ASX announcement

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SUNCORP GROUP

9 November 2011

SUNCORP BANK APS330 UPDATE

Suncorp Bank today provided an update on asset balances, credit quality and capital as at 30 September 2011 as required under Australian Prudential Standard 330.

Credit quality remained stable despite the impacts of weather events in early 2011 and volatile investment markets.

Market conditions and consumer de-leveraging resulted in modest mortgage growth while total lending was flat for the quarter.

Suncorp Bank CEO David Foster said: “The system has been sluggish in the first quarter but renewed marketing activity in August has resulted in significantly improved mortgage pipeline growth in October.”

The deposit to loan ratio of 69.5% remains at the top end of the Bank’s 60% to 70% target range.

In the Core Bank impaired assets were $148 million, remaining stable over the quarter. The impairment charge of $7 million for the quarter represents 13 basis points or 0.13% of risk weighted assets (annualised).

Non-performing loans have reduced each month in the first quarter of the new financial year.

The quarterly result included a $20 million write back of the $25 million flood provision put in place in December 2010. Arrears in flood impacted areas have not been higher than those in other areas. The Bank has benefitted from the high levels of Suncorp flood insurance cover across its mortgage portfolio.

The non-core portfolio continues to run-off ahead of initial expectations. The portfolio reduced from $7.7 billion to $6.8 billion over the quarter.

In the Non-core Bank, impairment losses continued to reduce in the September quarter to $46 million. Impaired assets reduced 2.3% to $2,184 million.

Despite a dividend payment to the non-operating holding company and regulatory adjustments, Bank capital remains strong at 13.16% of risk weighted assets. The core equity tier 1 capital ratio is 7.08%.

Ends

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Suncorp Group Limited ABN 66 145 290 124

Suncorp Bank APS330

The quarter ended 30 September 2011

Release date: 9 November 2011

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Basis of preparation

This document has been prepared by Suncorp-Metway Limited (SML), an authorised deposit-taking institution and a wholly owned subsidiary of Suncorp Group Limited. It is required to meet the disclosure obligations set down under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure of Prudential information.

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

This disclosure was prepared as at 30 September 2011.

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Core Bank

Loans, advances and other receivables

	SEP-11 $M	JUN-11 $M	SEP-10 $M	SEP-11 vs JUN-11 %	SEP-11 vs SEP-10 %
Housing loans	27,451	27,014	24,826	1.6	10.6
Securitised housing loans	3,674	3,980	4,857	(7.7)	(24.4)
Total housing loans	31,125	30,994	29,683	0.4	4.9
Consumer loans	527	558	561	(5.6)	(6.1)
Retail loans	31,652	31,552	30,244	0.3	4.7
Commercial (SME)	4,536	4,560	4,311	(0.5)	5.2
Agribusiness	3,535	3,522	3,298	0.4	7.2
Business loans	8,071	8,082	7,609	(0.1)	6.1
Total lending	**39,723**	**39,634**	**37,853**	**0.2**	**4.9**
Other receivables	74	119	137	(37.8)	(46.0)
Gross banking loans, advances and other receivables	39,797	39,753	37,990	0.1	4.8
Provision for impairment	(121)	(120)	(106)	0.8	14.2
Loans, advances and other receivables	**39,676**	**39,633**	**37,884**	**0.1**	**4.7**
Risk weighted assets	**21,378**	**21,136**	**19,225**	**1.1**	**11.2**

Overview

The market conditions for credit growth remain challenging with clear evidence of consumer deleveraging and subdued business confidence in Suncorp's key markets. Total lending was flat for the quarter. System growth continues to trend below the average for recent years.

The deposit to lending ratio of 69.5% remains at the upper end of the 60% to 70% target range. Credit quality of the Core Bank is showing signs of improvement with non-performing loans decreasing every month in the quarter.

In response to current market conditions, the Core Bank has strengthened its proposition in targeted market segments. It continues to drive growth outside of Queensland and has focussed efforts on improving the efficiency and effectiveness of it's fulfilment activities. These actions have contributed to stronger pipeline growth towards the end of the quarter.

Given the improvement in the home lending pipeline the Core Bank is increasingly confident that growth will return to the target range of 1.0 to 1.3 times system in the second quarter.

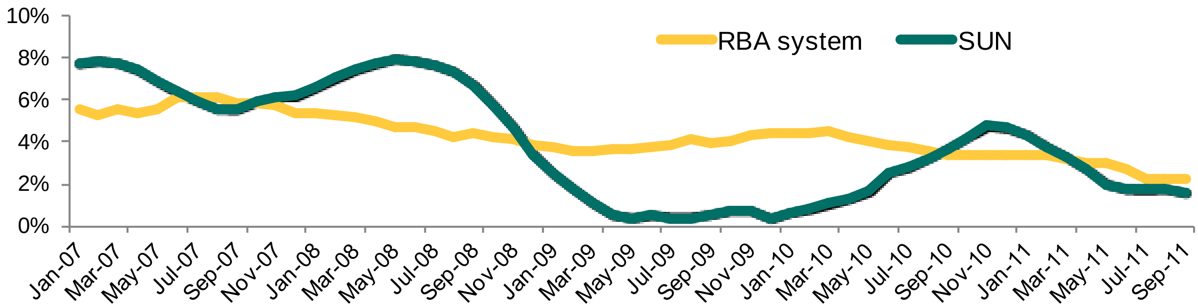
Retail loans

Housing lending

Housing lending growth was flat in the first quarter, up 0.4% to $31.1 billion. There is evidence of consumer caution, evidenced by a decrease in the utilisation of credit facilities linked to home loans.

Lending in the Bank's core Queensland market has been subdued as the state recovers from a series of major weather events which occurred in early in 2011. In addition, Suncorp has a traditional strength in sub-segments which have under-performed the broader market, for example, the first time buyer segment. Combined these pressures have resulted in below system growth during the first quarter (0.53 times system).

Historical mortgage growth v RBA system (6 month rolling)



Consumer lending

Consumers remain cautious in taking on new discretionary debt and consumer lending is down 5.6% over the quarter to $527 million. This is evident in the margin lending product which accounts for approximately one third of the total consumer lending portfolio and represented the majority of the contraction.

Business loans

Commercial (SME)

Growth was flat in Suncorp's Commercial (SME) portfolio over the quarter. Market conditions remain challenging, with evidence of subdued business confidence in key market segments. The Core Bank continues to balance its appetite for growth against the need to maintain sound credit quality across the portfolio. The Bank has continued to focus efforts on delivering organic growth through its existing customer base across regional and metropolitan areas.

Agribusiness

Trading conditions in the Agribusiness portfolio remain positive. Flat growth in the first quarter is consistent with historical seasonal trends, whereby customers actively pay down debt after the financial year end. The performance over the twelve months to September 2011 reflects investment in the Suncorp Brand and stronger growth in the expanding operations outside Queensland. Growth is expected to continue as Agribusiness customers replant, restock and invest in equipment.

Impairment losses on loans and advances

	SEP-11 $M	JUN-11 $M	MAR-11 $M	SEP-11 vs JUN-11 %	SEP-11 vs MAR-11 %
Collective provision for impairment	(4)	(2)	-	100.0	n/a
Specific provision for impairment	7	2	5	250.0	40.0
Actual net write-offs	4	3	-	33.3	n/a
	7	**3**	**5**	**133.3**	**40.0**
Impairment losses to risk weighted assets (annualised)	**0.13%**	**0.06%**	**0.11%**		

Impairment losses on loans and advances were $7 million. This represents 13 basis points of risk weighted assets on an annualised basis.

The September quarter included a one-off structural shift in the collective provisioning due to a methodology change for modelling provisioning requirements for non-individually rated exposures. This change reflects the continued enhancement program undertaken on credit risk modelling, and follows the changes implemented to individually rated exposures in the 2010 financial year. This impact comprised additional credit charges of $13 million for the quarter.

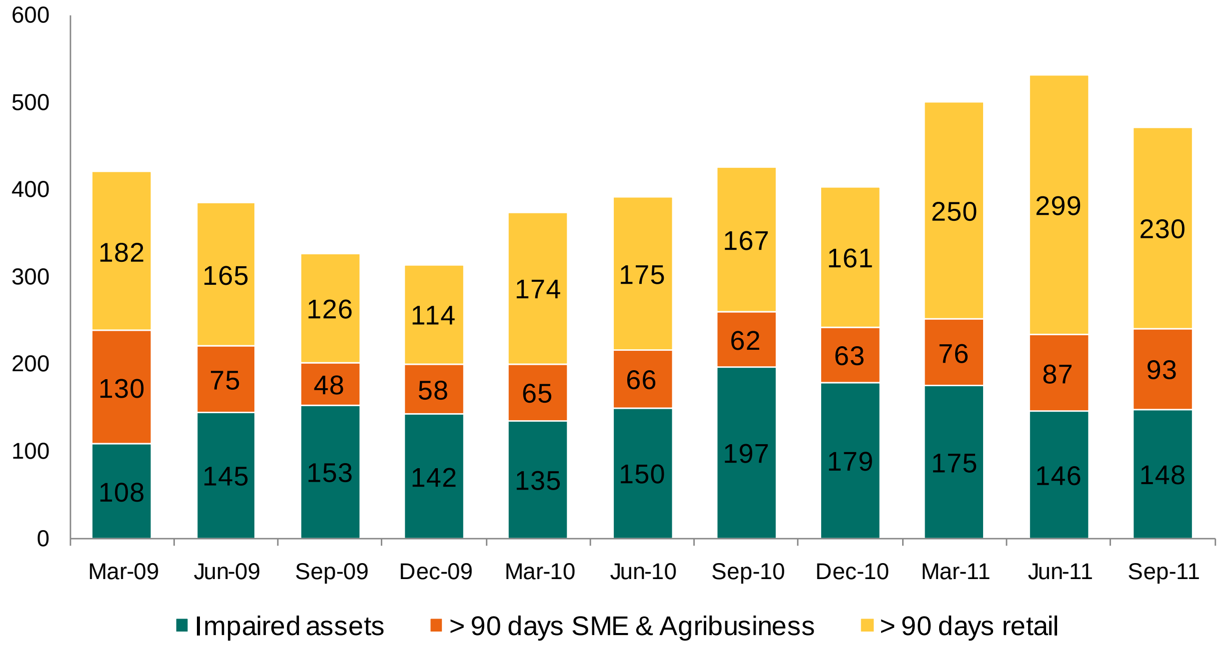
The September quarter also included a $20 million write back of the $25 million flood provision put in place in December 2010. Investigations have shown that arrears in flood impacted areas have not been higher than those in other areas. The remaining provision has been retained to cover a small number of individual, flood affected agribusiness exposures.

Excluding the one-off items noted above, the underlying impairment loss for the quarter was $14 million. The increase in underlying impairment losses related largely to higher provisions on a small number of Agribusiness loans with no systemic issues evident. The portfolio continues to perform within the Core Bank's risk appetite.

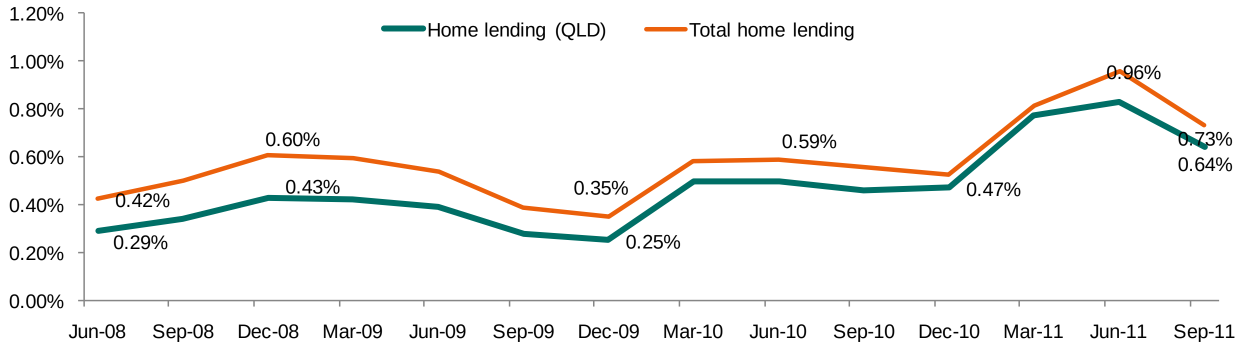
Non-performing loans

Non-performing loans have reduced each month during the first quarter of the new financial year as conditions have normalised. Improvement has been most evident in the Retail Lending portfolio.

Core non-performing loans trends ($m)



Past due loans to gross loans



Impaired asset balances

	SEP-11 $M	JUN-11 $M	MAR-11 $M	SEP-11 vs JUN-11 %	SEP-11 vs MAR-11 %
Gross balances of individually impaired loans					
with specific provisions set aside	135	136	169	(0.7)	(20.1)
without specific provisions set aside	13	10	6	30.0	116.7
Gross impaired assets	148	146	175	1.4	(15.4)
Specific provision for impairment	(44)	(39)	(41)	12.8	7.3
Net impaired assets	104	107	134	(2.8)	(22.4)
Size of gross impaired assets					
Less than one million	23	22	15	4.5	53.3
Greater than one million but less than ten million	94	87	104	8.0	(9.6)
Greater than ten million	31	37	56	(16.2)	(44.6)
	148	146	175	1.4	(15.4)
Past due loans not shown as impaired assets	323	386	326	(16.3)	(0.9)
Gross non-performing loans	471	532	501	(11.5)	(6.0)
Interest income on impaired assets recognised in the contribution to profit	-	1	1	n/a	n/a
Analysis of movements in gross impaired assets					
Balance at the beginning of the period	146	175	179	(16.6)	(18.4)
Recognition of new impaired assets	18	15	11	20.0	63.6
Increases in previously recognised impaired assets	1	6	2	(83.3)	(50.0)
Impaired assets written off/sold during the period	-	(1)	(1)	n/a	n/a
Impaired assets which have been restated as performing assets or repaid	(17)	(49)	(16)	(65.3)	6.3
Balance at the end of the period	**148**	**146**	**175**	**1.4**	**(15.4)**

Gross impaired asset balances have remained broadly stable over the quarter. Newly impaired assets were predominantly in the business lending portfolio. These additions were largely offset by existing impaired loans being progressively repaid.

Provision for impairment

	SEP-11 $M	JUN-11 $M	MAR-11 $M	SEP-11 vs JUN-11 %	SEP-11 vs MAR-11 %
Collective provision					
Balance at the beginning of the period	81	83	83	(2.4)	(2.4)
Charge against contribution to profit	(4)	(2)	-	100.0	n/a
Balance at the end of the period	77	81	83	(4.9)	(7.2)
Specific provision					
Balance at the beginning of the period	39	41	40	(4.9)	(2.5)
Charge against impairment losses	7	2	5	250.0	40.0
Write-off of impaired assets	-	(1)	(1)	n/a	n/a
Unwind of interest	(2)	(3)	(3)	(33.3)	(33.3)
Balance at the end of the period	44	39	41	12.8	7.3
Total provision for impairment - Banking activities	121	120	124	0.8	(2.4)
Equity reserve for credit loss					
Balance at the beginning of the period	74	70	72	5.7	2.8
Transfer (to)/from retained earnings	28	4	(2)	Large	n/a
Balance at the end of the period	102	74	70	37.8	45.7
Pre-tax equivalent coverage	146	106	100	37.7	46.0
Total provision for impairment and equity reserve for credit loss coverage - Core Banking activities	267	226	224	18.1	19.2

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	52	55	47
Specific provision	30	27	23
Total provision	82	82	71
Equity reserve for credit loss coverage	99	73	57
Total provision and equity reserve for credit loss coverage	180	155	128

The first quarter result includes a one-off structural shift in the collective provision and the equity reserve for credit loss due to the aforementioned modelling enhancements. As a result, provision coverage has increased from 155% at June 2011 to 180% as at September 2011.

Non-core Bank

Loans, advances and other receivables

	SEP-11 $M	JUN-11 $M	SEP-10 $M	SEP-11 vs JUN-11 %	SEP-11 vs SEP-10 %
Corporate	1,391	1,624	2,110	(14.3)	(34.1)
Development finance	2,385	2,478	3,631	(3.8)	(34.3)
Property investment	2,717	3,233	4,609	(16.0)	(41.1)
Lease finance	330	409	714	(19.3)	(53.8)
Non-core portfolio	6,823	7,744	11,064	(11.9)	(38.3)
Other receivables	1,218	1,761	2,379	(30.8)	(48.8)
Gross banking loans, advances and other receivables	8,041	9,505	13,443	(15.4)	(40.2)
Provision for impairment	(420)	(444)	(623)	(5.4)	(32.6)
Loans, advances and other receivables	**7,621**	**9,061**	**12,820**	**(15.9)**	**(40.6)**
Risk weighted assets	**7,750**	**8,778**	**12,528**	**(11.7)**	**(38.1)**

Overview

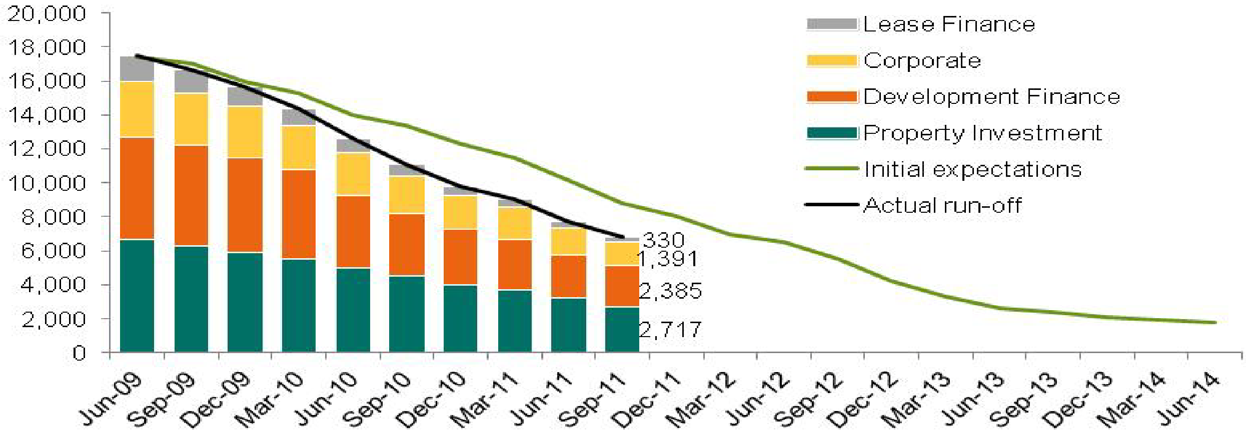
The non-core portfolio continues to run-off ahead of initial expectations. The focus remains on responsibly managing the portfolio to maximise the value of distributable capital that can be returned to the Group.

Gross loans and advances in the Non-core Bank reduced to $6.8 billion over the quarter. The number of loans of $50 million or greater has reduced from 53 to 51.

Clients are demonstrating an appetite to restructure exposures and make divestments where there is capacity in the market.

While the trend in impairment losses continues to be positive the Group is continually mindful that risks still exist. These primarily relate to the residual Non-core book having a high concentration of large exposures and the impact of volatility in credit and equity markets on investor appetite for the impaired asset sector of the market.

Non-core Bank run-off profile



Business portfolios

Corporate lending

Refinance markets are generally robust in this segment of the portfolio. Favourable pricing terms for many accounts in this portfolio means there is little incentive to refinance.

Development finance

Conditions in development finance markets remain difficult with excess supply in some areas. Sale opportunities continue for completed projects, and for affordable product.

Property investment

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

With vacancy rates continuing at relatively low levels, appetite has slowly improved for investors and financiers in this segment. Loan to valuation ratios following property price depreciation constrains refinance activity by investors. Purchasers are showing interest in acquiring quality properties in proven locations.

Lease finance

Lease finance exposures continue to reduce in line with the natural portfolio amortisation.

Impairment losses on loans and advances

	SEP-11 $M	JUN-11 $M	MAR-11 $M	SEP-11 vs JUN-11 %	SEP-11 vs MAR-11 %
Collective provision for impairment	(3)	(25)	16	(88.0)	n/a
Specific provision for impairment	43	70	36	(38.6)	19.4
Actual net write-offs	6	5	2	20.0	200.0
	46	**50**	**54**	**(8.0)**	**(14.8)**
Impairment losses to risk weighted assets (annualised)	**2.35%**	**2.28%**	**1.75%**		

Impairment losses on non-core loans and advances were $46 million for the quarter. Market uncertainty has contributed to extensions on workout dates for certain impaired assets. Under IFRS these extensions require the Bank to increase specific provisions and this has contributed $28 million to the impairment expense for the quarter. Impairment charges continue to be predominantly focused on the property investment and development finance portfolios.

Impaired asset balances

	SEP-11 $M	JUN-11 $M	MAR-11 $M	SEP-11 vs JUN-11 %	SEP-11 vs MAR-11 %
Gross balances of individually impaired loans					
with specific provisions set aside	2,152	2,202	2,295	(2.3)	(6.2)
without specific provisions set aside	32	33	34	(3.0)	(5.9)
Gross impaired assets	2,184	2,235	2,329	(2.3)	(6.2)
Specific provision for impairment	(327)	(348)	(358)	(6.0)	(8.7)
Net impaired assets	1,857	1,887	1,971	(1.6)	(5.8)
Size of gross impaired assets					
Less than one million	7	8	13	(12.5)	(46.2)
Greater than one million but less than ten million	194	213	221	(8.9)	(12.2)
Greater than ten million	1,983	2,014	2,095	(1.5)	(5.3)
	2,184	2,235	2,329	(2.3)	(6.2)
Past due loans not shown as impaired assets	257	125	137	105.6	87.6
Gross non-performing loans	2,441	2,360	2,466	3.4	(1.0)
Interest income on impaired assets recognised in the contribution to profit	-	2	**2**	n/a	n/a
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	2,235	2,329	2,337	(4.0)	(4.4)
Recognition of new impaired assets	53	56	155	(5.4)	(65.8)
Increases in previously recognised impaired assets	12	19	12	(36.8)	-
Impaired assets written off/sold during the period	(27)	(42)	(12)	(35.7)	125.0
Impaired assets which have been restated as performing assets or repaid	(89)	(127)	(163)	(29.9)	(45.4)
Balance at the end of the period	**2,184**	**2,235**	**2,329**	**(2.3)**	**(6.2)**

Gross impaired assets reduced by 2.3% in the September quarter. The rate of significant new impairments has slowed with only two new medium sized exposures added in the first quarter. The Bank remains appropriately provisioned and capitalised and is managing impaired asset workouts in a controlled manner to maximise shareholder value.

Past due loans not shown as impaired have increased to $257 million over the quarter. This increase relates to one single name commercial investment exposure that has been on watchlist for some time and is at risk of becoming impaired in the near term.

Provision for impairment

	SEP-11 $M	JUN-11 $M	MAR-11 $M	SEP-11 vs JUN-11 %	SEP-11 vs MAR-11 %
Collective provision					
Balance at the beginning of the period	96	121	105	(20.7)	(8.6)
Charge against contribution to profit	(3)	(25)	16	(88.0)	n/a
Balance at the end of the period	93	96	121	(3.1)	(23.1)
Specific provision					
Balance at the beginning of the period	348	358	374	(2.8)	(7.0)
Charge against impairment losses	43	70	36	(38.6)	19.4
Write-off of impaired assets	(27)	(42)	(12)	(35.7)	125.0
Unwind of interest	(37)	(38)	(40)	(2.6)	(7.5)
Balance at the end of the period	327	348	358	(6.0)	(8.7)
Total provision for impairment - Banking activities	420	444	479	(5.4)	(12.3)
Equity reserve for credit loss					
Balance at the beginning of the period	83	82	90	1.2	(7.8)
Transfer (to)/from retained earnings	(13)	1	(8)	n/a	62.5
Balance at the end of the period	70	83	82	(15.7)	(14.6)
Pre-tax equivalent coverage	100	118	117	(15.3)	(14.5)
Total provision for impairment and equity reserve for credit loss coverage - Non-core Banking activities	520	562	596	(7.5)	(12.8)

	SEP-11 %	JUN-11 %	MAR-11 %
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	4	4	5
Specific provision	15	16	15
Total provision	19	20	21
Equity reserve for credit loss coverage	5	5	5
Total provision and equity reserve for credit loss coverage	24	25	26

Appendix 1 – APS 330 tables

Table 16
On balance sheet risk weighted assets

	RISK WEIGHTED BALANCE		
	SEP-11 $M	JUN-11 $M	MAR-11 $M
On Balance Sheet Risk weighted assets			
Assets			
Cash items	51	20	33
Claims on Australian and foreign governments	2	5	2
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,347	1,268	1,236
Claims on securitisation exposures	346	352	243
Claims secured against eligible residential mortgages	12,238	12,087	11,881
Past due claims	3,544	3,409	3,504
Other retail assets	1,110	1,156	1,164
Corporate	10,281	11,450	12,407
Other assets and claims	209	167	197
Total Banking assets	**29,128**	**29,914**	**30,667**

Off balance sheet risk weighted assets

	RISK WEIGHTED BALANCE		
	SEP-11 $M	JUN-11 $M	MAR-11 $M
Off balance sheet positions			
Guarantees entered into in the normal course of business	171	144	145
Commitments to provide loans and advances	807	699	1,194
Capital commitments	-	-	-
Foreign exchange contracts	121	112	122
Interest rate contracts	139	91	95
Securitisation exposures	33	33	34
Total off balance sheet positions	**1,271**	**1,079**	**1,590**
Total credit risk capital charge	30,399	30,993	32,257
Market risk capital charge	415	363	428
Operational risk capital charge	3,030	3,010	3,072
Total assessed risk	33,844	34,366	35,757
Risk weighted capital ratios	%	%	%
Tier 1	9.39	9.58	9.18
Total risk weighted capital ratios	**13.16**	**13.40**	**13.86**
	$M	$M	$M
Core Equity Tier 1 capital	2,396	2,450	2,444
	%	%	%
Core Equity Tier 1 ratio	**7.08**	**7.13**	**6.83**

The movement in the Core Equity Tier 1 ratio reflects dividend payments and movements in regulatory deductions, a large portion of which relates to the increase in the equity reserve for credit losses and deferred tax assets.

In line with the Suncorp Group's stated capital management strategy, an amount of capital equivalent to 0.5% of the Bank's capital targets is now included in the target capital base of the Non-Operating Holding Company.

Table 17A
Credit risk by gross credit exposure – outstanding as at 30 September 2011

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS	DERIVATIVE INSTRUMENTS	TOTAL CREDIT RISK	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,341	151	-	3,492	203	23
Construction & development	-	-	-	2,962	110	-	3,072	1,431	220
Financial services	260	4,524	5,523	2,451	10	642	13,410	-	-
Hospitality	-	-	-	1,148	38	-	1,186	49	10
Manufacturing	-	-	-	522	23	-	545	16	1
Professional services	-	-	-	342	12	-	354	4	2
Property investment	-	-	-	3,485	82	-	3,567	517	69
Real estate - Mortgage	-	-	-	29,612	852	-	30,464	23	225
Personal	-	-	-	345	12	-	357	-	4
Government/public authorities	-	-	-	3	-	-	3	-	-
Other commercial & industrial	-	-	-	2,156	127	-	2,283	89	26
Total gross credit risk	**260**	**4,524**	**5,523**	**46,367**	**1,417**	**642**	**58,733**	**2,332**	**580**
Eligible securitised loans	-	-	1,728	1,663	29	7	3,427	**-**	**-**
Total including eligible securitised loans	**260**	**4,524**	**7,251**	**48,030**	**1,446**	**649**	**62,160**	**2,332**	**580**
Impairment provision							(541)	(371)	(70)
TOTAL							**61,619**	**1,961**	**510**

During the quarter the Bank introduced enhanced credit commitment systems as part of a continuous improvement process. The impact of introducing this system is immaterial to reported balances although individual industry classifications may have changed.

Table 17A
Credit risk by gross credit exposure – average gross exposure over period 1 July 2011 to 30 September 2011

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS	DERIVATIVE INSTRUMENTS	TOTAL CREDIT RISK	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,364	83	-	3,447	210	28
Construction & development	-	-	-	3,043	118	-	3,161	1,426	156
Financial services	243	4,738	4,746	2,803	5	569	13,104	-	-
Hospitality	-	-	-	1,146	19	-	1,165	49	9
Manufacturing	-	-	-	545	12	-	557	16	2
Professional services	-	-	-	353	6	-	359	5	2
Property investment	-	-	-	3,744	41	-	3,785	528	60
Real estate - Mortgage	-	-	-	29,472	1,001	-	30,473	22	259
Personal	-	-	-	350	6	-	356	-	5
Government/public authorities	-	-	-	3	-	-	3	-	-
Other commercial & industrial	-	-	-	2,253	111	-	2,364	103	26
Total gross credit risk	**243**	**4,738**	**4,746**	**47,076**	**1,402**	**569**	**58,774**	**2,359**	**547**
Eligible securitised loans	-	-	1,745	1,755	29	7	3,536	-	-
Total including eligible securitised loans	**243**	**4,738**	**6,491**	**48,831**	**1,431**	**576**	**62,310**	**2,359**	**547**
Impairment provision							(553)	(379)	(59)
TOTAL							**61,757**	**1,980**	**488**

Table 17B
Credit risk by portfolio

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE OFFS
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages	30,464	30,473	23	225	6	1
Other retail	357	356	-	4	-	-
Financial services	13,410	13,104	-	-	-	-
Government and public authorities	3	3	-	-	-	-
Corporate and other claims	14,499	14,838	2,309	351	365	59
Total	58,733	58,774	2,332	580	371	60

Table 17C
General reserves for credit losses

	$M
Collective provision for impairment	170
Ineligible Collective Provisions on Past Due not Impaired	(70)
Eligible Collective Provisions	**100**
FITB relating to eligible collective provision	(30)
Equity Reserve for credit losses	172
General Reserve for Credit losses	**242**

Appendix 2 – Consolidated Bank

Impairment losses on loans and advances

	CORE SEP-11 $M	NON-CORE SEP-11 $M	TOTAL SEP-11 $M	CORE JUN-11 $M	NON-CORE JUN-11 $M	TOTAL JUN-11 $M	CORE MAR-11 $M	NON-CORE MAR-11 $M	TOTAL MAR-11 $M
Collective provision for impairment	(4)	(3)	(7)	(2)	(25)	(27)	-	16	16
Specific provision for impairment	7	43	50	2	70	72	5	36	41
Actual net write-offs	4	6	10	3	5	8	-	2	2
	7	**46**	**53**	**3**	**50**	**53**	**5**	**54**	**59**
Impairment losses to risk weighted assets (annualised)	**0.13%**	**2.35%**	**0.72%**	**0.06%**	**2.28%**	**0.71%**	**0.10%**	**2.14%**	**0.78%**

Impaired assets balances

	CORE SEP-11 $M	NON-CORE SEP-11 $M	TOTAL SEP-11 $M	CORE JUN-11 $M	NON-CORE JUN-11 $M	TOTAL JUN-11 $M	CORE MAR-11 $M	NON-CORE MAR-11 $M	TOTAL MAR-11 $M
Gross balances of individually impaired loans									
with specific provisions set aside	135	2,152	2,287	136	2,202	2,338	169	2,295	2,464
without specific provisions set aside	13	32	45	10	33	43	6	34	40
Gross impaired assets	148	2,184	2,332	146	2,235	2,381	175	2,329	2,504
Specific provision for impairment	(44)	(327)	(371)	(39)	(348)	(387)	(41)	(358)	(399)
Net impaired assets	104	1,857	1,961	107	1,887	1,994	134	1,971	2,105
Size of gross individually impaired assets									
Less than one million	23	7	30	22	8	30	15	13	28
Greater than one million but less than ten million	94	194	288	87	213	300	104	221	325
Greater than ten million	31	1,983	2,014	37	2,014	2,051	56	2,095	2,151
	148	2,184	2,332	146	2,235	2,381	175	2,329	2,504
Past due loans not shown as impaired assets	323	257	580	386	125	511	326	137	463
Gross non-performing loans	471	2,441	2,912	532	2,360	2,892	501	2,466	2,967
Interest income on impaired assets recognised in the contribution to profit									
Net interest charged and recognised as revenue in the contribution to profit during the year was	-	-	-	1	2	3	1	2	3
Analysis of movements in gross individually impaired assets									
Balance at the beginning of the period	146	2,235	2,381	175	2,329	2,504	179	2,337	2,516
Recognition of new impaired assets	18	53	71	15	56	71	11	155	166
Increases in previously recognised impaired assets	1	12	13	6	19	25	2	12	14
Impaired assets written off/sold during the period	-	(27)	(27)	(1)	(42)	(43)	(1)	(12)	(13)
Impaired assets which have been restated as performing assets or repaid	(17)	(89)	(106)	(49)	(127)	(176)	(16)	(163)	(179)
Balance at the end of the period	**148**	**2,184**	**2,332**	**146**	**2,235**	**2,381**	**175**	**2,329**	**2,504**

Provision for impairment

	CORE SEP-11 $M	NON-CORE SEP-11 $M	TOTAL SEP-11 $M	CORE JUN-11 $M	NON-CORE JUN-11 $M	TOTAL JUN-11 $M	CORE MAR-11 $M	NON-CORE MAR-11 $M	TOTAL MAR-11 $M
Collective provision									
Balance at the beginning of the period	81	96	177	83	121	204	83	105	188
Charge against contribution to profit	(4)	(3)	(7)	(2)	(25)	(27)	-	16	16
Balance at the end of the period	77	93	170	81	96	177	83	121	204
Specific provision									
Balance at the beginning of the period	39	348	387	41	358	399	40	374	414
Charge against impairment losses	7	43	50	2	70	72	5	36	41
Write-off of impaired assets	-	(27)	(27)	(1)	(42)	(43)	(1)	(12)	(13)
Unwind of interest	(2)	(37)	(39)	(3)	(38)	(41)	(3)	(40)	(43)
Balance at the end of the period	44	327	371	39	348	387	41	358	399
Total provision for impairment - Banking activities	121	420	541	120	444	564	124	479	603
Equity reserve for credit loss									
Balance at the beginning of the period	74	83	157	70	82	152	72	90	162
Transfer to retained earnings	28	(13)	15	4	1	5	(2)	(8)	(10)
Balance at the end of the period	102	70	172	74	83	157	70	82	152
Pre-tax equivalent coverage	146	100	246	106	118	224	100	117	217
Total provision for impairment and equity reserve for credit loss - Banking activities	267	520	787	226	562	788	224	596	820
	%	%	%	%	%	%	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:									
Collective provision	52	4	7	55	4	7	47	5	8
Specific provision	30	15	16	27	16	16	23	15	16
Total provision	82	19	23	82	20	24	71	21	24
Equity reserve for credit loss coverage	99	5	11	73	5	9	57	5	9
Total provision and equity reserve for credit loss coverage	180	24	34	155	25	33	128	26	33

Appendix 3– Definitions

Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Core equity tier 1	Core equity tier 1 includes ordinary shareholder equity and retained profits less tier 1 and tier 2 regulatory deductions
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Equity reserve for credit losses	The equity reserve for credit losses is a reserve held against potential losses reasonably assessed to be possible (but not certain) to arise from existing facilities which are currently satisfying their contractual terms. It is the credit loss intrinsic in the business which an ADI undertakes
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross banking loans, advances and other receivables
Impairment losses to risk weighted assets	Impairment losses on loans and advances divided by risk weighted assets
Past due	Loans outstanding for more than 90 days
Provision coverage	Total provisions and equity reserve for credit loss coverage of gross impaired assets
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Risk weighted assets, off balance sheets positions and market risk capital charge and operational risk charge, as defined by APRA