	-	164	-
Other assets	169	7	2	93	11	282	2
Total assets	890	72	27	2,069	150	3,208	13
Gross policy liabilities	96	66	24	2,007	132	2,325	-
Policy owner retained profits	-	-	-	-	4	4	-
Other liabilities	113	1	-	28	4	146	1
Total liabilities	209	67	24	2,035	140	2,475	1
Net assets	681	5	3	34	10	733	12
Share capital	-	-	-	-	-	-	296
Capital transfers	268	4	(2)	14	-	284	(285)
Retained profits	413	1	5	20	10	449	1
Total equity	681	5	3	34	10	733	12
Premium revenue	373	-	-	-	2	375	-
Investment revenue	(31)	(4)	-	(239)	(5)	(279)	-
Claims expense	(217)	-	-	-	(14)	(231)	-
Movement in net insurance contract liabilities	25	-	-	-	17	42	-
Movement in investment contract liabilities	(1)	3	1	259	-	262	-
Net operating expenses	(147)	(1)	(2)	(39)	(3)	(192)	-
Profit before tax	2	(1)	(2)	(20)	(2)	(23)	-
Profit after tax	38	1	(1)	3	1	42	-
Transfer of profits	(22)	-	2	(8)	-	(28)	28

	Asteron Life Limited (New Zealand)	
	Investment Linked $m	Shareholder and other risk business $m
2008		
Investment assets	213	331
Policy liabilities ceded to reinsurers	-	11
Other assets	9	178
Total assets	222	520
Gross policy liabilities	198	126
Policy owner retained profits	-	13
Other liabilities	20	171
Total liabilities	218	310
Net assets	4	210
Share capital	-	137
Minority interest	-	2
Retained profits	4	71
Total equity	4	210
Premium revenue	-	99
Investment revenue	(11)	5
Claims expense	-	(60)
Movement in net insurance contract liabilities	-	102
Movement in investment contract liabilities	(21)	(22)
Net operating expenses	(3)	(64)
Profit before tax	8	8
Profit after tax	3	21
Transfer of profits	-	-

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40. Specific disclosures – Wealth Management (continued)

40(e) Disaggregated information by fund (continued)

Asteron Life Limited (Australia)

	Non-investment linked Statutory Fund No. 1 $m	Investment linked Statutory Fund No. 2 $m	Non-Investment linked Statutory Fund No. 3 $m	Investment linked Statutory Fund No. 4 $m	Non-Investment linked Statutory Fund No. 5 $m	Total Statutory Funds $m	Shareholder Fund $m
2007							
Investment assets	684	81	29	2,324	160	3,278	14
Policy liabilities ceded to reinsurers	160	-	-	-	-	160	-
Other assets	90	10	1	94	11	206	1
Total assets	934	91	30	2,418	171	3,644	15
Gross policy liabilities	146	78	27	2,319	149	2,719	-
Policy owner retained profits	-	-	-	-	3	3	-
Other liabilities	123	8	1	60	10	202	1
Total liabilities	269	86	28	2,379	162	2,924	1
Net assets	665	5	2	39	9	720	14
Share capital	-	-	-	-	-	-	296
Capital transfers	268	4	(2)	14	-	284	(285)
Retained profits	397	1	4	25	9	436	3
Total equity	665	5	2	39	9	720	14
Premium revenue	93	-	-	-	-	93	-
Investment revenue	17	2	-	68	3	90	1
Claims expense	(44)	-	-	-	(3)	(47)	-
Movement in net insurance contract liabilities	3	-	-	-	2	5	-
Movement in investment contract liabilities	(2)	(1)	-	(54)	-	(57)	-
Net operating expenses	(37)	(1)	-	(9)	-	(47)	-
Profit before tax	23	1	-	12	1	37	1
Profit after tax	18	-	(1)	3	-	20	-
Transfer of profits	-	-	-	-	-	-	-

Asteron Life Limited (New Zealand)

	Investment Linked $m	Shareholder and other risk business $m
2007		
Investment assets	296	528
Policy liabilities ceded to reinsurers	-	17
Other assets	24	24
Total assets	320	569
Gross policy liabilities	285	200
Policy owner retained profits	-	16
Other liabilities	26	128
Total liabilities	311	344
Net assets	9	225
Share capital	-	157
Capital transfers	-	-
Minority interest	-	3
Retained profits	9	65
Total equity	9	225
Premium revenue	-	25
Investment revenue	7	8
Claims expense	-	(15)
Movement in net insurance contract liabilities	(6)	10
Movement in investment contract liabilities	(1)	(4)
Net operating expenses	7	(34)
Profit before tax	(1)	(1)
Profit after tax	(1)	2
Transfer of profits	-	-

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40. Specific disclosures – Wealth Management (continued)

40(f) Solvency requirements of the Life Insurance statutory funds

Distribution of the retained profits of the statutory funds is limited by the prudential capital requirements of Part 5 of the *Life Act*, the detailed provisions of which are specified by APRA Prudential Standards. The Solvency Standard prescribes a minimum level of assets, known as the solvency requirement, for each statutory fund in the life businesses.

For Australia, the methodology and bases for determining solvency requirements are in accordance with LPS 2.04 Solvency Standard, as required under the *Life Act*. For the purposes of note 29, minimum termination values have been determined in accordance with APRA Prudential Standard LPS 4.02 *Minimum Surrender Values and Paid Up Values* and APRA Prudential Standard LPS 2.04 *Solvency Standard*.

For New Zealand, FRS-34 requires companies to disclose the amount of equity retained as solvency reserves. This amount has been calculated as at 30 June 2008 in accordance with Professional Standard 5 (PS5) issued by New Zealand Society of Actuaries.

The solvency requirements, and the ratios in respect of those requirements, are as follows:

	Suncorp Life & Superannuation Limited		Asteron Life Limited (Australia)		Asteron Life Limited (New Zealand)	
	2008 $m	2007 $m	2008 $m	2007 $m	2008 $m	2007 $m
Solvency requirement						
Minimum termination value	3,948	4,220	2,611	2,974	434	572
Other liabilities	167	298	147	203	105	96
Solvency reserve	297	472	149	176	62	84
Solvency requirement	4,412	4,990	2,907	3,353	601	752
Assets available for solvency reserve						
Excess of gross policy liabilities (includes policy owner bonuses) over minimum termination value	196	561	(450)	(414)	(119)	(105)
Net assets	243	199	734	721	212	230
Liability for policy owner retained profits at the end of financial year	297	222	4	2	14	17
	736	982	288	309	107	142
Solvency reserve (%)	7.2%	10.5%	5.4%	5.6%	11.6%	12.6%
Coverage of solvency reserve (times)	2.5	2.1	1.9	1.8	1.7	1.7

The minimum termination value is determined in accordance with the Solvency Standard and is the base figure upon which reserves against liability and asset risks are layered in determining the solvency requirement. The minimum termination value represents the minimum obligation of the Group to policy owners at reporting date.

40(g) Wealth Management risk management

The life companies have an approved Risk Management Statement which has been accepted by the Australian Prudential Regulation Authority ("APRA") as appropriate guidelines for the investment of the entities' funds including the use of derivatives. More detailed discussion on this is contained in note 42.

Suncorp Life and Superannuation Limited has a shareholder and two statutory funds, being a Capital Guaranteed Fund and an Investment Linked Fund. Within the Capital Guaranteed Fund there are five sub-funds: Life Capital Guaranteed Funds No's 1 and 4, and Superannuation Capital Guaranteed No's 1, 4 and 5. Within the Investment Linked Fund there are thirteen sub-funds: the Life Capital Stable Fund, the Balanced Life Fund, the Superannuation Stable Fund, the Balanced Superannuation Fund, the MS Cash Pool Fund, the MS Balanced Fund, the MS Capital Stable Fund, the MS High Equity Fund, the Suncorp Metway Australian Equities Superannuation Fund, the Suncorp Metway International Equities Superannuation Fund, the Suncorp Imputation Fund, the Suncorp Metway Bonds Fund and the Suncorp Metway Property Fund. Each of these sub-funds has an investment mandate.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Asteron Life Limited (Australia) has five statutory funds and a shareholder fund. Statutory Funds No. 1, 3 and 5 each have two sub-funds, one being an ordinary and the other being a superannuation sub-fund. Statutory Funds No. 1 is non-linked and non-participating, Statutory Fund No. 3 is non-participating and predominantly non-linked and Statutory Fund No. 5 is non-linked and participating. Statutory Fund No. 2 is a non-participating linked ordinary fund and Statutory Fund No. 4 is a non-participating linked superannuation fund. Major product lines for Statutory Fund No.1 are risk, annuities, traditional and fixed rate investment, while Statutory Fund No. 3 and 5 are traditional and investment account type funds.

Asteron Life Limited (New Zealand) has two funds – Life Fund and Shareholders' Fund. Major product lines for the Life Fund are risk, annuities, traditional, participating, fixed rate investment and investment linked business. Shareholder Fund covers all disability.

Insurance risk

Insurance risk is the risk that inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose an insurer to financial loss and consequent inability to meet its liabilities.

Risk management objectives and policies for mitigating insurance risk

The Group's objective is to satisfactorily manage these risks in line with the Group's Risk Management Strategy that is approved by the Board. Various procedures are put in place to control and mitigate the risks faced by the Group depending on the nature of the risk. The Group's exposure to all material risks is overseen by the Board Risk Committee.

In an effort to protect and improve shareholder value, the Group manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments. Risk exposures are managed using various analysis and valuation techniques, including stochastic modelling, to calculate the capital required under adverse risk scenarios, along with prudent underwriting and diversified investing.

Insurance risks are controlled through adherence to underwriting procedures, adequate premium rates and sufficient reinsurance arrangements. In relation to premium rates and reinsurance arrangements, the Group receives advice from the Appointed Actuary, in accordance with APRA Prudential Standard LPS 310. Controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

The financial and operating results, mortality and morbidity experience, claims frequency, persistency and expenses are monitored monthly against budget projections derived from the actuarial projection models. In addition, detailed annual investigations are performed into the mortality, morbidity and persistency experience of the business.

Underwriting procedures

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Solvency

Solvency margin requirements established by local and Australian actuarial professional standards and by Australian regulators and local regulations are in place to reinforce safeguards for policyholders' interests, being primarily the ability to meet future claims payments. The solvency requirement establishes the required excess of the value of the insurers' assets (at a Statutory Fund level) over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. This margin must be maintained throughout the period, not just at the period end. These solvency requirements also take into account specific risks faced by the Group.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Insurance risk (continued)

Terms and conditions of insurance business

The nature and terms of the insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend.

The table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance and investment contracts issued by the Group depend.

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting the timing and uncertainty of future cash flows
Long term non participating insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Guaranteed benefits paid on death, ill health or maturity which are fixed and are not at the discretion of the issuer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, morbidity, lapses, expenses and market earning rates on the assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (Endowment and Whole of Life)	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Operating profit arising from these contracts is allocated 80:20 between the policyholders and shareholders in accordance with the *Life Act*. The amount allocated to Policyholders is held as an Unvested policy liability until it is distributed to specific policyholders as bonuses.	Mortality, surrenders, expenses and market earning rates on the assets backing the liabilities.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is guaranteed. Operating profit arising from these contracts is allocated between the policyholders and shareholders in accordance with the *Life Act*. The amount allocated to policyholders is held as an unvested policy liability until it is distributed to specific policyholders as interest credits.	Surrenders, expenses and market earning rates on the assets backing the liabilities.
Unit Linked Investment Contracts	The gross value of premiums received is invested in units and the policyholder investment account is the value of the units. Investment management fees are deducted from policyholders annually based on the average value of funds under management.	The investment return is equal to the earnings on assets backing the investment contracts less any applicable management fees.	Market risk, expenses and withdrawals.
Lifetime Annuity	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of guaranteed regular income is set at inception of the policy, including any indexation.	Longevity, expenses and market earning rates on assets backing liabilities.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Insurance risk (continued)

Claims management

Claims are managed through dedicated claims management teams, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

Concentrations of insurance risk

The Group writes a mixture of individual and group insurance business providing mortality, morbidity and annuity benefit payments. The mix of business is monitored and managed to avoid inappropriate concentrations of risk.

Exposure to risk of large claims for individual lives is managed through the use of surplus reinsurance arrangements whereby the Group's maximum exposure to any individual life is capped.

Concentrations of risk by product type are managed through monitoring of the Group's in-force life insurance business and the mix of new business written each year.

The Group's group life portfolio includes an Industry fund that offers death and TPD protection to employers, some with large workforces. Although a 33% (2007: 50%) quota share arrangement is in place for this policy, the concentration of such workforces in single locations remains a factor that exposes SLSL to a higher risk of loss in the event of an accident affecting the location where the insured employees work. The Group examines its exposure to such employers on a case by case basis to ascertain the need for 'catastrophe' excess of loss reinsurance.

A product pricing and re-rating process ensures that any cross subsidies between insurance rates for groups of policyholders of different sex and age are minimised such that profitability is not materially impacted by changes to the age and sex profile of the in-force business.

Methods to limit or transfer life insurance risk exposures

(i) Ceding of risk and reinsurance security

As mentioned above, the Group cedes to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to reduce the net liability on large risks (related to either an individual or group exposure), obtain greater diversification of insurance risks and provide protection against large losses. The reinsurers have strong Standard & Poor's credit ratings from AA- to AAA. The Group reviews its reinsurance management strategy annually, with the strategy approved by the Board Risk Committee.

(ii) Interest rate risk arising from life insurance contracts

Some of the life insurance and investment product groups are interest sensitive. These contribute to the Group's result primarily from the spread between investment income received and interest credited to policyholder accounts, which may be a guaranteed rate of return for certain products. The Group strives to maintain this spread by adjusting the interest crediting rates at contractually specified intervals. The Group's ability to adjust interest crediting rates may be constrained by competitive forces and minimum guaranteed crediting rates, if any.

Credit risk

Credit risk is the likelihood of future financial loss resulting from the failure of clients or counterparties to meet contractual obligations as they fall due. Credit risk arises as a result of placement of reinsurance programs with counterparties and investments in financial instruments. The Board Risk Committee monitors the effectiveness of credit risk management in relation to Life Insurance activities, including the investments and insurance portfolios, and reviews exposure to reinsurers. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Life Insurance entities have no specific concentration of credit risk with a single counterparty arising from the use of financial instruments in managing the investment portfolio other than that normally arising through dealings on recognised exchanges and off exchange dealings (over the counter contracts). The counterparties to over the counter contracts are limited to companies with strong credit ratings from a recognised credit rating agency. These counterparties are normally banks operating in Australia.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Credit risk (continued)

The Group does not expect any counterparties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security to support credit risk exposures.

Credit risk from the use of financial instruments in investment management is controlled both by credit management (credit rating and credit limit controls), and by counterparty diversification policies to limit exposure to any one counterparty as a proportion of the investment portfolio.

The following tables provide information regarding the aggregate credit risk exposure of the Group's Wealth Management businesses at the balance date in respect of the major classes of financial assets. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA – BBB are classified non investment grade.

	Credit Rating							
	AAA $m	AA $m	A $m	BBB $m	Non investment grade $m	Other Not Rated $m	Investment Linked Business [1] $m	Total $m
2008								
Cash and cash equivalents	-	138	55	-	-	(2)	53	243
Interest bearing financial assets at fair value through profit or loss	899	809	1,669	83	1	72	393	3,924
Loans, advances and other receivables	15	64	7	3	-	178	40	307
Gross policy liabilities ceded under reinsurance	34	219	-	-	-	-	-	253
Derivative financial instruments	-	-	-	-	-	-	1	1
	948	1,229	1,731	86	1	248	487	4,729
2007								
Cash and cash equivalents	-	156	130	-	-	-	46	332
Interest bearing financial assets at fair value through profit or loss	962	653	1,005	99	1	80	571	3,371
Loans, advances and other receivables	12	91	196	2	-	13	132	446
Gross policy liabilities ceded under reinsurance	40	215	-	-	-	-	-	255
Derivative financial instruments	-	-	-	-	-	2	-	2
	1,014	1,115	1,331	101	1	95	749	4,406

(1) For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets.

The carrying amount of the relevant asset classes in the Balance Sheet represents the maximum amount of credit exposures, except for derivatives. The fair value of derivatives shown on the Balance Sheet represents the current risk exposure, but not the maximum risk exposure. The face value and fair value of derivatives are illustrated in note 42(b).

The following table provides information regarding the carrying value of the Group's Wealth Management financial assets that have been impaired and the ageing of those that are past due but not impaired at the balance date. An amount is considered to be past due when a contractual payment falls overdue by one or more days. When an amount is classified as past due, the entire balance is disclosed in the past due analysis. For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets and the table below does not include any financial assets backing investment linked business.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Credit risk (continued)

	Neither past due nor impaired $m	Past due but not impaired 0-3 mths $m	3-6 mths $m	6-12 mths $m	> 12 mths $m	Impaired $m	Total $m
2008							
Premiums outstanding	5	14	-	-	-	-	19
Investment revenue receivable	20	-	-	-	-	-	20
Investment settlements	7	-	-	-	-	-	7
Reinsurance recoveries receivable	39	12	2	1	1	-	55
Gross policy liabilities ceded under reinsurance	253	-	-	-	-	-	253
Other	183	-	-	-	-	5	188
	507	26	2	1	1	5	542
2007							
Premiums outstanding	4	11	1	-	-	-	16
Investment revenue receivable	15	-	-	-	-	-	15
Investment settlements	219	-	-	-	-	-	219
Reinsurance recoveries receivable	37	10	1	1	3	-	52
Gross policy liabilities ceded under reinsurance	255	-	-	-	-	-	255
Other	115	-	-	-	-	-	115
	645	21	2	1	3	-	672

Market risk

Market risk in the Group's Wealth Management activities is the risk of loss of current and future earnings from adverse moves in interest rates, foreign exchange rates, equity prices, property prices and prices of other financial contracts including derivatives.

Market risk in the life insurance business arises from mismatches between asset returns and guaranteed liability returns, adverse movements in market prices affecting fee income on investment-linked policies and from returns obtained from the investment of shareholders' capital held in each life company.

For non-participating insurance products, such as unit-linked products, market risks are passed on to the policyholder, although as noted, the shareholder's fee revenue may be adversely affected by market falls.

Management of market risk is generally less critical for risk insurance products as the amounts and timing of claims do not vary significantly with interest rates or other market changes that affect the underlying investments.

Solvency margin requirements established by APRA are in place to reinforce safeguards for policyholders' interests, which are primarily the ability to meet future claims payments to policyholders. The solvency margins measure the excess of the value of the insurers' assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. This margin must be maintained throughout the year, and takes into account the specific risks faced by the Group.

The Group maintains a level of capital adequacy in accordance with APRA Prudential Standards.

The management of the risks associated with investments undertaken by life statutory funds and the shareholder fund, including market risks, is subject to the relevant regulatory requirements, which are governed by the *Life Act*.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk of a loss of current and future earnings from adverse moves in interest rates. Interest rate risk arises from the investments in interest bearing securities. Any change in fair value of investments in interest bearing securities are immediately reflected in the Income Statements in accordance with the accounting policies discussed in note 3(h).

Interest rate risk arises in respect of financial assets held in the shareholders' fund and the life statutory funds over liabilities. This is combined with an economic mismatch between the timing of payments to life insurance and life investment contract holders and the duration of the assets held in the statutory funds to back these liabilities. Where the liability to the investment contract holder is directly linked to the value of assets held to back that liability there is no residual interest rate exposure to the shareholder. Accordingly, investment linked business is excluded from the analysis below.

The sensitivity of profit and loss after tax and equity reserves to movements in interest rates in relation to interest bearing financial assets held at the balance date is shown in the table below. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves. The risks faced and methods used for deriving sensitivity information and significant variables did not change from previous periods.

				2008		2007	
	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	Profit (loss) after tax $m	Equity reserves $m	Profit (loss) after tax $m	Equity reserves $m
Cash	200	298	+1	1	-	2	-
			-1	(1)	-	(2)	-
Interest bearing investment assets	3,584	2,874	+1	(31)	-	(36)	-
			-1	26	-	30	-
Loans, advances and receivables	199	247	+1	1	-	2	-
			-1	(1)	-	(2)	-
Derivative financial instruments	706	455	+1	(6)	-	6	-
			-1	6	-	(7)	-
Bonds, notes & long term borrowings	123	54	+1	1	-	0	-
			-1	(1)	-	(0)	-

Note: after tax impact on profit (loss) uses corporate tax rate of 30%. Actual after tax impact for life insurance business may differ.

Foreign exchange risk

The statutory funds of the Group invest in overseas assets. In the Investment Linked funds any investment returns, whether positive or negative, are passed on to the policyholders. The Capital Guaranteed Fund provides guarantee over capital and declared interest. The relevant Statutory Funds maintain reserves in accordance with APRA Prudential Standards to meet the risk associated with diminution of value associated with foreign exchange risk.

The life companies invest a portion of investment assets in global equities. Controlled trusts of SLSL, Suncorp Investment Management Global Macro Trust and Suncorp Investment Management World Equities Trust, enter into forward foreign exchange and futures contracts to provide capital appreciation by actively timing global currency, bond and equity markets using quantitative models to generate the trade positions. The terms and conditions of the forward foreign exchange contracts do not exceed one year. Asteron Life Limited places forward foreign exchange contracts directly.

The Group's exposure to foreign currency risk in the Wealth Management businesses at balance date is shown in the sensitivity analysis below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis for 2007.

40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	2008 Profit (loss) after tax $m	2008 Equity reserves $m	2007 Profit (loss) after tax $m	2007 Equity reserves $m
AUD	18	26	+10	1	-	2	-
			-10	(1)	-	(2)	-
Euro	35	107	+10	2	-	0	-
			-10	(2)	-	1	-
GBP	(30)	104	+10	(2)	-	2	-
			-10	2	-	(1)	-
JPY	91	89	+10	-	-	(8)	-
			-10	1	-	8	-
USD	286	500	+10	(17)	-	(36)	-
			-10	22	-	44	-
Other	80	135	+10	1	-	1	-
			-10	-	-	-	-

Note: after tax impact on profit (loss) uses corporate tax rate of 30%. Actual after tax impact for life insurance business may differ.

Other market risks

In addition to cash and interest bearing securities, the investment portfolios contain exposures to equity and property markets. The investment mandates while providing higher returns must also consider the volatility of investment returns and the impact of volatility on both the capital adequacy and profitability of the business. In accordance with the accounting policy discussed in note 3(h), these investments are measured at fair value at each balance date and changes in fair value are immediately reflected in the Income Statements. These principles also apply to investments through unitised vehicles.

Any overall downturn in the equities markets may impact on the future results of the Group. The impact of any significant movement is managed by utilising a diverse holding of Australian and overseas companies (whether direct or through unitised vehicles) and through the limited use of derivative financial instruments, as discussed in note 42.

The potential impact of movements in the market value of listed equites at balance date on the Group's Wealth Management profit after tax and equity reserves is shown in the sensitivity analysis below. The price risk in relation to unlisted securities is immaterial in terms of the possible impact on profit or loss and has not been included in the sensitivity analysis. The analysis is performed on the same basis for 2007. Where the liability to the investment contract holder is directly linked to the value of the asset held to back that liability (ie investment linked business) there is no residual price risk exposure to the shareholder and this has not been included in the analysis.

	Exposure at Jun-08 $m	Exposure at Jun-07 $m	Movement in variable %	2008 Profit (loss) after tax $m	2008 Equity reserves $m	2007 Profit (loss) after tax $m	2007 Equity reserves $m
Australian equities	2,065	3,443	+10	145	-	239	1
			-10	(145)	-	(239)	(1)
International equities	794	1,086	+10	56	-	76	-
			-10	(56)	-	(76)	-

Note: after tax impact on profit (loss) uses corporate tax rate of 30%. Actual after tax impact for life insurance business may differ.

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40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Liquidity risk

Liquidity risk is the risk that payment of obligations may not be honoured as they fall due. The ability to make claims payments in a timely manner is critical to the business of life insurance.

The investment portfolio mandates require that sufficient cash deposits are available to meet day-to-day obligations. This combined with premiums received provide substantial liquidity to meet claims payments and associated expenses as they arise. Consequently, there is greater flexibility in investment strategies while managing investments to provide sufficient liquidity to meet the claims as they become due, based on actuarial assessments.

The table below summarises the maturity profile of financial liabilities of the Group's Wealth Management business based on the remaining undiscounted contractual obligations. It also includes the maturity profile for insurance and investment contract policy liabilities based on the discounted estimated timing of net cash outflows.

	1 year or less $m	1 to 5 years $m	Over 5 years $m	No term $m	Investment Linked [1] $m	Total $m
2008						
Amounts due to reinsurers	14	-	-	-	-	14
Trade creditors and accrued expenses	176	-	-	-	-	176
Investment settlements	17	-	-	-	3	20
Interest rate swap and futures - net settled	9	4	-	-	4	17
Outstanding claims liabilities	95	-	-	35	-	130
Deposits and short term borrowings	123	-	-	-	-	123
Other	5	-	-	(2)	2	5
Insurance contract policy liabilities	328	950	1,325	-	-	2,603
Investment contract policy liabilities	4	-	-	-	3,934	3,938
Unvested policy owner benefits	3	-	-	311	-	314
Managed funds units on issue	807	-	-	-	-	807
	1,581	954	1,325	344	3,943	8,147

Notes

(1) For investment linked business the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in those assets. Therefore the tables in this section show the policyholder liability separately without any maturity profile analysis.

40. Specific disclosures – Wealth Management (continued)

40(g) Wealth Management risk management (continued)

Liquidity risk (continued)

	1 year or less $m	1 to 5 years $m	Over 5 years $m	No term $m	Investment Linked [(1)] $m	Total $m
2007						
Amounts due to reinsurers	13	-	-	-	-	13
Trade creditors and accrued expenses	299	-	-	-	-	299
Investment settlements	175	-	-	-	2	177
Interest rate swap and futures - net settled	1	3	-	-	1	5
Outstanding claims liabilities	90	-	-	41	-	131
Deposits and short term borrowings	54	-	-	-	4	58
Other	13	-	-	(2)	-	11
Insurance contract policy liabilities	349	1,016	1,659	-	-	3,024
Investment contract policy liabilities	2	-	-	-	4,705	4,707
Unvested policy owner benefits	4	-	-	238	-	242
Managed funds units on issue	1,248	-	-	-	-	1,248
	2,248	1,019	1,659	277	4,712	9,915

Notes

(1) For investment linked business the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in those assets. Therefore the tables in this section show the policyholder liability separately without any maturity profile analysis.

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40. Specific disclosures – Wealth Management (continued)

40(h) Critical accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Insurance contract liabilities

Policy liabilities for Life Insurance contracts are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance businesses written. Deferred policy acquisition costs are connected with the measurement basis of life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- the cost of providing the benefits and administering these insurance contracts; and
- discontinuance experience, which affects the Life Companies' ability to recover the cost of acquiring new business over the lives of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, security market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Life Companies share experience on mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products. Details of specific actuarial policies and methods are set out in note 40(i).

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also determined using the same methods as for insurance contract liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to consider whether the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Life Companies may not receive amounts due to them and these amounts can be reliably measured.

Investment contracts – deferred acquisition costs and deferred revenue

The assessment of recoverability and amortisation of deferred acquisition costs is an inherently uncertain process. There is no reliable measure of the future economic benefits that will arise from the acquisition costs incurred. This is largely due to the uncertainty surrounding continuance or surrender of certain policies. The acquisition costs are capitalised and separately disclosed in the Balance Sheet and amortised over the period to which the costs provide income.

The amortisation of deferred revenue is an inherently uncertain process, involving assumptions about factors related to the period a policy will be in force. This is largely due to uncertainty surrounding continuance or surrender of particular policies. The deferred revenue is capitalised and separately disclosed as another liability in the Balance Sheet and amortised over the period to which the policy is expected to provide income.

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40. Specific disclosures – Wealth Management (continued)

40(i) Actuarial assumptions and methods – policy liabilities

For general assumptions relating to life insurance gross policy liabilities, refer note 40(c).

Sensitivity analysis

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables that affect profits. The valuations included in the reported results and the Life Companies' best estimate of future performance, are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Life Companies and as such represents a risk.

Variable	Impact of movement in underlying variable
Expense	An increase in the level or inflationary growth of expenses over assumed levels would decrease profit and shareholder equity.
Mortality, TPD and Trauma rates	For lump sum risk business other than lifetime annuities, greater mortality, TPD or trauma rates would lead to higher levels of claims occurring, increasing associated claim cost and therefore reducing profit and shareholders equity. For lifetime annuities greater mortality rates would lead to a shorter duration of regular payments, and therefore increasing profit and shareholder equity.
Morbidity rates (disability income)	The cost of health-related claims depends on both the incidence of policyholders becoming disabled and the duration which they remain disabled. Higher than expected incidence and longer durations would increase claim costs, reducing profit and shareholders equity.
Discontinuance	An increase in discontinuance rates at earlier durations has a negative effect, reducing profit and shareholder equity, as it affects the ability to recover acquisition expenses and commissions.

For Life Insurance contracts which are accounted for under LPS 1.04, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins.

The table below illustrates how changes in key assumptions would impact the current period reported profit and policy liabilities and equity at 30 June 2008 of the Group.

Variable	Change (1)	Change in insurance contract liability (net) $m	Change in insurance contract liability (gross) $m	Profit (loss) after tax (net) $m	Profit (loss) after tax (gross) $m
Maintenance expense	+ 10% increase	12	12	(12)	(12)
Mortality and lump sum morbidity	+ 10% increase	0	1	(0)	(1)
Morbidity - disability income	+ 10% increase in incidence and decrease in recovery rates	45	93	(45)	(93)
Discontinuance rates	+ 10% increase	9	16	(9)	(16)

Notes

(1) Change is an absolute, rather than relative, change.
(2) Change in liability and profit/(loss) are shown net and gross of reinsurance.

The table below illustrates the effects of changes in actuarial assumptions from 30 June 2007 to 30 June 2008.

Assumption category	Effect on future profit margins (shareholder) increase/(decrease) $m	Effect on policy liabilities increase/(decrease) $m
Discount rates (risk business)	-	10
Discount rates (participating business)	(2)	-
Mortality and morbidity	22	(3)
Lapse and surrender rates	33	-
Indexation takeup rate	42	-
Maintenance expenses	(32)	2
Other	(8)	(3)

Notes

(1) Effects for risk business is shown gross of tax.

We note that part of the effect of the change in variables above may have been absorbed into profit margins implicit within policy liabilities, and is therefore not apparent from the table above.

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41. Financial instruments

Refer note 37 for discussion on the exposure to risks that arise in the normal course of the Group's business. Refer note 42 for specific discussion on derivative financial instruments.

(a) Fair values

These amounts represent estimates of fair values at a point in time and require assumptions and matters of judgement regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments and other factors. Therefore, they cannot be determined with precision and changes in the assumptions could have a material impact on the amount estimated. Fair values of financial instruments at balance date are as follows:

	Consolidated				Company			
	Carrying value 2008 $m	Fair value 2008 $m	Carrying value 2007 $m	Fair value 2007 $m	Carrying value 2008 $m	Fair value 2008 $m	Carrying value 2007 $m	Fair value 2007 $m
Financial assets								
Cash and liquid assets	1,003	1,003	1,093	1,093	216	216	378	378
Receivables due from other banks	263	263	42	42	263	263	42	42
Trading securities	5,685	5,685	4,291	4,291	5,685	5,685	4,291	4,291
Investment securities	19,136	19,136	20,920	20,920	11,082	11,233	9,688	9,688
Loans, advances and other receivables	57,343	56,686	47,689	47,595	53,487	51,737	43,454	43,365
Due from subsidiaries	-	-	-	-	6,296	6,296	4,435	4,435
Other financial assets	464	464	295	295	373	373	195	195
Financial liabilities								
Deposits and short term borrowings	45,300	45,233	32,979	32,981	45,984	45,914	32,979	32,981
Payables due to other banks	45	45	25	25	45	45	25	25
Bank acceptances	865	865	886	886	865	865	886	886
Payables	2,281	2,281	2,901	2,901	1,164	1,164	1,079	1,079
Due to subsidiaries	-	-	-	-	10,473	10,473	10,249	10,249
Securitisation liabilities	6,409	6,409	7,948	7,948	-	-	-	-
Bonds, notes and long term borrowings	4,595	4,588	4,342	4,337	4,472	4,465	4,288	4,283
Subordinated notes	2,638	2,638	2,202	2,202	1,699	1,699	1,198	1,198
Other financial liabilities	47	47	51	-	-	-	-	-
Preference shares	863	863	144	144	863	863	144	144

The fair value of derivative financial instruments can be found in note 42.

The estimated fair values disclosed do not include the value of assets and liabilities that are not considered financial instruments. In addition, the value of long term relationships with depositors and other customers are not reflected. The value of these items is significant, and the aggregate net fair value amount should in no way be construed as representative of the underlying value of the Group.

The following methodologies and assumptions were used to determine the net fair value estimates:

Financial assets

As cash and cash equivalents and receivables due from other banks are short term in nature or are receivable on demand, their carrying value approximates their net fair value. Investment securities are carried at market value which equates to fair value.

The carrying value of loans, advances and other receivables is net of specific and collective provisions for impairment. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied were based on the rates offered by the Banking entities on current products with similar maturity dates.

The fair value of the Company's investment in subsidiaries (included in investment securities) is approximated as the net assets of the subsidiaries.

For all other financial assets, the carrying value is considered to be a reasonable estimate of fair value.

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41. Financial instruments (continued)

(a) Fair values (continued)

Financial liabilities

The carrying value at balance date of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the fair value. Discounted cash flow models are used to calculate the fair value of other term deposits based upon deposit type and related maturities. As the payables due to other banks are short term in nature, their carrying value approximates fair value.

The fair value of bonds, notes and long term borrowings and subordinated notes, are calculated based on either the quoted market prices at balance date or, where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument.

For all other financial liabilities which are short term in nature, the carrying value is considered to be a reasonable estimate of fair value. For longer term liabilities, fair values have been estimated using the rates currently offered by the Banking entity for similar liabilities with similar remaining maturities.

Contingent financial liabilities and credit commitments

The Group has potential financial liabilities that may arise from certain contingencies disclosed in note 45. As explained in that note, no material losses are anticipated in respect of any of those contingencies.

Derivative financial instruments

The net fair value of derivative contracts was obtained from quoted market prices, discounted cash flow models, broker and dealer price quotations or option pricing models as appropriate.

(b) Hedging

Hedging of fluctuations in interest rates

Interest rate swaps designated as hedges are classified as either cash flow hedges or fair value hedges and are measured at fair value in the Balance Sheet.

Banking activities

The Bank seeks to minimise volatility in its net interest income through use of interest rate derivatives, primarily vanilla interest rate swaps. The swaps are managed over a three year period which is approximately the average loan life.

At balance date, the bank had two (2007: two) swaps designated as a fair value hedge of a fixed rate subordinated debt issue. All other interest rate swaps designated as hedges were cash flow hedges. The swaps designated as cash flow hedges are hedges of either variable rate mortgages or variable rate short term debt.

General insurance activities

At balance date the General Insurance entities have interest rate swaps designated as a hedge and classified as fair value hedges of fixed rate subordinated debt issues. All other interest rate derivatives are accounted for as fair value through the Income Statement.

Hedging of fluctuations in foreign currency rates

The Bank hedges its exposure to fluctuations in foreign exchange rates through the use of derivatives in the foreign exchange market. The currencies giving rise to this risk are primarily US Dollars, Euro and Pounds Sterling.

The Bank hedges its offshore debt issues using cross currency interest rate swaps and foreign exchange swaps. In respect of other monetary assets and liabilities held in currencies other than AUD, the Bank ensures that the net exposure is kept to an acceptable level through participation in the spot and forward markets. Hedge accounting has been adopted by the general insurance companies for the interest rate swaps hedging the interest rate risk arising on fixed rate subordinated debt issues.

All cross currency interest rate swaps entered into by the Group are designated as hedges using the split approach. Under this approach the benchmark rate of the hedge is accounted for as a fair value hedge and the margin as a cash flow hedge.

41. Financial instruments (continued)

(b) Hedging (continued)

Hedging of fluctuations in foreign currency rates (continued)

The Bank has elected to fair value its Euro Commercial Paper portfolio through the Income Statement on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward contracts and the debt issue are recognised in the Income Statement. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies where hedge accounting is not applied as at 30 June 2008 was $77 million (30 June 2007: liability of $68 million).

	Consolidated				Company			
	2008		2007		2008		2007	
	Fair Value Hedges $m	Cash Flow Hedges $m	Fair Value Hedges $m	Cash Flow Hedges $m	Fair Value Hedges $m	Cash Flow Hedges $m	Fair Value Hedges $m	Cash Flow Hedges $m
Hedging of fluctuations in interest rates								
Notional value of interest rate swaps designated as hedges	200	17,025	200	12,573	200	17,025	200	12,573
Fair value:								
net receive interest rate swaps	-	261	-	153	-	261	-	153
net pay interest rate swaps	(9)	(40)	(6)	(11)	(9)	(40)	(6)	(11)
	(9)	221	(6)	142	(9)	221	(6)	142

	Consolidated Split Approach 2008 $m	Consolidated Split Approach 2007 $m	Company Split Approach 2008 $m	Company Split Approach 2007 $m
Hedging of fluctuations in foreign exchange rates				
Notional value of cross currency swaps designated as hedges	7,293	7,498	6,813	7,498
Fair value:				
net receive cross currency swaps	28	-	28	-
net pay cross currency swaps	(612)	(577)	(545)	(577)
	(584)	(577)	(517)	(577)

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Cashflow hedges - amounts recognised in equity				
Balance at the beginning of the financial year	(64)	(14)	(67)	(18)
Amount removed from equity and included in profit or loss for the year [1]				
cash flow interest rate swap hedges	11	8	10	8
split approach across cross currency swap hedges	-	(2)	-	(2)
Cumulative gains and losses deferred to equity for current hedges				
cash flow interest rate swap hedges	(93)	(71)	(93)	(70)
split approach across cross currency swap hedges	(2)	(7)	(2)	(7)
Income tax impact on cashflow hedges	28	22	28	22
Balance at the end of the financial year included in equity	(120)	(64)	(124)	(67)

Notes

(1) Included within 'net profits on derivative and other financial instruments' on the Income Statements.

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42. Derivative financial instruments

A derivative financial instrument is a financial instrument that provides the holder with the ability to participate in some or all of the price changes of a referenced financial instrument, commodity, index of prices, or the price of any specific item. It usually does not require the holder to own or deliver the referenced item. Derivatives enable holders to modify or eliminate risks by transferring them to other parties willing to assume those risks. As at 30 June 2008 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges.

Derivative financial instruments are used by the Group to manage interest rate, foreign exchange and equity price risk arising from various banking and insurance activities. They are also used to a limited degree within the insurance investment portfolios where it is more efficient to use derivatives rather than physical securities in managing investment portfolios.

The “face value” is the notional or contractual amount of the derivatives. This amount acts as reference value upon which interest payments and net settlements can be calculated and on which revaluation is based.

The “credit equivalent” is a number calculated using a standard APRA formula and is disclosed for each product class. This amount is a measure of the on-balance sheet loan equivalent of the derivative contracts, which includes a specified percentage of the face value of each contract plus the market value of all contracts with an unrealised gain at balance date.

The “fair value” of the derivative contract represents the net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking-to-market all derivatives at a particular point in time. The fair value of derivative contracts vary over time depending on movements in interest and exchange rates and hedging strategies used.

(a) Banking activities

The Banking Group uses derivative financial instruments both for non-trading activities (balance sheet management) and trading activities.

Non-trading activities

Derivative financial instruments are primarily used for the purpose of managing existing or anticipated interest rate risk from non-trading activities. Non-traded interest rate risk arises from the structure and characteristics of the Banking assets and liabilities and in the mismatch in their repricing dates. The principal objective of non-traded interest rate risk management is to minimise the fluctuations in value and net interest income over time, providing secure and sustainable net interest income arising in the long term.

The Banking Group also uses derivative financial instruments for the purpose of hedging non-traded foreign exchange risk. Foreign exchange derivatives are used to hedge foreign currency borrowing, lending and other cash flows.

The risk management framework in relation to non-traded market risk is detailed in note 38(c).

Trading activities

The Banking Group maintains trading positions in a variety of interest rate and foreign exchange derivative financial instruments. The principal objective of the trading activities is to generate income by providing a service to customers, acting as a market maker to the Group’s own internal customers and through disciplined trading.

The risk management framework in relation to traded market risk is detailed in note 38(c).

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42. Derivative financial instruments (continued)

(a) Banking activities (continued)

	Consolidated Banking			
	2008		2007	
	Face value $m	Fair value $m	Face value $m	Fair value $m
Exchange rate related contracts [1]				
Forward foreign exchange contracts	10,142	(73)	9,688	(63)
Cross currency swaps	6,813	(434)	7,498	(581)
Currency options	142	-	11	-
	17,097	(507)	17,197	(644)
Interest rate related contracts [2]				
Forward rate agreements	2,550	-	1,100	-
Interest rate swaps	44,195	240	31,124	139
Interest rate futures	1,582	-	1,586	-
Interest rate options	1,200	-	504	-
	49,527	240	34,314	139
Total derivative exposures [3]	66,624	(267)	51,511	(505)

Notes

(1) The credit equivalent of the exchange rate related contracts is $357 million (2007:$362 million).
(2) The credit equivalent of the interest rate related contracts is $639 million (2007: $356 million).
(3) The credit equivalent of the total derivative exposures is $996 million (2007: $719 million).
(4) Derivative exposures for the Company are the same as those for Consolidated Banking.

(b) Insurance activities

The use of derivatives is consistent with the objectives of the overall investment strategies of the investment portfolios, and one of the means by which these strategies are implemented. Derivatives will only be used for the reasons of efficiency, arbitrage and risk reduction. The Risk Management Statements, approved by the Board of Directors, establish the basis on which derivative financial instruments may be used within the investment portfolios. The preparation and enforcement of the statements is a critical requirement for licensed insurers. The Risk Management Statements form the basis of the discussion in this note on derivative financial instruments. The Risk Management Statements and investment mandates prohibit the use of derivatives for speculative purposes or for leveraged trading. Leverage here is defined as creating a portfolio which would have sensitivity to an underlying economic or financial variable which is greater than could be achieved using only physical securities.

Exposure limits have been established with respect to the various asset classes. Within each asset class, derivative exposure limits are identified in the Risk Management Statements and limits have been established on daily transaction levels. For over the counter ("OTC") derivatives authorised counterparties must have a minimum Standard and Poor's rating of "A" or the equivalent credit rating by another recognised credit rating agency.

The investment manager has an independent Risk Manager responsible for monitoring these positions to ensure they do not exceed the authorities established in the investment mandate. Regular monitoring and review of controls relating to these activities is the responsibility of the Board Risk Committee and the Internal Audit division.

The General Insurance business has forward foreign exchange contracts in relation to the overseas liabilities portfolio. Under the contracts, the Group agrees to exchange specified amounts of United States dollars at an agreed future date, at a specified exchange rate.

The use of derivative financial instruments to mitigate market risk, interest rate risk and currency risk includes the use of exchange traded bill and bond futures, equity index futures, over-the-counter forward foreign exchange contracts and interest rate and equity options.

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42. Derivative financial instruments (continued)

(b) Insurance activities (continued)

Derivative financial instruments are investments backing insurance liabilities and are measured at fair value. Changes in fair value are reflected daily in the profit and loss. The fair values of the derivative financial instruments at balance date are as follows:

	Consolidated Insurance			
	Face value 2008 $m	Fair value 2008 $m	Face value 2007 $m	Fair value 2007 $m
General Insurance				
Forward exchange contracts	21	-	57	(1)
Interest rate futures	2,189	6	1,781	(1)
Interest rate options	19	-	(24)	-
Interest rate swaps	2,018	(49)	1,848	(12)
Equity futures	67	(2)	516	9
Credit default swaps	94	(2)	106	-
	4,408	(47)	4,284	(5)
Life Insurance				
Forward exchange contracts	691	4	475	3
Interest rate futures	1,393	43	2,024	(1)
Interest rate options	-	-	(7)	-
Interest rate swaps	10	(2)	(1)	(1)
Equity futures	286	(11)	1,339	15
	2,380	34	3,830	16

43. Fiduciary activities

The Group conducts investment management and other fiduciary activities as trustee, custodian or manager for various investment funds and trusts, Suncorp Metway approved deposit funds, Superannuation funds, and wholesale and retail unit trusts. These activities result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets are not the property of the Group and are not included in the consolidated financial statements.

Where subsidiaries, as single responsible entities or trustees, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is not probable that the subsidiaries will be required to settle them, the liabilities are not included in the consolidated financial statements. At 30 June 2008, the value of assets under management was $32,878 million (2007: $38,285 million).

44. Commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers, including commitments to extend credit and letters of credit. The Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

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44. Commitments (continued)

(a) Credit commitments – banking activities

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA:

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Notional amounts				
Guarantees entered into in the normal course of business	353	314	353	314
Commitments to provide loans and advances	9,790	7,440	9,886	7,440
	10,143	7,754	10,239	7,754
Credit equivalent amounts				
Guarantees entered into in the normal course of business	193	185	193	185
Commitments to provide loans and advances	3,190	1,561	2,939	1,561
	3,383	1,746	3,132	1,746

(b) Operating lease commitments

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Aggregate future operating lease rentals contracted for but not provided in the financial statements are payable as follows:				
Less than one year	137	116	70	58
Between one and five years	356	309	196	149
More than five years	139	172	95	122
	632	597	361	329
Representing:				
Cancellable operating leases	-	1	-	-
Non-cancellable operating leases	632	596	361	329
	632	597	361	329

The Group leases property under operating leases expiring from 1-12 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

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44. Commitments (continued)

(c) Finance lease receivables

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Gross investment in finance lease receivables:				
Less than one year	141	143	3	20
Between one and five years	260	278	-	2
More than five years	6	8	-	-
	407	429	3	22
Unearned future income on finance leases	(53)	(54)	-	-
Net investment in finance lease receivables	354	375	3	22

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Net investment in finance lease receivables:				
Less than one year	136	138	3	20
Between one and five years	214	232	-	2
More than five years	4	5	-	-
	354	375	3	22

(d) Expenditure commitments

	Consolidated 2008 $m	Consolidated 2007 $m	Company 2008 $m	Company 2007 $m
Expenditure for the acquisition of plant and equipment contracted for but not provided in the financial statements is payable as follows:				
Less than one year	8	14	-	2
	8	14	-	2

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45. Contingent assets and liabilities

(a) Contingent assets

There are claims and possible claims made by the Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that receivables are not required in respect of these matters, as it is not virtually certain that future economic benefits will eventuate or the amount is not capable of reliable measurement.

(b) Contingent liabilities

There are outstanding court proceedings, potential fines, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities for which no provisions are included in these financial statements are as follows:

- The Group has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 44 sets out details of these guarantees.
- Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business the Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.

46. Consolidated entities

(a) Ultimate parent entity

The ultimate parent entity in the wholly owned group is Suncorp-Metway Ltd.

(b) Significant subsidiaries of Suncorp-Metway Ltd

Subsidiaries	Class of shares	Country of Incorporation	Equity Holding 2008 %	Equity Holding 2007 %
Australian Banking entities				
Series 1999-1 APOLLO Trust	Units	Australia	-	100
APOLLO Series 2002-1 Trust	Units	Australia	100	100
APOLLO Series 2002-2 Trust	Units	Australia	100	100
APOLLO Series 2003-1E Trust	Units	Australia	100	100
APOLLO Series 2003-2 Trust	Units	Australia	100	100
APOLLO Series 2004-1E Trust	Units	Australia	100	100
APOLLO Series 2004-2 Trust	Units	Australia	100	100
APOLLO Series 2005-1E Trust	Units	Australia	100	100
APOLLO Series 2005-2 Trust	Units	Australia	100	100
APOLLO Series 2006-1E Trust	Units	Australia	100	100
APOLLO Series 2007-1E Trust	Units	Australia	100	100
APOLLO Warehouse Trust No.1	Units	Australia	100	100
APOLLO Series 2008-1R Trust	Units	Australia	100	-
Excelle Pty Ltd	Ordinary	Australia	100	100
Graham & Company Limited (8)	Ordinary	Australia	100	100
SME Management Pty Limited	Ordinary	Australia	100	100
SPDEF #2 Pty Limited	Ordinary	Australia	100	100
Suncorp Property Development Equity Fund #2 Unit Trust	Units	Australia	100	100
Polaris Data Centre Unit Trust	Units	Australia	100	100
Suncorp Finance Pty Limited (15) (formerly Suncorp Finance Limited) and its subsidiary	Ordinary	Australia	100	100
Medical & Commercial Finance Corporation Pty Limited (15) (formerly Medical & Commercial Finance Corporation Limited)	Ordinary	Australia	100	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	100	100
Suncorp Metway Staff Pty Ltd	Ordinary	Australia	100	100
Suncorp Metway Executive Performance Share Plan Trust	Units	Australia	100	100
Australian General Insurance entities				
Suncorp Metway Insurance Ltd (3)-(9) and its subsidiaries	Ordinary	Australia	100	100
GIO Insurance Investment Holdings A Pty Limited and its subsidiaries	Ordinary	Australia	100	100
GIO Australia Limited	Ordinary	Australia	100	100
GIO General Limited (4)-(9) and its subsidiary	Ordinary	Australia	100	100
GIO Workers Compensation (Victoria) Limited	Ordinary	Australia	100	100
RACT Insurance Pty Ltd (13)	Ordinary	Australia	70	100
Suncorp Metway Risk Management Pte Ltd	Ordinary	Singapore	100	100
Suncorp Property Development Equity Fund	Units	Australia	100	100
The Park Road Property Trust (8)	Units	Australia	76	68
Suncorp Investment Management High Alpha Trust (9)	Units	Australia	-	100
Vero Insurance Limited and its subsidiaries	Ordinary	Australia	100	100
AMY Corporation Limited and its subsidiary	Ordinary	Australia	100	100
Just Car Insurance Agency Pty Limited	Ordinary	Australia	100	100
APUA Pty Limited	Ordinary	Australia	100	100
Wiwaka Holdings Limited	Ordinary	Australia	100	100
Australian Alliance Insurance Company Limited and its subsidiaries	Ordinary	Australia	100	100
Australian Pensioners Insurance Agency Pty Limited	Ordinary	Australia	100	100
InsureMyRide Pty Limited	Ordinary	Australia	100	100
Shannons Limited	Ordinary	Australia	100	100
Shannons Auctions Limited	Ordinary	Australia	100	100

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46. Consolidated entities (continued)

(b) Significant subsidiaries of Suncorp-Metway Ltd (continued)

Australian General Insurance entities (continued)

Subsidiaries	Class of shares	Country of Incorporation	Equity Holding 2008	Equity Holding 2007
Australian Associated Motor Insurers Limited and its subsidiaries	Ordinary	Australia	100	100
ABBi Pty Limited	Ordinary	Australia	100	100
AAMI Superannuation Limited	Ordinary	Australia	100	100
Bingle.com Pty Limited	Ordinary	Australia	100	100
Skilled Drivers of Australia Limited [10]	N/A	Australia	n/a	n/a
Australian Surety Corporation Pty Limited and its subsidiary	Ordinary	Australia	50.5	50.5
New Zealand Surety Corporation Limited	Ordinary	New Zealand	50.5	50.5
Aviation Office of Australia Pty Limited	Ordinary	Australia	100	100
National Marine Insurance Agency Limited	Ordinary	Australia	100	100
Promequity Limited (formerly Promina Equities Limited) [12][14]	Ordinary	Australia	100	100
Secure Sentinel Pty Limited and its subsidiary	Ordinary	Australia	100	100
Secure Sentinel (NZ) Limited	Ordinary	New Zealand	100	100
Terri Scheer Insurance Pty Ltd (formerly Terri Scheer Insurance Brokers Pty. Ltd.) [14]	Ordinary	Australia	100	100
Suncorp Insurance Funding 2007 Limited	Ordinary	Australia	100	100

Australian Wealth Management entities

Subsidiaries	Class of shares	Country of Incorporation	Equity Holding 2008	Equity Holding 2007
Suncorp Life & Superannuation Limited and its subsidiaries [3]-[7]	Ordinary	Australia	100	100
Suncorp Financial Services Pty Ltd	Ordinary	Australia	100	100
Suncorp Investment Management Australian Cash Trust [3]	Units	Australia	94	93
Suncorp Investment Management Australian Equities Trust [4]	Units	Australia	83	79
Suncorp Investment Management Australian Fixed Interest Trust	Units	Australia	92	90
Suncorp Investment Management Global Macro Tactical Asset Allocation Trust [5]	Units	Australia	96	96
Suncorp Investment Management Property Securities Trust [6]	Units	Australia	81	83
Suncorp Investment Management World Equities Trust [7]	Units	Australia	76	76
Suncorp Investment Management World Fixed Interest Trust and its subsidiary	Units	Australia	94	92
Suncorp Investment Management Mortgage Backed Trust	Units	Australia	97	88
Suncorp Investment Management Imputation Trust	Units	Australia	55	55
Suncorp Metway Investment Management Limited and its subsidiary [3]	Ordinary	Australia	100	100
SUNCORP Custodian Services Pty Ltd	Ordinary	Australia	100	100
Asteron Limited and its subsidiaries	Ordinary	Australia	100	100
Camwal Limited	Ordinary	Australia	100	100
Asteron Life Limited and its subsidiaries	Ordinary	Australia	100	100
	Preference	Australia	100	100
Tank Stream Trust [16]	Units	Australia	100	100
Trustee Income Fund [16]	Units	Australia	100	100
Suncorp Portfolio Services Limited	Ordinary	Australia	100	100
	Preference	Australia	100	100
Financial Services Training and Assessment Pty Limited	Ordinary	Australia	100	100
Guardianfp Limited	Ordinary	Australia	100	100
Prophet Financial Advice Pty Ltd	Ordinary	Australia	100	-
Standard Pacific Financial Services (NSW) Limited and its subsidiaries	Ordinary	Australia	100	100
Standard Pacific Consulting Limited	Ordinary	Australia	100	100
Standard Pacific Accounting Pty Limited	Ordinary	Australia	100	100
Tasman Asset Management Limited	Ordinary	Australia	100	100
Tasman Risk Management Pty Limited	Ordinary	Australia	100	100

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46. Consolidated entities (continued)

(b) Significant subsidiaries of Suncorp-Metway Ltd (continued)

Australian Other entities

Subsidiaries	Class of shares	Country of Incorporation	Equity Holding 2008 %	Equity Holding 2007 %
Suncorp Insurance Holdings Limited and its subsidiary	Ordinary	Australia	100	100
Promgroup Limited (formerly Promina Group Limited) and its subsidiary [11]	Ordinary	Australia	100	100
Tyndall Investment Management Limited and its subsidiary	Ordinary	Australia	100	100
Tyndall Equities Australia Pty Limited [12]	"A" Class Ord	Australia	100	100
Hooker Corporation Limited and its subsidiaries	Ordinary	Australia	100	100
LJ Hooker Limited	Ordinary	Australia	100	100
LJ Hooker Group Limited	Ordinary	New Zealand	100	100
Challenge Realty Group Limited	Ordinary	New Zealand	100	100

New Zealand entities

Subsidiaries	Class of shares	Country of Incorporation	Equity Holding 2008 %	Equity Holding 2007 %
Suncorp Holdings (NZ) Limited (formerly Promina Group Holdings (NZ) Limited) and its subsidiaries	Ordinary	New Zealand	100	100
Suncorp Group New Zealand Limited (formerly Promina Group New Zealand Limited) and its subsidiaries	Ordinary	New Zealand	100	100
	Preference	New Zealand	-	-
Asteron Life Limited and its subsidiaries	Ordinary	New Zealand	100	100
Asteron Retirement Investment Limited	Ordinary	New Zealand	100	100
Asteron Superannuation Services Limited [17]	Ordinary	New Zealand	100	100
Asteron Trust Services Limited	Ordinary	New Zealand	100	100
Northcroft Plaza Limited [17]	Ordinary	New Zealand	100	100
NZGT Wholesale Mortgage Fund (GIF5)	Units	New Zealand	100	100
SAL Re Limited	Ordinary	New Zealand	100	100
Suncorp Group Services NZ Limited (formerly Promina Group Services NZ Limited	Ordinary	New Zealand	100	100
The New Zealand Guardian Trust Company Limited and its	Ordinary	New Zealand	100	100
subsidiaries	Preference	New Zealand	-	-
Guardian Trust Registery Services Limited	Ordinary	New Zealand	100	100
Guardian Trust Superannuation Trustees Limited	Ordinary	New Zealand	100	100
NZ International Trustee Company Limited	Ordinary	New Zealand	100	100
Tyndall Investment Management New Zealand Limited	Ordinary	New Zealand	100	100
Vero Insurance New Zealand Limited and its subsidiaries	Ordinary	New Zealand	100	100
	Preference	New Zealand	-	-
AA Insurance Limited	Ordinary	New Zealand	68	68
Axiom Risk & Insurance Management Limited	Ordinary	New Zealand	50	50
Comprehensive Travel Insurance (2004) Limited	Ordinary	New Zealand	72	72
Fusion Insurance Services Limited	Ordinary	New Zealand	50	50
Mariner Underwriters Limited	Ordinary	New Zealand	-	100
Vero Liability Insurance Limited	Ordinary	New Zealand	100	100
Vero Warranty Limited [17]	Ordinary	New Zealand	100	100

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46. Consolidated entities (continued)

(b) Significant subsidiaries of Suncorp-Metway Ltd (continued)

Notes

(1) Names indented in these tables indicate direct subsidiaries of the entities appearing above.
(2) Non-operating and minor operating subsidiaries are excluded from the above list.
(3) Suncorp Life & Superannuation Limited holds a 84% (2007: 76% interest), Suncorp Metway Insurance Ltd holds a 10% (2007: 17%) interest and Suncorp Metway Investment Management Limited holds a 0% (2007:0.1%) interest in the Suncorp Investment Management Australian Cash Trust.
(4) Suncorp Life & Superannuation Limited holds a 83% (2007: 74%) interest, GIO General Limited holds a 0% (2007: 2%) interest and Suncorp Metway Insurance Ltd holds a 0% (2007: 3%) interest in the Suncorp Investment Management Australian Equities Trust.
(5) Suncorp Life & Superannuation Limited holds a 66% (2007: 65%) interest, GIO General Limited holds a 14% (2007: 14%) interest and Suncorp Metway Insurance Ltd holds a 16% (2007: 17%) interest in the Suncorp Investment Management Global Macro Tactical Asset Allocation Trust.
(6) Suncorp Life & Superannuation Limited holds a 71% (2007: 75%) interest, GIO General Limited holds a 10% (2007: 7%) interest and Suncorp Metway Insurance Ltd holds a 0% (2007: 1%) interest in the Suncorp Investment Management Property Securities Trust.
(7) Suncorp Life & Superannuation Limited holds a 61% (2007: 63%) interest, GIO General Limited holds a 7% (2007: 7%) interest and Suncorp Metway Insurance Ltd holds a 8% (2007: 6%) interest in the Suncorp Investment Management World Equities Trust.
(8) Suncorp Metway Insurance Ltd holds a 47% (2007: 48%) interest and Graham & Company Limited holds a 29% (2007: 20%) interest in The Park Road Property Trust.
(9) Suncorp Metway Insurance Ltd held a 57% interest and GIO General Limited held a 43% interest in the Suncorp Investment Management High Alpha Trust in the prior financial year.
(10) Skilled Drivers of Australia Limited ABN 71 005 918 301 (incorporated in Australia) is a subsidiary of Australian Associated Motor Insurers Limited but is not consolidated as it is a company limited by guarantee and members are not entitled to dividends or capital distributions.
(11) Also registered as an overseas company in New Zealand.
(12) Tyndall Investment Management Limited holds all 97 Class A Ordinary shares .Employees hold all 97 Class B Redeemable Preference Shares. Tyndall Investment Management Limited has control for consolidation purposes.
(13) While the Group's ownership interest in RACT Insurance Pty Ltd decreased to 70% from September 2007, strategic and operating decisions relating to its activities are made jointly and this entity is accounted for as a joint venture.
(14) These companies changed their names on 30 June 2008.
(15) These companies converted from being a public company limited by shares to a proprietary company limited by shares on 10 July 2008.
(16) These trusts are in the process of being wound up.
(17) Amalgamated into parent Company during the financial year.

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47. Notes to the Statement of Cash Flows

(a) Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2008	2007	2008	2007
	$m	$m	$m	$m
Profit for the year	561	1,064	772	834
Classified as investing activities				
Income tax paid - investing activities	358	309	-	-
Non-cash items				
Amortisation of share-based payments	13	9	10	-
Change in fair value of trading securities	(75)	5	-	(11)
Change in fair value of investments	2,103	(791)	-	-
Change in fair value of investment property	(52)	(19)	-	-
Impairment of Joint Ventures	13	-	-	
Impairment losses on loans and advances	71	25	63	14
Depreciation / amortisation of property, plant and equipment and intangible assets	474	221	-	-
Loss on disposal of subsidiary	2	-	-	
Loss on disposal of property, plant and equipment	7	2	-	-
Share of net profits of joint ventures and associates accounted for using the equity method	(11)	29	-	-
Change in assets and liabilities				
Gross up of GST on lease instalments included in operating payments	24	21	24	21
Net movement in tax balances	(440)	(18)	(40)	(18)
Increase in accrued interest receivable	(44)	(10)	(42)	(18)
(Increase) decrease in prepayments and deferred expenses	(245)	(193)	-	-
Increase in trading securities	(1,319)	(1,076)	(1,394)	(1,077)
Increase in loans, advances and other receivables	(9,941)	(5,901)	(10,120)	(6,663)
(Increase) decrease in receivables and other financial assets	120	(1,176)	(140)	(18)
Increase in deposits and short term borrowings	12,321	3,843	13,005	6,528
Increase (decrease) in sundry creditors and accrued expenses	(598)	4	85	288
Increase in outstanding claims liabilities	(129)	76	-	-
Increase in unearned premiums and unexpired risk liabilities	83	97	-	-
Increase in gross policy liabilities	(1,193)	921	-	-
Increase (decrease) in unvested policy owner benefits	72	(28)	-	-
Increase in provisions	6	17	(6)	-
Net cash inflow from operating activities	2,181	(2,569)	2,217	(120)

(b) Financing Arrangements

	Consolidated				Company			
	2008 available $m	2008 unused $m	2007 available $m	2007 unused $m	2008 available $m	2008 unused $m	2007 available $m	2007 unused $m
Unrestricted access was available at balance date to the following:								
Group overdraft limit	35	35	35	35	5	5	5	5
The Group had the following debt programs (1) outstanding at year end:								
USD $15 billion progamme	15,560	5,836	17,639	10,193	15,560	5,836	17,639	10,193
USD $5 billion progamme	5,187	4,819	-	-	5,187	4,819	-	-
	20,747	10,655	17,639	10,193	20,747	10,655	17,639	10,193

Notes

(1) The Group also has access to an unlimited AUD domestic program and a $62 million intraday credit accommodation facility.

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48. Key management personnel disclosures

(a) Key management personnel

The following are the Company's executives (other than executive directors) who had authority and responsibility for planning, directing and controlling the activities of the Company and the Group during the financial year:

Roger Bell	Group Executive Vero New Zealand
Robert Belleville	Group Executive Personal Insurance
Mark Blucher	Group Executive Integration
David Foster	Group Executive Retail Banking
Dennis Fox	Group Executive Wealth Management – retired 31 July 2008
Bernadette Inglis	Group Executive Strategy, People and Corporate Services
Stuart McDonald	Group Executive Business Banking
Mark Milliner	Group Executive Commercial Insurance
Jeff Smith	Group Executive Information Technology
Geoffrey Summerhayes	Group Executive Wealth Management – appointed 26 May 2008

Apart from Roger Bell, Robert Belleville, Dennis Fox and Jeff Smith who were appointed on 20 March 2007, these executives held their positions for the duration of the previous financial year. The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company during the last financial year until their resignations: Diana Eilert (resigned 13 April 2007), Peter Johnstone (resigned 30 September 2006) and Hemant Kogekar (resigned 6 July 2006).

In conjunction with the Board of Directors, these executives constitute the key management personnel ("KMP") of the Company. These executives are also included as the executives (other than executive directors) who received the highest remuneration for the year in accordance with S300A of the *Corporations Act 2001*. There are no other executives employed within the Group that are considered to be Group key management personnel. Any executive who has received higher remuneration than some of the executives that constitute the key management personnel of the Company is included in the Directors' Report as part of the five most highly remunerated executives in accordance with S300A of the *Corporations Act 2001*.

The Company's Board of Directors at any time during or since the end of the financial year are:

John D Story (Chairman)
John F Mulcahy (Managing Director)
William J Bartlett
Dr Ian D Blackburne
Paula J Dwyer (appointed 26 April 2007)
Dr Cherrell Hirst AO
Martin D E Kriewaldt
Ewoud J Kulk (appointed 20 March 2007)
Geoffrey T Ricketts (appointed 20 March 2007)
Christopher Skilton (Chief Financial Officer and Executive Director)
Dr Zygmunt E Switkowski
Leo E Tutt (appointed 20 March 2007).
Unless otherwise indicated, these Directors held the same position for the duration of the last financial year, along with James J Kennedy AO CBE until his retirement on 31 December 2006.

(b) Key management personnel compensation

The key management personnel compensation included in 'Staff expenses' (refer note 7) are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Short term employee benefits	18,309,773	**18,620,419**	18,309,773	**18,620,419**
Long term employee benefits	314,940	**106,953**	314,940	**106,953**
Post employment benefits	814,333	**526,210**	814,333	**526,210**
Equity compensation benefits	7,182,809	**7,315,349**	7,182,809	**7,315,349**
Termination benefits	1,050,000	**1,225,000**	1,050,000	**1,225,000**
	27,671,855	**27,793,931**	27,671,855	**27,793,931**

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48. Key management personnel disclosures (continued)

(c) Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(d) Loans to key management personnel and their related parties (consolidated)

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2007 $	Balance 30 June 2008 $	Interest charged $	Highest balance in year $	Balance 1 July 2006 $	Balance 30 June 2007 $	Interest charged $	Highest balance in year $
Directors								
J F Mulcahy	1,249,091	1,213,597	74,332	1,247,650	-	1,249,091	7,066	1,250,075
L E Tutt	394,139	595,122	42,381	599,336	-	394,139	16,112	397,709
Executives								
M Blucher	985,498	989,851	79,353	1,002,528	1,084,142	985,498	67,220	1,090,279
P Johnstone	N/A	N/A	N/A	N/A	897,258	987,889	61,606	1,232,647
H Kogekar	N/A	N/A	N/A	N/A	224,239	224,239	13,243	224,239
S McDonald	1,313,969	1,018,162	78,720	1,313,969	1,322,624	1,313,969	84,798	1,529,211
M Milliner (1)	1,116,253	674,935	76,739	1,560,927	875,046	1,116,253	76,157	1,208,590
J Smith	-	2,657,806	54,449	2,657,806	-	-	-	-

New loan facilities totalling $3.3 million (2007: $3.4 million) were made to key management personnel and their related parties during the year.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening balance	Closing balance	Interest charged	Individuals in group at 30 June
Total for key management personnel 2008	3,415,720	5,340,753	289,261	4
Total for key management personnel 2007	3,528,263	4,627,848	303,024	5
Total for other related parties 2008	1,643,230	1,808,719	116,713	2
Total for other related parties 2007	-	1,643,230	23,178	2
Total for key management personnel and their related parties 2008	5,058,950	7,149,473	405,973	6
Total for key management personnel and their related parties 2007	3,528,263	6,271,078	326,202	7

The loans to executives are secured housing loans and asset lines provided in the ordinary course of the Banking business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as provisions, as the balances are considered fully collectable.

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48. Key management personnel disclosures (continued)

(e) Other key management personnel transactions with the Company or its subsidiaries

Financial instrument transactions

Financial instrument transactions between the Company and directors, executives and their related parties during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on commercial terms and conditions no more favourable than those given to other employees or customers and are trivial or domestic in nature.

Transactions other than financial instrument transactions

Mr Martin D E Kriewaldt provided advice to AON Holdings Australia Limited and Allens Arthur Robinson Lawyers throughout the year. Those firms provided insurance brokerage and legal services respectively to the Group. These services are provided under normal terms and conditions.

Mr Geoffrey T Ricketts is a director and Chairman of Spotless Group Limited, the parent entity of a company that provided catering services to the Group over the course of the year. The contractual arrangements between the Company and Spotless Services Australia Limited were in place prior to the date Mr Ricketts joined the Company's board. Goods and services purchased from Spotless Group Limited during the financial year amounted to $608,573 (2007: $375,616). There was no amount payable to Spotless Group Limited at balance date.

As at 30 June 2008, Mr Ewoud J Kulk holds 211,372 units (2007: 211,372 units) in Tyndall Australian Wholesale Portfolio ("TASWP"), a registered managed investment scheme of which Tasman Asset Management Limited (a subsidiary of the Company) is the Responsible Entity and therefore the issuer of the TASWP units.

Other transactions with directors, executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

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48. Key Management Personnel disclosures (continued)

(f) Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows [1]:

	Balance 1 July 2007	Received as compensation [2]	Purchases (Sales)	Other changes	Balance 30 June 2008
Directors					
Executive directors					
J F Mulcahy	861,122	118,020	-	-	979,142
C Skilton	381,067	43,590	-	- 146,252	278,405
Non-executive directors	-	-	-	-	
J D Story	92,895	6,922	-	-	99,817
W J Bartlett	16,640	-	-	-	16,640
Dr I D Blackburne	27,534	-	-	3,000	30,534
P J Dwyer	15,000	-	-	-	15,000
Dr C Hirst AO	9,571	4,057	-	-	13,628
M D E Kriewaldt	56,065	-	-	874	56,939
E J Kulk	6,812	-	-	-	6,812
G T Ricketts	15,598	-	-	1,086	16,684
Dr Z E Switkowski	11,333	-	-	40,000	51,333
L E Tutt	43,695	-	-	3,044	46,739
Executives					
R Bell	107,812	32,740	-	-	140,552
R Belleville	133,983	40,296	-	248	174,527
M Blucher	323,778	40,296	-	26,696	390,770
D Foster	49,425	32,740	-	-	82,165
D Fox	75,929	35,259	-	-	111,188
B Inglis	126,981	40,296	-	-	167,277
S McDonald	85,311	35,259	-	4,347	124,917
M Milliner	68,209	35,259	-	24,303	127,771
J Smith	-	37,777	-	25,654	63,431
G Summerhayes	-	-	-	-	-

Notes

(1) The number of shares disclosed for executive directors and executives may include shares held by the trustee of the Executive Performance Share Plan and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles. In regard to the 979,142 (2007: 861,122) shares attributed to Mr Mulcahy, 531,222 (2007: 661,122) shares remain subject to service or performance hurdles and of the 278,405 (2007: 381,067) shares attributed to Mr Skilton, 132,054 (2007: 157,948) shares remain subject to service or performance hurdles.

(2) For executive directors and executives compensation, includes shares held under the Executive Performance Share Plan (EPSP). These shares are recorded in the Company's share register in the name of the EPSP Trustee and vest only when performance hurdles are met. 388,744 shares vested during the 2008 financial year (2007: 179,032). The remuneration disclosure includes the fair value of the shares allocated over the vesting period. For non-executive directors, includes shares acquired under the Non-Executive Directors Share Plan and funded by pre-tax remuneration.

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48. Key Management Personnel disclosures (continued)

(f) Movement in shares (continued)

	Balance 1 July 2006	Received as compensation	Options exercised	Purchases (Sales)	Other changes	Balance 30 June 2007
Directors						
Executive directors						
J F Mulcahy	720,000	141,122	-	-	-	861,122
C Skilton	433,730	34,418	116,667	(203,748)	-	381,067
Non-executive directors	-					
J D Story	77,860	4,389	-	10,646	-	92,895
W J Bartlett	13,053	3,587	-	-	-	16,640
Dr I D Blackburne	21,831	2,633	-	3,070	-	27,534
P J Dwyer	N/A	-	-	15,000	-	15,000
Dr C Hirst AO	7,111	1,426	-	1,034	-	9,571
J J Kennedy [1]	1,000	-	-	-	(1,000)	-
M D E Kriewaldt	48,901	-	-	7,164	-	56,065
E J Kulk	N/A	-	-	6,812	-	6,812
G T Ricketts	N/A	-	-	15,598	-	15,598
Dr Z E Switkowski	10,000	-	-	1,333	-	11,333
L E Tutt [2]	N/A	-	-	38,695	5,000	43,695
Executives	-	-	-	-	-	
R Bell [2]	N/A	23,813	-	37,628	46,371	107,812
R Belleville [2]	N/A	29,309	-	-	104,674	133,983
M Blucher	282,758	24,374	34,000	(17,354)	-	323,778
D Eilert [1]	87,295	22,434	-	-	(109,729)	-
D Foster	26,846	21,051	-	1,528	-	49,425
D Fox [2]	N/A	25,645	-	(94,000)	144,284	75,929
B Inglis	97,295	25,297	-	4,389	-	126,981
P Johnstone	525,300	5,780	42,000	48,575	(621,655)	-
H Kogekar [1]	50,065	-	-	-	(50,065)	-
S McDonald	43,549	29,816	-	11,946	-	85,311
M Milliner [2]	N/A	33,037	-	30,863	4,309	68,209
J Smith	N/A	-	-	-	-	-

Notes

(1) Mr Kennedy, Ms Eilert and Mr Kogekar resigned during the period. Shares held upon resignation are shown in 'Other Changes'.

(2) Mr Tutt, Mr Bell, Mr Belleville, Mr Fox and Mr Milliner were appointed during the period. Shares held upon appointment are shown as 'Other Changes'.

Directors and executives of the Company and their related parties received normal distributions on these shares. Details of the directors' shareholdings in the Company at the date of signing these financial reports are set out in the Directors' Report.

The movement during the reporting period in the number of Convertible Preference Shares in the Company held, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

	Balance 1 July 2007	Received as compensation	Purchases (Sales)	Other changes	Balance 30 June 2008
Directors					
Dr C Hirst AO	-	-	100	-	100
Executives					
D Foster	-	-	90	-	90

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49. Other related party disclosures

(a) Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 46), associates and joint venture entities (see note 19) and with its key management personnel (see note 48).

(b) Other related party transactions with subsidiaries

Transactions between the Company and subsidiaries consisted of advances made and repaid, dividends received and paid, insurance premiums received and paid, fees received and paid for administrative, property and portfolio management services, and interest received and paid. All these transactions were on a normal commercial basis except that some advances may be interest free.

Certain subsidiaries have entered into repurchase agreements with the Company. Securities sold under agreements to repurchase at a fixed price are retained on the subsidiaries' Balance Sheet as the subsidiaries retain substantially all the risks and rewards of ownership. The subsidiaries recognise a liability to record the obligation to the Company for the amount of the cash collateral deposited with the subsidiaries.

Aggregate amounts resulting from transactions with members of the Group that have been included in the profit before tax are disclosed in notes 6 and 7.

	Company	
	2008	2007
	$000	$000
Current amounts receivable		
Current amounts receivable from subsidiaries	6,295,752	4,434,959
Loans receivable from subsidiaries	346,666	-
	6,642,418	4,434,959
Current amounts payable		
Current amounts payable to subsidiaries	10,472,518	10,248,919
Deposits and short term borrowings from subsidiaries	680,501	-
	11,153,019	10,248,919

(c) Other related party transactions with associates and joint venture entities

Transactions between the Group and associates and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

	Consolidated	
	2008	2007
	$000	$000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other revenue received or due and receivable		
Associates	15,579	19,800
Joint venture entities	37,214	12,989
Other expenses paid or due and payable		
Associates	564	-
Aggregate amounts receivable from, and payable to, each class of related parties at balance date:		
Receivables		
Associates	10,825	10,500
Joint venture entities	27,102	1,546

(d) Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in notes 26(a) and 26(b).

50. Subsequent events

The Group announced the agreement to sell its 50% share of RAC Insurance Pty Ltd to joint venture partner, The Royal Automobile Club of Western Australia Incorporated ("RACWA") on 23 July 2008. The sale transaction was completed on 6 August 2008.

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

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1 In the opinion of the directors of Suncorp-Metway Ltd ("the Company"):

(a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 3 to 182, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

(c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures,* the *Corporations Act 2001* and the *Corporations Regulations 2001*; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the *Corporations Act* 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:

Dated at Brisbane this 26th August 2008

John D Story
Chairman

John F Mulcahy
Managing Director

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Report on the financial report

We have audited the accompanying financial report of Suncorp-Metway Ltd (the "Company"), which comprises the Balance Sheets as at 30 June 2008, and the Income Statements, Statements of Recognised Income and Expense, and Cash Flow Statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 50, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

(a) the financial report of Suncorp-Metway Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 4.1 to 4.5 of the Director's Report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Suncorp-Metway Ltd for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Dr Andries B Terblanché
Partner

Brisbane
26 August 2008

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ITEM	DEFINITION
APRA	APRA stands for the Australian Prudential Regulation Authority, which is the prudential regulator of banks, insurance companies, superannuation funds, credit unions, building societies and friendly societies.
Black-Scholes model	A Black-Scholes model takes as input current prices, length of time until the option expires, an estimate of future volatility, and the so-called risk free rate of return to price equity options.
Dividend yield	Dividend per share divided by the price per share.
Long tail and short tail insurance	Insurance products can be categorised as "short tail" or "long tail". In general terms, this name stems from the length of time (the "tail") that it takes for a claim to be made and settled. For "short tail" insurance products, claims are usually known and settled within 12 months. For "long tail" insurance products, claims may not even be reported within 12 months, and settlements can take many years.
Monte Carlo simulation	A method for iteratively evaluating a deterministic model using sets of random numbers as inputs. This method is often used when the model is complex, nonlinear, or involves more than just a couple of uncertain parameters.
Net interest margin	Net interest income divided by average interest earning assets.
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Outstanding claims	All unpaid claims and related claims handling expenses relating to claims incurred prior to the reporting date.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.

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