HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Suncorp

SCB05QW: Whether the valuations on large commercial investments or like large commercial investments financed by the bank are:

(a) independently completed?

(b) whether they are completed and/or reviewed annually?

(c) in reference to (b), if they are reviewed by whom?

(d) in reference to (b), if not annually, how often, the trigger, and the average timeframe between review?

Answer:

a)

The majority of valuations for large commercial investments are undertaken by an independent valuation firm on the Bank's consultant panel. The only exception being in the Agribusiness sector, whereby:

1. a small number of staff have Delegated Valuation Authorities which allow internal valuation assessments to be undertaken by accredited staff (up to a maximum value of $5m per

b)

Valuations are required at loan origination and then policy requires updated assessments be undertaken at least every three years, except in circumstances where a lower risk profile is evident (based on inherent customer risk rating). In these cases, a valuation may be relied upon for up to five years (only applicable where the value of the collateral property is $10m or less).

c)

The Bank has a Property Risk function (part of second line of defence/Risk) which reviews all valuations above $7.5m, or all valuations which are:

1. complex in nature
2. for development finance; or
3. as directed by the approving officer.

d)

In addition to the credit policy requirement stated above, the Bank has a documented right to revalue collateral property no more often than annually (unless the borrower is in default). An assessment is undertaken for all risk-rated lending (above $1M) at the time the facility is undergoing an annual review, as to the appropriateness of the existing valuation being relied upon and whether an updated valuation is required.

The trigger to revalue may be due to deteriorating market conditions whereby there is new evidence (since the existing valuation was undertaken) suggesting that the assumptions adopted in the valuation may no longer hold.