Suncorp-Metway Limited
and subsidiaries
ABN 66 010 831 722

Directors' report & consolidated financial report

for the financial year ended
30 June 2015

One Company
Many Brands

SUNCORP GROUP

Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

The directors present their report together with the financial report of the consolidated entity (the **Group**), being Suncorp-Metway Limited (the **Company**) and its subsidiaries for the financial year ended 30 June 2015 and the auditor's report thereon. Terms that are defined appear in bold the first time they are used.

DIRECTORS' REPORT INDEX

REMUNERATION REPORT INDEX

1. DIRECTORS' PROFILES

The names of the people who served as directors of the Company at any time during or since the end of the financial year are set out below. All non-executive directors are members of the Nomination Committee.

Dr Zygmunt E Switkowski AO

BSc (Hons), PhD, FAICD, FAA, FTSE

Age 67

Non-executive Chairman

Ex officio member Audit, Risk and Remuneration Committees

Chairman since October 2011, director since September 2005 and director of Suncorp Group Limited since December 2010

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Oil Search Limited	22-11-10	
Suncorp Group Limited	22-12-10	
Tabcorp Holdings Limited	02-10-06	
Lynas Corporation Ltd	01-02-11	20-08-13

Dr Switkowski is Chairman of NBN Co Limited, a director of Tabcorp Holdings Limited, Oil Search Limited and Chancellor of RMIT University. He is a fellow of the Australian Academy of Science, the Australian Academy of Technological Sciences and Engineering and the Australian Institute of Company Directors.

In June 2014, Dr Switkowski was made an officer of the Order of Australia for his work on the arts, sciences and tertiary education as well as his contribution to the telecommunications and business community.

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

Patrick J R Snowball

MA, Hon. LL.D

Age 65

Managing Director and Group Chief Executive Officer (Group CEO)

Managing Director since joining the Group on 1 September 2009 and Managing Director of Suncorp Group Limited since August 2010

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	25-08-10	

Mr Snowball is an experienced financial services executive with extensive knowledge of the insurance industry, having overseen businesses in Australia, the United Kingdom, Ireland, Canada, India and Asia.

Under Mr Snowball's leadership, Suncorp has refocused its strategy and simplified its company structure and business operations to make the Group more efficient.

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

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

1. DIRECTORS' PROFILES (CONTINUED)

William J Bartlett
FCA, CPA, FCMA, CA (SA)
Age 66
Non-executive director
Member Audit and Risk Committees, Chairman Remuneration Committee
Director since July 2003 and director of Suncorp Group Limited since December 2010

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Abacus Property Group	14-02-07	
GWA International Limited	21-02-07	
Reinsurance Group of America Inc. (NYSE)	26-05-04	
Suncorp Group Limited	22-12-10	

Mr Bartlett is a director of Reinsurance Group of America Inc., RGA Reinsurance Company of Australia Limited, GWA International Limited and Abacus Property Group. He is also Chairman of the Council of Governors of the Cerebral Palsy Foundation.

Mr Bartlett has 35 years' experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003. He 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).

Michael A Cameron
FCPA, FCA, FAICD
Age 55
Non-executive director

Director since April 2012 and will be appointed Managing Director and Group CEO in October 2015

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
GPT Management Holdings Limited (The GPT Group)	01-05-09	
Suncorp Group Limited	16-04-12	

Mr Cameron is currently Chief Executive Officer and Managing Director of The GPT Group, a role he has held since May 2009. He has over 30 years' experience in finance and business. Mr Cameron is a fellow of each of the Chartered Accountants Australia and New Zealand, CPA Australia and the Australian Institute of Company Directors.

His past experience includes roles at Barclays Bank and 10 years with Lend Lease where he held a number of senior positions including Group Chief Accountant and Chief Financial Officer for MLC Limited. Following the acquisition of MLC by the National Australia Bank (NAB), Mr Cameron was appointed Chief Financial Officer and then Chief Operating Officer of the NAB Wealth Management Division. He joined the Commonwealth Bank of Australia in 2002 and was appointed Group Chief Financial Officer in early 2003 and Group Executive of the Retail Bank Division in 2006. Mr Cameron was Chief Financial Officer at St. George Bank Limited from mid-2007 until the sale to Westpac Banking Corporation in December 2008.

1. DIRECTORS' PROFILES (CONTINUED)

Audette E Exel AO
BA, LLB (Hons)
Age 52
Non-executive director
Member Risk Committee
Director since June 2012

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	27-06-12	

Ms Exel is the founder of the Adara Group and Chief Executive Officer of its Australian companies, Adara Advisors Pty Limited and Adara Partners (Australia) Pty Limited. She is also Chair of Adara Development and is Vice Chairman of the Board of The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited.

Before establishing Adara, Ms Exel was Managing Director of Bermuda Commercial Bank (1993–1996), Chairman of the Bermuda Stock Exchange (1995–1996) and was on the board of the Bermuda Monetary Authority, Bermuda's central financial services regulator (1999–2005) and was Chair of its Investment Committee.

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

Ms Exel won the Telstra 2012 Commonwealth Bank NSW Business Owner award and the Telstra 2012 NSW Business Woman of the Year award.

Ms Exel was also one of *The Australian Financial Review's* 100 Women of Influence in Australia in 2012. In 2013, she was awarded an honorary Order of Australia for "service to humanity through the establishment of the Adara Group to provide specialist care to women and children in Uganda and Nepal" and was recognised by Forbes as a "Hero of Philanthropy" in 2014. In 2015, Ms Exel was inducted into the Australian Businesswomen's Hall of Fame.

Ewoud J Kulk
BEcon, FAICD
Age 69
Non-executive director
Chairman Risk Committee and Member Remuneration Committee
Chairman of AA Insurance Limited (NZ)
Director since March 2007 and director of Suncorp Group Limited since December 2010

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	22-12-10	

Mr Kulk is a director of the Westmead Millennium Institute, a past member of the NSW Council of the Australian Institute of Company Directors and a past president of the Insurance Council of Australia. He has over 25 years' experience in the insurance industry.

Mr Kulk was a director of Promina Group Limited at the date of merger with the Suncorp Group. He was Managing Director of the Australian General Insurance Group (1994–1998) and was Group Director Asia Pacific for Royal & Sun Alliance Insurance Group plc from March 1998 until his retirement in September 2003.

1. DIRECTORS' PROFILES (CONTINUED)

Christine F McLoughlin
BA, LLB (Hons), FAICD
Age 52
Non-executive director
Member Remuneration and Risk Committees
Director since February 2015

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
nib Holdings Ltd	20-03-11	
Suncorp Group Limited	11-02-15	
Spark Infrastructure Group	01-10-14	
Whitehaven Coal Limited	03-05-12	

Ms McLoughlin is currently a director of nib Holdings Ltd, Spark Infrastructure Group and Whitehaven Coal Limited. In the charitable sector Ms McLoughlin is the Deputy Chairman of The Smith Family. She is also a member of the Minter Ellison Advisory Council.

Ms McLoughlin was the inaugural Non-Executive Chairman of the Australian Payments Council. She is also a former director of Westpac's life insurance, general insurance and Lenders Mortgage insurance companies, the Victorian Transport Accident Commission and the Australian Nuclear Science and Technology Organisation.

Ms McLoughlin has extensive experience in Australia, the United Kingdom, New Zealand and South East Asia holding a variety of senior executive roles in the financial services and telecommunications sectors. She began her career as a commercial lawyer and practised in Sydney and London with Allen, Allen and Hemsley.

Ms McLoughlin is a former Telstra Business National award winner.

Dr Douglas F McTaggart
BEcon (Hons), MA, PhD, DUniv
Age 62
Non-executive director
Chairman Audit Committee
Director since April 2012

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Suncorp Group Limited	16-04-12	
UGL Limited	04-09-12	
Telesso Technologies Limited	01-11-07	09-10-12

Dr McTaggart is currently Chairman of the QIMR Berghofer Medical Research Institute Council and Suncentral Maroochydore Pty Ltd, a director of UGL Limited, and a member of both the Queensland Council, Australian Institute of Company Directors, and the Australian National University Council.

Dr McTaggart is a member of the Prime Minister's Expert Advisory Panel for the White Paper on Reform of the Federation. He has also served in other advisory roles to government as well as holding positions on, including chairing, various industry representative bodies. Most recently he was a member of the Queensland Government Independent Commission of Audit and is a former Chairman of the Queensland Public Service Commission resigning in 2015.

Dr McTaggart has broad experience in financial markets and funds management. He was Chief Executive of QIC Limited for 14 years until his retirement in June 2012 and is a former Chairman of Galibier Partners Pty Ltd. Prior to joining QIC, he was the Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career as Professor of Economics and Associate Dean at Bond University.

1. DIRECTORS' PROFILES (CONTINUED)

Geoffrey T Ricketts CNZM
LLB (Hons)
Age 69
Non-executive director
Member Audit Committee, Chairman of Vero Insurance New Zealand Limited
Director since March 2007 and director of Suncorp Group Limited since December 2010

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Heartland New Zealand Limited (NZX)	05-01-11	
Suncorp Group Limited	22-12-10	
Spotless Group Limited	08-07-96	16-08-12

Mr Ricketts is Chairman of Todd Corporation Limited (NZ) and Heartland New Zealand Limited. He is a director of Shopping Centres Australasia Property Group Trustee NZ Limited and the Centre for Independent Studies Limited.

Mr Ricketts has extensive experience in New Zealand and Australia, having been a commercial lawyer and a partner at Russell McVeagh Solicitors (NZ) for over 25 years.

Mr Ricketts was a director of Promina Group Limited at the date of merger with the Suncorp Group. He was formerly Chairman of Royal & Sun Alliance's New Zealand (**R&SA NZ**) operations having been a non-executive director of R&SA NZ for over 10 years.

Former non-executive director
Ilana R Atlas
BJuris (Hons), LLB (Hons), LLM
Age 60
Appointed January 2011, retired 20 August 2014

LISTED COMPANY DIRECTORSHIPS HELD BETWEEN 1 JULY 2012 AND 20 AUGUST 2014

COMPANY NAME	APPOINTED	RESIGNED
Coca-Cola Amatil Limited	24-02-11	
Suncorp Group Limited	01-01-11	20-08-14
Westfield Corporation Limited	08-04-14	
Scentre Group Limited (formerly Westfield Holdings Limited)	25-05-11	30-06-14

2. DIRECTORS' MEETINGS

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

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each director of the Company during the financial year ended 30 June 2015 are set out in the table below.

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

Notes
A: number of meetings held during the year while the director was a member of the Board or committee
B: number of meetings attended by the director during the year while the director was a member of the Board or committee

[1] The Group CEO attends Audit Committee, Risk Committee and Remuneration Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any Board committee.

3. DIRECTORS' INTERESTS

No director holds any interest in the Company as at 30 June 2015.

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

	FULLY PAID ORDINARY SHARES (SUN)	CONVERTIBLE PREFERENCE SHARES
Dr Z E Switkowski AO	311,599	-
P J R Snowball[1]	1,753,952	-
W J Bartlett	26,968	323 SUNPE
M A Cameron	15,000	-
A E Exel AO	8,812	-
E J Kulk	20,173	3,000 SUNPC
C F McLoughlin	15,000	-
Dr D F McTaggart	17,799	-
G T Ricketts CNZM	30,325	-

4. COMPANY SECRETARY

Group General Counsel and Company Secretary, Anna C Lenahan BA (Hons), MA (Psych) (Hons), LLB (Hons) was appointed Company Secretary in March 2011. Prior to this, Ms Lenahan was a corporate partner at law firm Allens Arthur Robinson.

Darren C Solomon LLB was appointed Company Secretary in March 2010. Mr Solomon has more than 25 years' legal and company secretarial experience within banking and financial services.

5. REMUNERATION REPORT

The Remuneration Report is set out on page 16 and forms part of the Directors' Report for the financial year ended 30 June 2015.

6. PRINCIPAL ACTIVITIES

The Company is an Authorised Deposit-taking Institution (ADI). The principal activities of the Group during the course of the year were the provision of banking and related services to the retail, commercial, small and medium enterprises and agribusiness sectors in Australia. The Group conducts the Banking operations of the Suncorp Group.

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

[1] Includes 1,047,987 shares held by the trustee of the Suncorp Group Employee Incentive Plan Trust and Suncorp Group Employee Share Plan Trust (formerly Suncorp Group Executive Performance Share Plan Trust). Beneficial entitlement to these shares remains subject to satisfaction of specified performance hurdles.

6.1. COMPANY'S OBJECTIVES

The objectives of the Company are to deliver outcomes related to the Banking and group wide overall objectives of the Suncorp Group.

The Suncorp Group continues to further capitalise on the 'One Company. Many Brands' business model across Australia and New Zealand. It aims to demonstrate that working under this business model delivers more value to stakeholders than operating as five independent businesses.

The strategy is for the business units to pursue high performance in their respective markets and to capture further value by leveraging the Suncorp Group's strategic assets of Cost, Capital, Customer and Culture.

- Cost – lowering the unit cost of procurement by leveraging Suncorp Group's scale, buying power and supplier relationships
- Capital – leveraging the diversity and capital return of each of our businesses for the benefit of the Suncorp Group
- Customer – enhancing the value of nine million customer connections by deepening their relationships with the Suncorp Group brands
- Culture – operating as 'One Company. Many Brands' and positioning Suncorp Group as 'the' place to work in Australia and New Zealand.

The Suncorp Group has articulated its strategic vision and outlook to 2020. It is focused on building an Optimised Platform that will deliver a unique combination of enhanced technology, systems and capabilities. This is the culmination of the simplification and integration work that will unlock future earnings growth opportunities for the Suncorp Group.

The Suncorp Group aspires to be an agile and resilient financial services group that:

- optimises outcomes for customers by better solving their needs
- delivers sustainable shareholder returns through high yield and above system growth
- provides the 'must have experience' for its people
- is a responsible and valuable contributor to society

Suncorp Group's strategic priorities are to:

- Simplify – continue to simplify the business and extract value through efficiency and cost reduction (Simplification programs). This will underpin the build of the Suncorp Group's Optimised Platform.
- Differentiate – invest capacity created by Simplification programs to deliver differentiated outcomes for customers and stakeholders.

7. DIVIDENDS

A fully franked 2015 interim ordinary dividend of $170 million (63 cents per share) was paid on 27 February 2015. A fully franked 2015 final ordinary dividend of an amount up to $161 million (59 cents per share) has been declared by the directors.

Further details of dividends on ordinary shares and capital notes provided for or paid are set out in note 3 to the consolidated financial statements.

8. OPERATING AND FINANCIAL REVIEW

8.1. OVERVIEW OF THE GROUP

The Group recorded a net profit after tax of $354 million (2014: $228 million), up 55.3%. This significant increase was achieved through an improved net interest margin (NIM) and lower impairment charges. Home lending growth of 7.1% reflects the success of the Group's improved product offering while also maintaining conservative lending standards and focusing on the 'below 80%' loan to valuation ratio market.

The Group has laid the foundations for sustainable, profitable growth and demonstrated the true potential of the business as it builds a new bank for 2017. Significant resources have been dedicated to risk management capability, culture and technology under the Basel II Advanced Accreditation program and the development of the Ignite banking platform. A strengthened balance sheet and improved credit experience demonstrate benefits already being realised.

8.2. REVIEW OF PRINCIPAL BUSINESSES

Net interest income increased 9.1% from $1,011 million to $1,103 million. The NIM improved by 13 bps to 1.85%, benefiting from improvements in funding composition and favourable term deposit pricing. The NIM sits at the top end of the target operating range of 1.75% to 1.85%.

Balancing investment into the franchise and cost management remains a key area of focus. The cost to income ratio continues to trend downwards with the full year ratio at 53.4% down from 57.4%.

Impairment losses on loans and advances were $58 million (2014: $124 million), representing 11 bps of gross loans and advances. Credit indicators are trending favourably. Gross non-performing loans reduced 20.1% to $617 million. Gross impaired assets decreased 34.5% to $218 million, representing 0.42% of gross loans and advances. The Group continues to hold appropriate provisioning for stress across both retail and business lending segments.

The Group maintains a focus on sustainable, high quality growth in target segments. Total loans and advances reached $51,961 million (2014: $49,927 million), an increase of 4.1%.

Retail deposits remain the core source of funding, with a deposit to loan ratio of 65.3%. Transaction account deposits increased 24.5% to $6,642 million. The 'A+/A1' credit ratings and access to a broad range of wholesale funding markets underpins a flexible and diversified funding capability.

The CET1 ratio increased 60 bps to 9.13%, above the target range of 8.50% to 9.00%. The Group is well positioned given the broader strengthening of capital targets across the banking industry.

8.3.
REVIEW OF FINANCIAL POSITION

Total assets increased by $1,649 million or 2.7% to $61,711 million compared with 30 June 2014

Cash and cash equivalents increased by $128 million largely due to an increase in cash held for liquidity purposes.

Receivables due from other banks decreased by $332 million due to a lower number of repurchase agreements held at year end compared with the prior year and lower cash collateral held with other institutions in relation to derivative liability positions.

Derivatives assets increased by $317 million mainly driven by the weaker Australian dollar resulting in positive fair value adjustments to the cross currency swaps.

Investment securities decreased by $464 million largely due to a decrease in held-to-maturity investments as the result of a strategic rebalancing from floating rate notes towards semi-government and commonwealth government bonds.

Loans and advances increased by $2,034 million mostly due to growth in housing loans of $2,785 million. This growth was partially offset by contraction in business lending of $772 million, in particular across the agribusiness and commercial segments as the Group looked to reposition the balance sheet through selective acquisition of new credit and managed the exposures deemed outside of risk appetite.

Total liabilities increased by $1,441 million or 2.5% to $57,997 million compared with 30 June 2014

Payables due to other banks increased by $216 million due to higher cash collateral held from other banks against derivative assets positions.

Deposits and short-term borrowings increased by $277 million due to the shift in retail funding mix from term deposits to call deposits which is consistent with a broader shift in consumer preference. Competitive pricing in key products and strong growth in offset account balances provided further support to at-call deposit growth.

Securitisation liabilities increased by $53 million with new issuances of $1,250 million largely offset by the repayment of debt which is contractually linked to the run-off in existing securitised loans.

Debt issues increased by $1,037 million with new debt issues only partially offset by maturities. New debt issues included USD600 million fixed rate bonds, GBP250 million floating rate notes, $950 million domestic secured covered bonds and unsecured debt issues of $880 million. Foreign exchange movements have increased the AUD value of overseas debt at year end.

Total equity increased by $208 million or 5.9% to $3,714 million compared with 30 June 2014

Share capital increased by $83 million due to capital injections from the issue of ordinary shares to the parent entity.

Retained profits increased by $110 million due to the current year profit of $354 million exceeding the dividends paid on ordinary shares and capital notes.

8.4.
REVIEW OF CAPITAL STRUCTURE

The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Group is subject to, and complies with, external capital requirements set and monitored by the Australian Prudential Regulation Authority (APRA). The Group satisfied all external imposed capital requirements which it is subject to during the current and prior financial years.

The Suncorp Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Suncorp Group as a whole, and each regulated entity, is capitalised to meet both internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the Suncorp Group's capital requirements.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, the regulatory framework and APRA's standards for the supervision of conglomerates.

For regulatory purposes, capital is classified as follows:

- CET1 comprising accounting equity with adjustments for intangible assets and regulatory reserves;
- Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with 'equity-like' qualities;
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific reserves eligible as regulatory capital; and
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

CET1 has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

During the financial year, the Group reviewed its capital targets, and increased its CET1 target operating range to 8.5% - 9.0% of Risk Weighted Assets. The Group is well positioned from a capital perspective taking into account both Basel III changes due to be implemented from 1 January 2016 and the broader strengthening of capital targets across the banking industry.

At 30 June 2015, the Group's CET1 capital ratio was 9.13% (2014: 8.53%) and total total risk weighted capital ratio was 13.83% (2014: 13.14%).

8.5.
SIGNIFICANT CHANGES IN THE GROUP'S STATE OF AFFAIRS

The Group's financial and operational performance demonstrates the continued success of the transformation strategy, under the 'One Company. Many Brands' business model. Operational efficiencies and cost control are reflected in improving margins across the business. The progress was supported by Suncorp Bank being named *Money* Magazine's Bank of the Year for 2015 and the Euromoney Awards for Excellence's 2015 Best Bank in Australia.

There have been no significant changes in the state of affairs of the Group during the financial year, other than as disclosed in this annual report.

9. EVENTS SUBSEQUENT TO REPORTING DATE

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

10. LIKELY DEVELOPMENTS

The Group is well placed to benefit from the recent regulatory changes to reduce the mortgage capital risk weighting differential to the major banks. The Group is focused on delivering four strategic pillars: the new technology platform (Ignite); advanced risk management; turning core system data into meaningful and useful information to help identify and create opportunities (Business Intelligence); and Suncorp Group customer extensions.

Ignite is expected to be completed in June 2016 and will be a key enabler of operating efficiency and outstanding customer service. In addition, the Suncorp Group's Business Intelligence and customer extensions programs will be key differentiators, allowing the Group to meet more customers' needs.

Advanced risk management will further underpin quality growth and balance sheet strength. The Company expects to be ready to make a submission to APRA under the Basel II Advanced Accreditation program in the second half of 2015.

The Group will deliver targeted low-risk growth in this environment supported by its diversified funding base, 'A+/A1' credit ratings, strong capital position and the development of the four strategic pillars.

11. KEY INTERNAL AND EXTERNAL RISKS

The risks that the Group manages include strategic, counterparty, market, asset and liability, liquidity, operational, and compliance-related risks. Specific detail on Suncorp Group's approach to Corporate Responsibility including the identification of non-financial risks and opportunities is contained in the Suncorp Group 2014/15 Annual Review available from suncorpgroup.com.au/investors/reports.

Policies, procedures, limits and other controls are in place at either the Suncorp Group or business unit level to manage these risks and align to the Board's risk appetite.

The key business risks that may impact business strategies and financial prospects include:

- shifts in competitor dynamics and markets, associated technological advancement and disruptive business models. This is being mitigated by the Suncorp Group's strategic planning processes, innovation programs, continual market and competitor monitoring and leveraging the Suncorp Group's scale, brands and pricing capability to build a competitive advantage.
- risks relating to the delivery of strategic initiatives, such as the customer extension program, the core banking system replacement, the Business Intelligence program and the Advanced Accreditation program. These initiatives are appropriately resourced, leverage the Suncorp Group's agile way of working and have established change management programs.
- risks relating to the use of service providers, including the performance of service providers, the security of business data and the privacy of customer information. Clear accountabilities and mature governance processes are in place to manage the strategic and operational aspects of both partnering and procurement activities.
- government intervention, regulatory change and supervision impacting the Group's financial position. The business has dedicated and well-established regulatory change programs in place to manage and facilitate any change, and regular engagement with government and regulators.
- external and cyber security threats leading to loss, compromise or unavailability of Suncorp Group information and customer data. The Protective Services division has oversight of physical, cyber and financial crime threats, and is continually investing in the systems, processes and controls to manage this risk and respond to emerging threats. The importance of and accountability for security is reinforced to all staff through policy, procedures and education.

11. KEY INTERNAL AND EXTERNAL RISKS (CONTINUED)

More complete information on key risk categories, risk management and the overall Group governance framework is in the Suncorp Group's detailed Corporate Governance Statement available at suncorpgroup.com.au/about-us/governance.

12. IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

There continues to be significant legislative and regulatory reform and inquiries which impact or could impact the Group's operations now and in the future.

Government and regulator consultations, reviews and inquiries which may result in changes or proposals that could impact the Group continue to occur such as the Federal Government Tax White Paper, the Productivity Commission inquiry into the Federal workplace relations framework and the Federal Government consultation on the Harper review of Australia's competition policy.

There also continues to be proposals and changes from global regulatory advisory and standard-setting bodies such as the Basel Committee on Banking Supervision (**BCBS**) and the Financial Stability Board which if adopted, or followed, by domestic regulators may increase operational and capital costs or requirements.

Financial System Inquiry

The Final Report (**Report**) of the Financial System Inquiry (**Inquiry**) was released on 7 December 2014. The Inquiry was tasked with undertaking a wide-ranging review of Australia's financial system and the Report purports to provide a blueprint for the future. The Report made 44 recommendations including advising on the level of capital that banks should hold, minimum standards of education for financial advisers and recommendations around making issuers and distributors more accountable for the design and distribution of products. The Report's recommendations are likely to underpin future regulatory reform of the Australian financial services sector. Although regulators, including the APRA, have indicated support for a variety of Report recommendations and released information that provides some indication as to the approach they will likely adopt, ultimately the reform agenda of the Federal Government will now dictate the extent and timing of any changes. It is difficult at this stage to judge the likely impact of the Report, although if APRA's indicated approach is implemented, there may be increased capital requirements for the Company.

Prudential Standards CPS220 and CPS510

APRA have finalised two cross-industry Prudential Standards CPS220 *Risk Management* and CPS510 *Governance*. These standards came into effect on 1 January 2015, and apply to all Authorised Deposit-taking Institutions, general insurers and life insurers. The standards impose governance and risk management framework requirements and will apply to the Company and its regulated subsidiaries.

Financial advice reforms

In March 2014, the Federal Government introduced the *Corporations Amendment (Streamlining of Future of Financial Advice) Bill 2014*. If enacted, the Bill would amend some of the changes brought about by the Future of Financial Advice reforms including, in certain circumstances, exempting general advice from the ban on conflicted remuneration, removing the 'opt in' requirements and making improvements to the best interests duty 'safe harbour' provisions. There remains uncertainty as to whether the Bill will eventually pass; however should it do so it is anticipated it will lessen the regulatory burdens imposed on the Group by the initial reforms.

12. IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS (CONTINUED)

Basel III Capital Reforms

APRA has continued to implement the prudential framework applicable to Australian banks under the Basel III capital reforms established by the BCBS. Commencing from 1 January 2015, the Group has been required to meet the liquidity coverage ratio (**LCR**) imposed under APS 210 *Liquidity*. The LCR is intended to ensure that banks hold sufficient liquid assets to meet a defined acute stress scenario. In October 2014, the BCBS released its final standard on the net stable funding ratio (**NSFR**) which is intended to encourage longer term funding resilience. It is expected that APRA will require the Company and other Australian ADIs to meet the NSFR by 1 January 2018. The Basel III reforms impose higher regulatory capital requirements for the Company than existed previously.

The BCBS has also released a number of consultation papers and revisions over the previous 12 months. These have included consultation papers on proposed standards for capital floors, revisions to the standardised approach to credit risk and a review of issues related to trading book capital requirements. A revised securitisation framework was released in December 2014.

13. ENVIRONMENTAL REGULATION

The *National Greenhouse and Energy Act 2007* (**NGER**) provides a national framework for corporations to report greenhouse gas emissions and energy consumption and production. Suncorp Group has reported annual reductions in emissions under the NGER scheme since 2010/11.

The Group's operations are not currently subject to any other particular and significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories. The Group may however become subject to state environmental regulation when enforcing securities over land for the recovery of loans. The Group has not incurred any liability (including for rectification costs) under any environmental legislation.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS

Under the Constitution of the ultimate parent entity, SGL, each person who is or has been a director or officer of the Company is indemnified. 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 SGL 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*.

SGL 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 2015, SGL 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.

15. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, performed certain services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied that the auditor's provision of those non-audit services 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 financial year are set out below:

	2015 $000	2014 $000
SERVICES OTHER THAN STATUTORY AUDIT		
Audit-related fees (regulatory)		
APRA reporting	332	285
Australian financial services licences	11	11
Other regulatory compliance services	8	7
	351	303
Audit-related fees (non-regulatory)		
Other assurance services	2,108	756
Other services		
Tax compliance	12	10
	2,471	1,069

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 43 and forms part of the Directors' Report for the financial year ended 30 June 2015.

17. ROUNDING OF AMOUNTS

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 the consolidated financial report have been rounded to the nearest one million dollars unless otherwise stated.

2015 Remuneration Report

Dear Shareholder

The Board is pleased to present the Suncorp-Metway Limited Remuneration Report for the financial year ended 30 June 2015.

The Group is subject to the remuneration framework determined by the Suncorp Group, being Suncorp Group Limited (SGL) and its subsidiaries. The composition of the Board is consistent with that of Suncorp-Metway Limited. Throughout this Report, for consistency, references are made to the Suncorp Group's remuneration arrangements rather than the Group's remuneration arrangements. References in this Report to Group CEO and Senior Executives are to the Suncorp Group CEO and Suncorp Group Senior Executives. References in this Report to the Board are references to the SGL Board.

The Board is committed to a fair and responsible executive remuneration framework. The Remuneration Policy and practices foster a 'pay for performance' culture, linking executive remuneration to the achievement of the Group's strategic objectives. A significant portion of executives' remuneration is 'at-risk', with outcomes linked to the financial and non-financial performance achievements which generate superior and sustainable returns for shareholders.

Feedback from regulators, shareholders and our stakeholders is actively encouraged and used in the development of our remuneration practices. The remuneration framework has therefore not changed during 2015 as the Board believes it continues to serve stakeholders well.

In 2015, the Group's profits were well above 2014. This strong result was achieved despite 2015 representing the worst year for natural hazards in our recent history, amounting to over $1 billion in net claims. These results exemplify the Group's earnings diversification, with each line of business contributing positively to our performance.

During the year, the Group continued to focus on improving operational efficiencies and delivering on the Simplification program of work. The benefits that were delivered from Simplification have helped maintain a strong underlying margin in the insurance business, well above the 12% target commitment. In addition, the Group has also outlined an Optimisation program of work which will deliver $170 million of efficiency benefits in the 2018 financial year.

Suncorp Bank was named *Money* magazine's Consumer Finance "Bank of the Year" in 2015, the first time in over 10 years that a non-major bank has won this title and also "Best Bank in Australia" as part of the global Euromoney Awards for Excellence.

Overall, performance in 2015 demonstrates the continued ability of the Group to deliver sustainable returns to shareholders.

Looking ahead, the Group will continue to assess and refine the remuneration framework to promote sustainable performance, risk alignment and competitive pay positioning against the backdrop of a challenging business environment.

The Board and the Remuneration Committee hope you find the information provided in the report enlightening.

J. E. Switkowski W. J. Bartlett.

Dr Ziggy Switkowski AO
Chairman of the Board

Bill Bartlett
Chairman of the Remuneration Committee

4 August 2015

INTRODUCTION

This Remuneration Report explains how the Group's performance for the 2015 financial year (**2015**) has driven remuneration outcomes for the executives who are the Group's key management personnel (**KMP**). KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Group, as listed in the following table.

Name	Position	Changes during 2015
Non-executive directors		
Dr Zygmunt Switkowski AO	Chairman	
Mr William Bartlett	Director	
Mr Michael Cameron	Director	
Ms Audette Exel AO	Director	
Mr Ewoud Kulk	Director	
Ms Christine McLoughlin	Director	Appointed 11 February 2015
Dr Douglas McTaggart	Director	
Mr Geoffrey Ricketts CNZM	Director	
Former non-executive director		
Ms Ilana Atlas	Director	Retired 20 August 2014
Executive director		
Mr Patrick Snowball	Group CEO	
Current Senior Executives		
Mr Anthony Day	CEO Commercial Insurance	
Mr Gary Dransfield	CEO Vero New Zealand	
Mr Clayton Herbert	Group Chief Risk Officer	
Mr Steve Johnston	Group Chief Financial Officer	
Ms Anna Lenahan	Group Executive Group General Counsel and Company Secretary	
Mr Mark Milliner	CEO Personal Insurance	
Mr John Nesbitt	CEO Suncorp Bank	
Mr Matt Pancino	CEO Suncorp Business Services	
Mr Mark Reinke	Group Executive Customer, Data and Marketing	
Ms Amanda Revis	Group Executive Human Resources	
Mr Geoff Summerhayes	CEO Suncorp Life	
Former Senior Executive		
Mr Jeff Smith	CEO Suncorp Business Services	Employment ceased 5 September 2014

This Remuneration Report – which forms part of the Directors' Report – has four sections:

1. an overview of the Group's performance for the financial year ended 30 June 2015
2. the remuneration for the Group CEO and Senior Executives (defined as the executives reporting to the Group CEO who are KMP)
3. the remuneration for the non-executive directors
4. information regarding loans and equity instrument movements in relation to KMP, their close family members, or entities they control or over which they have significant influence.

In accordance with Section 308(3C) of the *Corporations Act 2001*, the external auditors, KPMG, have audited sections 2, 3 and 4. For the purposes of this report, 'executive' means any of the Group CEO and the Senior Executives.

1. SUMMARY OF 2015 PERFORMANCE AND REMUNERATION

FOCUS	DESCRIPTION	FURTHER INFORMATION
Key financial outcomes	• SGL delivered Total Shareholder Returns (TSR) of 6.8% for the year ended 30 June 2015, outperforming the ASX50 TSR of 5.5% for the same period. The SGL TSR reflects a 0.8% decline in the share price, more than offset by the $1.08 of total dividends paid during the year. • SGL's TSR for the five year period ending 30 June 2015 is 123.8%, well above the ASX200 TSR of 58.8% and the ASX50 TSR of 63.5%. • Profit after tax from SGL's core businesses of General Insurance, Suncorp Bank and Suncorp Life is $1,357 million. The Group's reported net profit after tax increased 55.2% to $1,133 million. • Total declared dividends for 2015 will be 88 cents per share, consisting of a 38 cent per share interim dividend, a 38 cent per share full year dividend and a 12 cent per share special dividend. • SGL Return on Equity increased to 8.5% from 5.3% due to an increase in earnings.	Section 2.5 and the Financial Statements
Appropriate risk management	Effective risk management is vital in the determination of performance and remuneration outcomes. Suncorp ensures the alignment between remuneration and risk management is managed through: • deferral of a significant portion of executives' Short-Term Incentives (STI) • potential clawback of executives' deferred STI and unvested Long-Term Incentives (LTI) • separate performance and remuneration review processes for risk and financial control personnel; and • a hedging prohibition on Suncorp securities (including any unvested performance rights).	Section 2.7
Engagement and enablement	The Group's engagement and enablement scores both increased by four points from 2014 and both exceed the Global High Performing Norm[1] by four points and five points respectively.	Section 2.5
Safety and Wellbeing	The Group's Safety and Wellbeing plan is delivering benefits after its second year in implementation, with lost time injuries down to 45 incidents, compared to an average of 64 for the prior 4 financial years.	Section 2.5
Customer satisfaction	Customer performance, as assessed through customer satisfaction metrics continues to improve with strong results across the measured brands. Suncorp Bank was named Money magazine's Consumer Finance "Bank of the Year" in 2015 and also "Best Bank in Australia" as part of the global Euromoney Awards for Excellence.	Section 2.5
Strengthening the alignment of executives' and directors' interests with those of shareholders	A minimum shareholding requirement for the Group CEO, Senior Executives and non-executive directors was introduced in 2014. All executives and directors who were in office when this requirement was introduced hold sufficient shares to meet the minimum holding requirement which is due to be met by October 2015.	Sections 2.7 and 3.1
Restraint in fixed remuneration for executives and fees for non-executive directors	The Group CEO and the majority of Senior Executives received no fixed remuneration increase in 2015. Non-executive directors' base fees also remained unchanged. To ensure continued market competitiveness the remuneration mix for Senior Executives has been reviewed in 2015 and will be realigned in 2016.	Sections 2.3, 2.4 and 3.1

[1] For Hay Group clients.

1. SUMMARY OF 2015 PERFORMANCE AND REMUNERATION (CONTINUED)

The graph below shows the value over time of a $100 investment made on 1 July 2010, with the SGL[1] ordinary shares return index outperforming the S&P/ASX50 total return (accumulation) index by 37.9% over the five years to 30 June 2015.

2. EXECUTIVE REMUNERATION

2.1. REMUNERATION GOVERNANCE FRAMEWORK

Remuneration Committee

The Remuneration Committee leads remuneration matters at Suncorp on behalf of the Board. The Committee, which operates under its own charter and reports to the Board, is chaired by Mr William Bartlett who is a highly experienced accounting professional with over 30 years' experience in the actuarial, insurance and financial services sectors. The other members of the Remuneration Committee are all accomplished and experienced independent non-executive directors of Suncorp Group with backgrounds in business and accounting.

Remuneration Committee membership as at 30 June 2015[2]

CHAIRMAN:	Mr William Bartlett
MEMBERS:	Mr Ewoud Kulk Ms Christine McLoughlin
EX OFFICIO MEMBER:	Dr Zygmunt Switkowski AO

All Committee members are independent non-executive directors whose full biographies are set out in the Directors' Report.

[1] SGL completed a restructure on 7 January 2011. TSR prior to 2011 relates to Suncorp-Metway Limited, the ultimate parent company prior to the restructure.
[2] Ms Ilana Atlas was Chairman of the Remuneration Committee until retirement from the Board on 20 August 2014. Ms Christine McLoughlin was appointed as a member of the Remuneration Committee effective 14 April 2015. Mr Michael Cameron ceased to be a member of the Remuneration Committee effective 14 April 2015.

2.1. REMUNERATION GOVERNANCE FRAMEWORK (CONTINUED)

Suncorp Group's remuneration governance framework, which meets the standards expected by the ASX Corporate Governance Principles 3rd Edition, is summarised below.

Approve

THE BOARD

Reviews, applies judgment and, as appropriate, approves the Committee's recommendations

Endorse

AUDIT & RISK COMMITTEES

Endorse recommendations to the Remuneration Committee on clawback of deferred remuneration for Senior Executive level employees and Group CEO

THE REMUNERATION COMMITTEE

Reviews, applies judgment and, as appropriate, endorses the recommendations made by the Group CEO and submits for Board approval. In addition, the Committee makes recommendations to the Board on:

- Individual remuneration arrangements, scorecard measures and assessment for the Group CEO
- Non-executive director remuneration arrangements
- Senior Executive remuneration arrangements for appointments, terminations and clawback of remuneration
- Remuneration Policy and frameworks for all employees

Recommend

GROUP CEO

Makes recommendations to the Remuneration Committee on:

- The Group's annual funding for STI and fixed remuneration increases
- Scorecard measures and assessment for direct reports
- Remuneration Policy and frameworks for all employees
- Clawback of deferred remuneration for all employees
- Individual remuneration arrangements for:
  - Senior Executives
  - Persons whose activities, in the Board's opinion, affect the financial soundness of the Group
  - Any other person specified by APRA; and
  - Any other person that the Board determines

EXTERNAL ADVISERS

Make recommendations to the Remuneration Committee on:

- Proposed changes to Remuneration Policy, structures and practices
- Legal regulatory issues that impact on remuneration arrangements
- Benchmarking data and market practice
- Alternatives for STI and LTI plans

Contribute

REMUNERATION OVERSIGHT COMMITTEE

Makes recommendations to the Group CEO on clawback of deferred remuneration for employees below Senior Executive level

More information on Suncorp Group's remuneration governance can be found in the 2015 Corporate Governance Statement at suncorpgroup.com.au/about-us/governance.

2.1.
REMUNERATION GOVERNANCE FRAMEWORK (CONTINUED)

While the Board has overall responsibility for the executive remuneration structure and outcomes, the Remuneration Committee:

- supports the Board to fulfil its responsibility to shareholders with regard to prudent remuneration management and compliance with the requirements of APRA's Prudential Standards
- considers strong remuneration governance as an ongoing, continual improvement activity
- closely monitors the remuneration framework to ensure it meets the key goal that sustainable, risk-adjusted, long-term performance forms the basis of reward outcomes, and employees' and shareholders' interests are aligned
- takes account of advice from the Group CEO, other members of management and, where relevant, independent external advisers; and
- oversees the preparation of this Remuneration Report.

The Remuneration Committee met five times during 2015 and fully discharged its responsibilities in accordance with the Remuneration Committee Charter.

The Charter, which the Board reviews regularly for appropriateness, was confirmed in June 2015 and is available at suncorpgroup.com.au/about-us/governance.

While the Remuneration Committee believes Suncorp Group’s Remuneration Policy and strategy serves the Group’s needs, it will proactively continue to ensure these evolve in response to emerging regulatory developments and capital requirements.

External remuneration advisers’ services

Where appropriate, the Board and the Remuneration Committee consult external remuneration advisers. When such external advisers are selected, the Board considers potential conflicts of interest. Advisers’ terms of engagement regulate their access to, and (where required) set out their independence from, members of Suncorp Group management.

The requirement for external advisers’ services is assessed annually in the context of matters the Remuneration Committee needs to address. External advisers’ advice and recommendations are used as a guide, but do not serve as a substitute for directors’ thorough consideration of the relevant matters.

The following external advisers provided information and assistance to management and the Remuneration Committee on a range of matters, to inform the Remuneration Committee’s recommendations and decision-making during 2015.

SERVICES RELATING TO REMUNERATION MATTERS	EXTERNAL ADVISERS PROVIDING THIS SERVICE TO SUNCORP GROUP IN 2015
Benchmarking remuneration of the Group CEO and Senior Executives	Ernst & Young
Fees for non-executive directors, against comparable roles in relevant comparator groups	Godfrey Remuneration Group
TSR performance analysis and validation for LTI awards	Mercer Consulting (Australia) Ernst & Young

These advisers did not provide any remuneration recommendations and they were not ‘remuneration consultants’ to Suncorp Group as defined in the *Corporations Act 2001*. PwC were engaged as the remuneration consultants to the Remuneration Committee until November 2014.

2.2.
EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

The Suncorp Group Remuneration Policy provides a governance framework for the structure and operation of remuneration systems within the context of the Group’s long-term financial soundness and risk management framework. The Board is committed to remunerating fairly and responsibly.

2.2. EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK (CONTINUED)

Remuneration strategy

The remuneration strategy, which is derived from linking the reward philosophy with business strategy and risk tolerance, ensures that the principles that determine remuneration are focused on driving the performance and behaviours consistent with achieving this objective. The table below demonstrates the link between the reward principles and the remuneration framework.

OBJECTIVE

Offer rewards that are sufficiently competitive to motivate directors and executives to deliver superior and sustainable returns to shareholders and support alignment with Suncorp Group's strategic priorities

REWARD PRINCIPLES

- Align reward with sustainable performance
- Align effective risk management with reward
- Balance stakeholder interests
- Deliver a competitive advantage
- Ensure gender pay equality
- Support Suncorp Group's culture and values (honesty, courage, fairness, respect, caring and trust)

COMPONENTS OF REWARD

Fixed Remuneration	At-risk remuneration	
Reflects individual's skills and experience, role scope and regulatory requirements	Enables the Board to recognise performance while flexibly maintaining cost base and responding effectively to market and regulatory circumstances	
	STI	LTI
PERFORMANCE AND RISK ALIGNMENT		
› Reviewed annually as part of performance assessment › Increases reflect change in role, individual performance and contribution to Suncorp Group taking into consideration market competitiveness	› Incentivise the achievement of Suncorp Group, business unit and individual outcomes › Deferral and clawback encourage a longer term focus › The Board's determination of the Suncorp Group's STI pool includes consideration of risk management through a variety of financial and non-financial measures	› Executives are rewarded for their contribution to the creation of long-term shareholder value by way of equity in the Group › Outcome determined by achievement of Relative TSR which is an external, objective and relative measure › Clawback enables the Board to exercise its judgment to reduce LTI if, in the Board's judgment, such an adjustment should occur › Executives are prohibited from hedging equity instruments that are unvested or subject to restrictions

REMUNERATION POSITIONING

The total remuneration opportunity for the Group CEO and Senior Executives is evaluated on an annual basis against relevant peer comparator groups including the S&P/ASX 100 Index, the S&P/ASX 50 Index, and bespoke comparator groups. The primary market is defined as the financial services companies in the ASX100, excluding Real Estate Investment Trusts.

2.3.

2015 EXECUTIVE REMUNERATION OUTCOMES

The following table is a voluntary disclosure summarising the actual remuneration the Group CEO and Senior Executives received or earned during 2015 and represents:

- fixed remuneration received
- the value of incentives earned as a result of 2015 performance; and
- the value of any deferred STI that vested during the year; and
- the value of any LTI that vested during the year.

This information differs to the statutory remuneration disclosures presented in section 2.8.

	Remuneration earned in respect of 2015[1]			Past 'at-risk' remuneration paid in 2015[2]				Actual remuneration received or earned in 2015	Future 'at-risk' remuneration awarded in 2015[5]	
	Fixed	Other	2015 Incentives	Deferred incentives (cash) vested in 2015	% Vesting	LTI (equity) vested in 2015[3]	% Vesting LTI[4]		2015 Incentives (deferred as cash)	LTI (equity) granted in 2015
	$000	$000	$000	$000		$000		$000	$000	$000
Executive director										
P Snowball	2,550	-	1,434	1,614	100	4,212	100	9,810	1,435	4,000
Senior Executives										
A Day	802	-	581	323	100	662	100	2,368	313	800
G Dransfield	703	-	496	229	100	441	100	1,869	267	702
C Herbert	677	-	491	85	100	159	100	1,412	264	675
S Johnston	779	-	567	118	100	318	100	1,782	305	750
A Lenahan	503	-	396	98	100	159	100	1,156	214	501
M Milliner	827	-	583	338	100	689	100	2,437	314	825
J Nesbitt	904	-	655	374	100	735	100	2,668	353	902
M Pancino	702	-	519	124	100	170	100	1,515	279	700
M Reinke	551	-	392	82	100	127	100	1,152	211	550
A Revis	637	-	471	252	100	472	100	1,832	253	635
G Summerhayes	787	-	555	309	100	607	100	2,258	299	750
Former Senior Executive										
J Smith[6]	152	279	-	367		-		798	-	-

[1] 'Remuneration earned in respect of 2015' comprises:

- fixed remuneration (actual fixed remuneration received, including salary sacrificed benefits and employer superannuation) but excludes accommodation allowances
- other one-off or transitory elements in relation to termination
- incentives which relate to 2015 that are not deferred. This represents 50% of the total 2015 STI for the Group CEO and 65% of the total 2015 STI for Senior Executives.

[2] 'Past 'at-risk' remuneration paid in 2015' comprises LTI and deferred STI awarded in previous years that vested during 2015. 'Past 'at-risk' remuneration paid in 2015' for Mr Clayton Herbert, Mr Steve Johnston, Ms Anna Lenahan, Mr Matt Pancino and Mr Mark Reinke relates to the vesting of deferred STI and LTI which were awarded prior to their appointment as Senior Executives.

[3] 'LTI (equity) vested in 2015' represents the total number of performance rights vested during 2015 multiplied by the closing share price at 30 September 2014.

[4] For Mr Patrick Snowball, '% vesting' represents Tranche 3 of the 2009 Grant, for all Senior Executives it represents the 2011 Grant.

[5] 'Future 'at-risk' remuneration awarded in 2015' is not guaranteed and comprises:

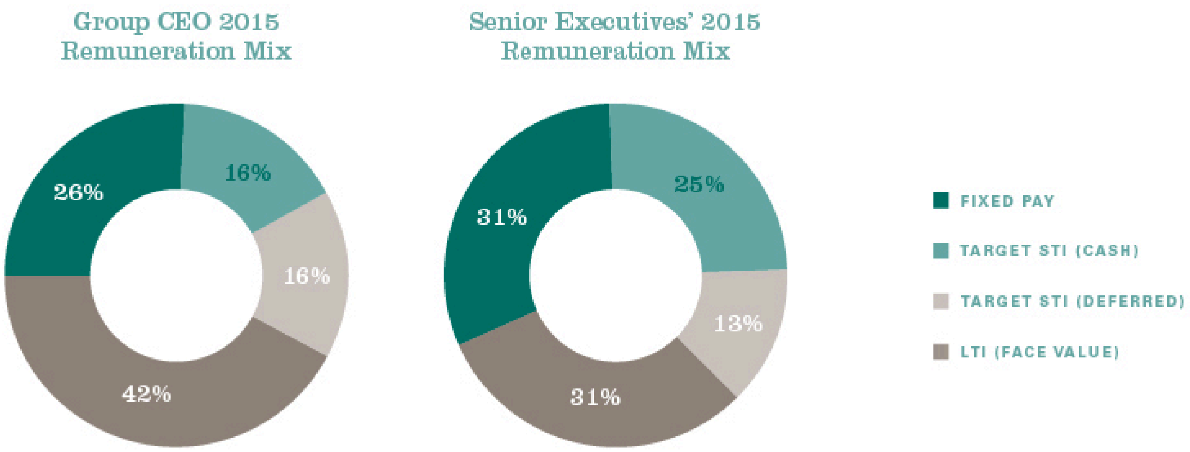
- the deferred portion of 2015 STI (excluding the value of any future interest payable on vesting), which is subject to potential clawback during the deferral period
- the face value of LTI performance rights granted during 2015 that may conditionally vest in future years.

[6] Mr Jeff Smith ceased employment on 5 September 2014, and was paid the balance of his annual leave and long service leave on cessation.

2.3.
2015 EXECUTIVE REMUNERATION OUTCOMES (CONTINUED)

Remuneration mix

The mix of fixed and 'at-risk' remuneration components for the executives disclosed in the Remuneration Report, as a percentage of total target annual remuneration for the 2015 financial year, is shown below. The Group CEO's remuneration mix is heavily focused on longer term performance and the majority of total remuneration for Senior Executives is at risk (69%).



In 2015 the Board undertook a review of the Senior Executives' remuneration mix and as a result approved changes to support alignment with the market and a rebalancing of the performance-based components to ensure a market competitive remuneration mix. These changes will be implemented in 2016.

The remuneration package for the incoming Group CEO, Mr Michael Cameron[1], consists of fixed remuneration of $2,100,000 per annum, a target STI opportunity of 100% of fixed remuneration and an initial LTI award with a face value of $3,000,000[2]. In recognition of previous incentives forgone with Mr Cameron's previous employer, an award of up to 240,000 restricted shares will be offered in three equal tranches vesting on 1 January 2016, 2017 and 2018. The initial LTI award and grant of restricted shares are subject to shareholder approval at the 2015 Annual General Meeting[3].

2.4.
FIXED REMUNERATION

Management reviews fixed remuneration each year in line with the Remuneration Policy, the external market and other business and role-critical factors to ensure it remains competitive. The Remuneration Committee considers management's recommendations and endorses any increases to the Board for approval.

The majority of Senior Executives received no increase in 2015, and the Group CEO's fixed remuneration was unchanged.

[1] Mr Michael Cameron is a director on the Board however, was not present and did not receive any Board submissions during the determination by the Board of the successful candidate or the remuneration package as part of the Group CEO succession process.
[2] Suncorp Group Equity Incentive Plan outlined in section 2.6.
[3] Further detail is set out in the Suncorp 2015 Notice of Annual General Meeting.

2.5.
SHORT-TERM INCENTIVES (STI)

The annual STI program rewards executives for achieving Suncorp Group, specific business unit and individual performance relative to stretch performance targets. The program has been designed to ensure executives create sustainable value for all stakeholders. The following table summarises the key features of the STI program:

SCORECARD	A scorecard of financial and non-financial performance objectives forms the measure for STI awards.
FUNDING DETERMINATION	When recommending the size of the STI pool to the Board, the Remuneration Committee considers Suncorp Group performance against key scorecard measures. Based on this recommendation, the Board determines the annual STI pool available for distribution to eligible employees by taking into account the quality of the Group outcome. Consideration is placed on factors such as long-term financial soundness, the current economic environment and compliance with the Suncorp Group Risk Appetite Statement.
DEFERRAL	A material portion of executives' STI is deferred for two years and is subject to clawback; 50% for the Group CEO and 35% for Senior Executives. During the deferral period, the Board considers the long-term impacts of decisions made and actions taken during the performance year to which the deferred STI applies. In accordance with the risk governance framework, significant adverse outcomes may give grounds for the Board to apply its discretion to adjust the original deferred incentive allocation downwards, including to zero if necessary (a process referred to as 'clawback'). Interest accrues during the deferral period and is payable upon vesting. In the event of resignation, redundancy or retirement, the deferred incentive portion is retained and vests at the end of the original deferral period, subject to Board approval.
UNDERLYING PROFIT AFTER TAX	The Board considers underlying profit after tax to be an appropriate reflection of SGL's performance relative to its targets and an effective measure for STI as it is considered that individual executive performance is a key driver of underlying profit outcomes. In determining underlying profit after tax, a number of adjustments to net profit after tax are made because these are deemed to be outside normal operating activities and beyond executives' control, including but not limited to: • volatility within investment markets above or below expectations • prior year reserve strengthening or releases that are above or below expectations • natural hazards claims above or below expected allowances • profits or losses on material divestments; and • material non-cash transactions. Underlying profit after tax is not audited by the external auditors, KPMG. Underlying profit after tax has been determined on a consistent basis since the year ended 30 June 2012.

2.5. SHORT-TERM INCENTIVES (STI) (CONTINUED)

Performance assessment

The following diagram sets out the structure of the 2015 Group scorecard measures, their link to strategy and the 2015 Group Scorecard outcome used to determine the STI outcome for the Group CEO:

	STRATEGIC DRIVER	MEASURES	2015 ACHIEVEMENTS
Group profit and financials 60%	Disciplined financial choices Improve shareholder returns	Group NPAT (underlying)	› The Group's underlying profit after tax increased to $1,357 million
		Return on Equity (headline)	› Headline Return on Equity increased from 5.3% to 8.5% in 2015. However this was below the 10% target, primarily due to natural hazard events
		The Board considers other factors including operational efficiency, the alignment to strategic plans approved by the Board consistent with the Board's expressed risk appetite	
Risk 10%	Sustained performance requires prudent risk taking and effective risk management	Manage risk within agreed parameters in satisfaction of the Group Risk Appetite Statement	› The Group has operated within the parameters of the Group Risk Appetite Statement › Throughout the year, risk appetite was actively considered in the execution of strategic initiatives and in the management of emerging/shifting risks
People 10%	Maintain a high achieving and engaged team Integrate safety and wellbeing into all that we do	Group engagement score	› The Group's engagement and enablement scores each increased by four points to 77 and 76 respectively from 2014 results › The Group now exceeds the Global High Performing Norm by four points for engagement and five points for enablement
		Workplace health and safety performance	› The Group's Safety and Wellbeing plan is delivering benefits after its second year in implementation with lost time injuries down to 45 incidents and the resultant Lost Time Injury Frequency Rate at 2.0. This compares to an average across the period from 2010 of 64 and 2.7 respectively
Customer / Stakeholders 10%	Enhancing the value of 9 million customer connections and 13 valuable brands	Customer Satisfaction	› Suncorp Bank was named *Money* Magazine's Consumer Finance "Bank of the Year" in 2015, and also "Best Bank in Australia" as part of the global Euromoney Awards for excellence. › Customer performance, as assessed through customer satisfaction metrics continues to improve with strong results across the brands
Strategic Initiatives 10%	Value creation through the implementation of strategic initiatives	Key transformation programs	› All programs continue to build on the benefits of Simplification. The core strategic projects across the Group are on time and specification. The delivery of these challenging programs underpins the differentiation benefits the Group is demonstrating to the market

2.5.
SHORT-TERM INCENTIVES (STI) (CONTINUED)

Performance assessment (continued)

The Board and management:

- focus on high performance, carrying out business legally, ethically, and with integrity and respect
- promote the Suncorp Group values that set out the primary behavioural expectations that the Board believes form a foundation for successful performance. Adherence to these behavioural expectations can influence overall individual performance outcomes.

STI performance outcomes for the Group CEO in 2015

The actual STI outcome for 2015 for the Group CEO based on the criteria outlined on the previous page, is represented in the table below.

	Actual STI awarded[1]	Target STI[2]	STI award as % of target STI	Max STI[3]	STI award as % of maximum STI	% of maximum STI award forfeited	Amount deferred
	$000	$000		$000			$000
P Snowball	2,869	3,188	90%	3,825	75%	25%	1,435

STI performance outcomes for Senior Executives in 2015

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

The Group outcome was applied to Senior Executives for 60% of STI, combined with the results for their individual business unit (accounting for 40% of STI). The similarity in STI outcomes versus target between the Senior Executives reflects the significant weighting of the Group performance in scorecards. This is purposeful, as it is aligned to Suncorp Group's strategy and business model of 'One Company. Many Brands.'

Actual STI outcomes for 2015 for Senior Executives are represented in the table below.

	Actual STI awarded[1]	Target STI[2]	STI award as % of target STI	Max STI[4]	STI award as % of maximum STI	% of maximum STI award forfeited	Amount deferred
	$000	$000		$000			$000
Senior Executives							
A Day	894	1,002	89%	1,503	59%	41%	313
G Dransfield	763	879	87%	1,319	58%	42%	267
C Herbert	755	846	89%	1,269	60%	40%	264
S Johnston	872	973	90%	1,460	60%	40%	305
A Lenahan	610	628	97%	942	65%	35%	214
M Milliner	897	1,034	87%	1,550	58%	42%	314
J Nesbitt	1,008	1,130	89%	1,695	59%	41%	353
M Pancino	798	877	91%	1,316	61%	39%	279
M Reinke	603	689	88%	1,034	58%	42%	211
A Revis	724	796	91%	1,193	61%	39%	253
G Summerhayes	854	1,000	85%	1,500	57%	43%	299

[1] The value of STI awarded for 2015 represented is before any deferral.
[2] Target STI is 125% of fixed remuneration for the Group CEO and Senior Executives.
[3] Maximum STI for the Group CEO is 150% of fixed remuneration.
[4] Maximum STI for all Senior Executives is 187.5% of fixed remuneration.

2.6.
LONG-TERM INCENTIVES (LTI)

SGL performance

The table below provides an overall view of SGL's performance over the five financial years to 30 June 2015.

Year ended 30 June	Profit for the year[1] $m	Closing share price[2] $	Dividend per share cents
2015	1,133	13.43	88
2014	737	13.54	105
2013	496	11.92	75
2012	728	8.09	55
2011	457	8.14	35

Long-Term Incentives

LTI is offered to executives, as the behaviour and performance of these individuals have a direct impact on the Group's long-term performance. Its purpose is to focus executives on Suncorp Group's long-term business strategy to create and protect shareholder value over the longer term, thus aligning executives' interests more closely with shareholders.

LTI grants are awarded in the form of performance rights through:

- the Executive Performance Share Plan (**EPSP**) prior to October 2013
- the Suncorp Group Equity Incentive Plan (**EIP**) from October 2013.

LTI grants will only vest when certain TSR performance hurdles relative to a pre-determined group of peer companies (the **Peer Comparator Group**) are met.

[1] Suncorp Group completed a restructure on 7 January 2011 (implementation of the Non-Operating Holding Company). Amounts prior to this restructure relate to Suncorp-Metway Limited, the previous ultimate parent company. Note that the profit figure in the table is not the same as the underlying profit calculation used for STI purposes. Refer to section 2.5 for more information on underlying profit after tax used for STI purposes.

[2] Closing share price at 30 June.

2.6.
LONG-TERM INCENTIVES (LTI) (CONTINUED)

The following table summarises the features of the Suncorp Group Equity Incentive Plan:

PERFORMANCE RIGHTS	A performance right entitles a participant to one fully paid ordinary share in SGL (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in SGL) at no cost. Performance rights vest at a set future point in time, provided specific performance hurdles are met.
DIVIDENDS	If performance rights vest and shares are allocated, a payment equal to the dividends earned on those shares during the performance period is paid (less applicable taxes paid or due to be paid by the trustee with respect to the dividends).
ALLOCATION	The face value of LTI to be granted to participants is determined by the Board. The number of performance rights is equivalent to the value of the LTI divided by the five-day Volume Weighted Average Price of one ordinary share over the five days preceding the date of grant. When offers are made, the shares are bought on market to avoid any dilutionary impact on the share price that the issue of new ordinary shares might create. The shares are acquired by the Plan trustee and held in trust (along with associated dividends received) during the vesting period.
PERFORMANCE HURDLE	The performance of SGL's share price over the long term determines the extent to which LTI performance rights vest. This is measured by ranking SGL's TSR against the returns of the Peer Comparator Group. TSR (expressed as a percentage): • is a method of calculating the return shareholders would earn if they held a notional number of shares over a defined period of time • measures the change in SGL's share price, together with the value of dividends received during the period (assuming all dividends are re-invested into new shares) and capital returns • will vary over time but the relative position reflects the overall performance relative to the Peer Comparator Group. TSR performance is monitored by an independent external party on a quarterly basis, for all unvested grants. At final vesting, two independent external parties validate TSR performance. The relative TSR performance measure is chosen because it: • offers a relevant indicator of measuring changes in shareholder value by comparing SGL's return to shareholders against the returns of companies of a similar size and investment profile • aligns shareholder returns with reward outcomes for executives over the long term • minimises the impact of market cycles. The Board has considered other measures to determine the performance of LTI and has concluded relative TSR is the most appropriate at this time. Measures for LTI are reviewed on a regular basis to ensure they remain appropriate.
COMPARATOR GROUP	The Peer Comparator Group for relative TSR performance assessment is the top 50 listed companies by market capitalisation in the S&P/ASX100 (excluding Real Estate Investment Trusts and mining companies[1]), as determined at the commencement of each grant. If SGL in the Peer Comparator Group is acquired or delisted during the performance period, it is removed from the ASX list. Therefore there may be less than 50 companies in the ranking.
VESTING SCHEDULE	Executives will only derive value from the LTI if SGL's TSR performance is at, or greater than the median of the Peer Comparator Group. Performance rights vest in accordance with the LTI vesting schedule represented in the table below, subject to clawback (see Section 2.7):

RELATIVE TSR PERFORMANCE OUTCOMES	PERCENTAGE OF LTI AWARD THAT WILL VEST
Below the 50th percentile (below median performance)	0%
At the 50th percentile (median performance)	50%
Between the 50th and 75th percentiles	50% plus 2% for each full 1% increase in SGL's ranking against the Peer Comparator Group
At or above the 75th percentile	100%

PERFORMANCE PERIOD	The performance period is three years. For awards made prior to 30 June 2010, an additional two-year retesting period was available. However, for grants made after 1 July 2010 there is no retesting opportunity and any performance rights that do not vest at the end of the three-year performance period will lapse.

[1] The Peer Comparator Group for relative TSR performance differs slightly from the comparator group used for remuneration positioning as detailed in section 2.2.

2.6.
LONG-TERM INCENTIVES (LTI) (CONTINUED)

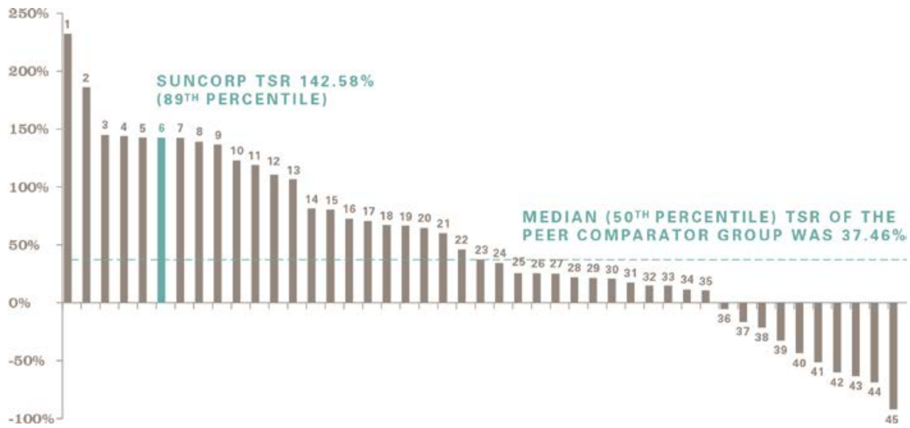
Vesting schedule and performance period – Group CEO October 2009 Grant

The LTI award of 900,000 performance rights to the Group CEO on 1 October 2009 (the Initial Grant) did not follow the standard vesting schedule and performance period, since it represented Mr Patrick Snowball's maximum LTI entitlement for the 2010, 2011 and 2012 financial years. The performance rights vested in three equal tranches and were subject to the performance conditions outlined above.

Group CEO October 2009 Grant	Number of performance rights granted	Vesting date	Minimum performance period	Maximum performance period	% Vesting
Tranche 1	300,000	30 September 2012	3 years	5 years	96 [1]
Tranche 2	300,000	30 September 2013	4 years	5 years	100 [1]
Tranche 3	300,000	30 September 2014	5 years	5 years	100

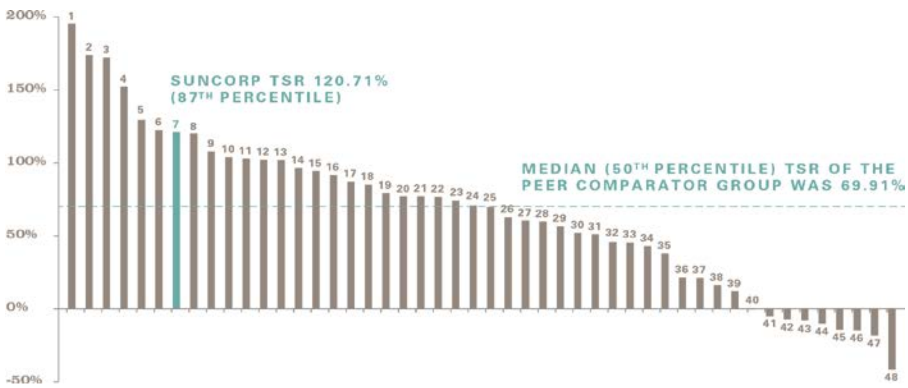
Group CEO's 2009 Grant, Tranche 3

The LTI performance hurdle for Tranche 3 of the Group CEO's Initial Grant, with a vesting date in 2015, achieved a successful vesting result at 100%. Peer comparator group TSR outcomes, ranked from highest to lowest.



Senior Executives' 2011 Grant

The LTI performance hurdle for the Senior Executives' October 2011 Grant, with a final vesting date in 2015, achieved a successful vesting result at 100%. Peer comparator group TSR outcomes, ranked from highest to lowest.



[1] Vesting date could have been extended to 30 September 2014, however Mr Patrick Snowball elected to accept vesting at the initial vesting date.

2.6.
LONG-TERM INCENTIVES (LTI) (CONTINUED)

Number and value of LTI performance rights granted, vested and forfeited

The movement of performance rights during 2015 and executives' current LTI grants as at 30 June 2015 are outlined in the table below[1,2].

	Performance rights granted			Fair value yet to vest		Market value		Vested in year	Vested in year
				Min[3]	Max[4]	At date of grant[5]	As at 30 June 2015[6]		
	Number of ordinary shares	Grant date	Financial year in which grant may first vest	$	$	$	$	%	Number of ordinary shares
Executive director									
P Snowball	300,000	1 October 2009	30 June 2015	-	-	-	-	100%	300,000
	446,752	25 October 2012	30 June 2016	-	2,863,680	4,315,624	5,999,879	-	-
	324,396	24 October 2013	30 June 2017	-	2,312,943	4,262,563	4,356,638	-	-
	276,839	23 October 2014	30 June 2018	-	2,278,385	3,939,419	3,717,948	-	-
Senior Executives									
A Day	47,161	1 October 2011	30 June 2015	-	-	-	-	100%	47,161
	40,507	1 October 2012	30 June 2016	-	240,207	372,664	544,009	-	-
	57,006	1 October 2013	30 June 2017	-	416,144	737,658	765,591	-	-
	56,561	1 October 2014	30 June 2018	-	463,235	800,904	759,614	-	-
G Dransfield	31,441	1 October 2011	30 June 2015	-	-	-	-	100%	31,441
	29,705	1 October 2012	30 June 2016	-	176,151	273,286	398,938	-	-
	53,206	1 October 2013	30 June 2017	-	388,404	688,486	714,557	-	-
	49,604	1 October 2014	30 June 2018	-	406,257	702,393	666,182	-	-
C Herbert	11,318	1 October 2011	30 June 2015	-	-	-	-	100%	11,318
	32,405	1 October 2012	30 June 2016	-	192,162	298,126	435,199	-	-
	45,605	1 October 2013	30 June 2017	-	332,917	590,129	612,475	-	-
	47,723	1 October 2014	30 June 2018	-	390,851	675,758	640,920	-	-
S Johnston	22,637	1 October 2011	30 June 2015	-	-	-	-	100%	22,637
	23,224	1 October 2012	30 June 2016	-	137,718	213,661	311,898	-	-
	16,341	1 October 2013	30 June 2017	-	119,289	211,453	219,460	-	-
	36,284	28 May 2014	30 June 2017	-	245,643	486,206	487,294	-	-
	53,026	1 October 2014	30 June 2018	-	434,283	750,848	712,139	-	-
A Lenahan	11,318	1 October 2011	30 June 2015	-	-	-	-	100%	11,318
	14,582	1 October 2012	30 June 2016	-	86,471	134,154	195,836	-	-
	38,004	1 October 2013	30 June 2017	-	277,429	491,772	510,394	-	-
	35,431	1 October 2014	30 June 2018	-	290,180	501,703	475,838	-	-
M Milliner	49,047	1 October 2011	30 June 2015	-	-	-	-	100%	49,047
	43,585	1 October 2012	30 June 2016	-	258,459	400,982	585,347	-	-
	61,338	1 October 2013	30 June 2017	-	447,767	793,714	823,769	-	-
	58,328	1 October 2014	30 June 2018	-	477,706	825,924	783,345	-	-
J Nesbitt	52,317	1 October 2011	30 June 2015	-	-	-	-	100%	52,317
	48,608	1 October 2012	30 June 2016	-	288,245	447,194	652,805	-	-
	68,407	1 October 2013	30 June 2017	-	499,371	885,187	918,706	-	-
	63,777	1 October 2014	30 June 2018	-	522,334	903,082	856,525	-	-
M Pancino	12,073	1 October 2011	30 June 2015	-	-	-	-	100%	12,073
	10,693	1 October 2012	30 June 2016	-	63,409	98,376	143,607	-	-
	7,524	1 October 2013	30 June 2017	-	54,925	97,361	101,047	-	-
	49,490	1 October 2014	30 June 2018	-	405,323	700,778	664,651	-	-
M Reinke	9,055	1 October 2011	30 June 2015	-	-	-	-	100%	9,055
	14,582	1 October 2012	30 June 2016	-	86,471	134,154	195,836	-	-
	17,101	1 October 2013	30 June 2017	-	124,837	221,287	229,666	-	-
	25,635	28 May 2014	30 June 2017	-	173,549	343,509	344,278	-	-
	38,885	1 October 2014	30 June 2018	-	318,468	550,612	522,226	-	-
A Revis	33,641	1 October 2011	30 June 2015	-	-	-	-	100%	33,641
	32,405	1 October 2012	30 June 2016	-	192,162	298,126	435,199	-	-
	45,605	1 October 2013	30 June 2017	-	332,917	590,129	612,475	-	-
	44,895	1 October 2014	30 June 2018	-	367,690	635,713	602,940	-	-
G Summerhayes	43,262	1 October 2011	30 June 2015	-	-	-	-	100%	43,262
	38,886	1 October 2012	30 June 2016	-	230,594	357,751	522,239	-	-
	54,726	1 October 2013	30 June 2017	-	399,500	708,154	734,970	-	-
	53,026	1 October 2014	30 June 2018	-	434,283	750,848	712,139	-	-

[1] The expiry date for performance rights and the fair value per right can be found in note 10 to the financial statements.

[2] Mr Jeff Smith ceased employment on 5 September 2014. Of the shares and performance rights held on leaving office150,460 performance rights (100%) were forfeited. No other forfeitures occurred in the year.

[3] The minimum value of shares yet to vest is nil since the performance criteria or service condition may not be met and consequently the shares may not vest.

[4] For equity-settled performance rights, the maximum value yet to vest is determined as the fair value at grant date, assuming all performance criteria are met.

[5] Market value at date of grant is calculated as the number of shares granted multiplied by the closing share price as traded on the Australian Securities Exchange (ASX) on the date of grant. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.

[6] Market value as at 30 June 2015 is calculated as the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2015.

2.7.
REMUNERATION ALIGNS WITH RISK MANAGEMENT

A rigorous approach to effective risk management is embedded throughout the Group.

The Enterprise Risk Management Framework (ERMF) lays the foundation for all risk management processes across the Group. The Board sets the Risk Appetite for the Group, and has ultimate responsibility for the effectiveness of the Group's risk management practices.

To ensure the integration of effective risk management across the organisation the Group's risk management practices are governed by a framework incorporating Suncorp Group policies (including the Remuneration Policy). The Chairman of the Remuneration Committee is a member of the Audit and Risk Committees and similarly the Chairman of the Risk Committee is a member of the Remuneration Committee.

The Group's shared values and leader profiles make it clear to all employees the importance of embedding risk into decision-making processes, and risk management into the Group's operations. Business unit leaders develop their business strategy and risk tolerance with an understanding of the Group's risk appetite and also what is happening in the market in which the Group operates. Financial returns delivered to the Group are commensurate with the risks the Group is willing to take in pursuit of the achievement of business objectives. Additionally, risk is embedded in the way performance is measured for all employees across Suncorp.

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

- a separately weighted risk measure in the Group scorecard where the performance of the Group, business unit and individuals are assessed by the Risk Committee and measured with reference to how risk is managed
- individual adherence to risk management policies is assessed to ensure all executives and employees adhere to the ERMF, demonstrating performance that is aligned to expected ethical standards
- an assessment based on behavioural and cultural measures, which considers compliance with the Suncorp Group Risk Appetite Statement. This is a significant consideration of overall performance to deliver an organisation-wide focus on prudent management of the risks the Group faces
- the application of Remuneration Committee discretion to consider additional factors in the determination of performance outcomes.

In determining performance and remuneration outcomes, the Remuneration Committee considers all factors to demonstrate alignment with the Group's Risk Appetite and adherence to effective risk management practices to ensure the long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool.

2.7.
REMUNERATION ALIGNS WITH RISK MANAGEMENT (CONTINUED)

Clawback

Deferred STI and unvested LTI (from the October 2010 LTI Grant onwards) are both subject to potential clawback based on the Board's judgment, as summarised below:

PURPOSE

Clawback enables the Board to adjust performance based remuneration (including deferred STI and unvested LTI) downwards (including to zero) to protect the Group's financial soundness and ability to respond to unforeseen significant issues.

CRITERIA[1]

The following criteria are considered when determining if clawback should be applied during the deferral period.

GROUP CEO AWARDS AND AWARDS MADE TO SENIOR EXECUTIVES FROM JANUARY 2015

Clawback will be applied if prior to the date of payment, it is determined that:

- there was, during the performance year in respect of which the incentive was awarded, a failure to comply with Suncorp's risk management policies and practices
- the employee was aware of the above mentioned failure, or should reasonably have been aware of that failure, when the incentive was awarded; and
- the matters referred to above, if known at the time, would have resulted in materially different assumptions being applied when determining the incentive to be awarded to the employee.

AWARDS MADE TO SENIOR EXECUTIVES PRIOR TO JANUARY 2015

The Board will consider the following when determining if the deferred portion should be adjusted, because of significant adverse outcomes that reflect on the original assessment of performance:

- significant losses arising as a consequence of poor quality business that has, in the opinion of the Board, been demonstrated to have been generated:
  - in breach of duly adopted policies and procedures
  - as a result of the exercise of bad judgement (either at the time business was written, or when a deterioration should have been recognized and provided for); or
  - in an environment where policies, procedures or protocols were weak or inadequate,

  in each case having regard to the role and responsibility of the individual concerned;
- financial misconduct (including embezzlement, fraud or theft)
- actions resulting in company or business unit financial misstatements
- significant legal, regulatory, and/or policy non-compliance
- significant issues that impact our standing with regulators to conduct business
- any significant individual performance issues involving acts deemed to have been significantly harmful to the Company, the Company's reputation, the Company's employees or the Company's customers (e.g. ethical misconduct).

The above points are relevant if uncovered during the deferral period.

APPROVAL PROCESS

The Group Chief Risk Officer (Group **CRO**) and Group Chief Financial Officer (Group **CFO**) produce a report on relevant matters to be considered for clawback and release of deferred incentives and unvested LTI awards for Senior Executives and the Group CEO. The Chairmen of the Remuneration, Risk and Audit Committees verify the report information and confirm that all relevant matters have been considered. Based on this report:

- the Group CEO makes a recommendation to the Board via the Remuneration Committee, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Senior Executives; and
- the Chairmen of the Remuneration, Risk and Audit Committees make a recommendation to the Board, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Group CEO.

Minimum shareholding requirement

To further align the Group CEO and Senior Executives' interests with those of shareholders, in the 2014 financial year the Board introduced a minimum shareholding requirement which requires Senior Executives to have a shareholding in the Company of a value that is equal to at least 100% of one year's pre-tax (gross) fixed remuneration.

[1] The criteria were reviewed, updated and approved by the Board in November 2014 (effective January 2015) to ensure consistent and appropriate application of clawback for all executives.

2.7.
REMUNERATION ALIGNS WITH RISK MANAGEMENT (CONTINUED)

Minimum shareholding requirement (continued)

Senior Executives who were in office at October 2013 are required to achieve 50% of the minimum holding by October 2015 and the full amount by October 2017. The incoming Group CEO or any Senior Executives appointed after October 2013 will have four years from the October following their appointment to achieve the 100% shareholding, with 50% to be achieved after two years.

The value of the shares for the purposes of this requirement is the market value of the underlying shares.

Unvested performance rights within the LTI plan for executives do not qualify.

Based on their shareholding as at 30 June 2015, all Senior Executives hold sufficient shares to meet the October 2015 requirement. Detailed share ownership information for Senior Executives is shown in section 4.2.

Risk and financial control personnel

Separate performance and remuneration review processes govern remuneration decisions concerning employees working in the areas of risk and financial control.

In these roles, performance measures are set and assessment occurs independently of their business area, with oversight from the Group CRO or Group CFO as appropriate.
In addition, employees working in risk roles typically have a comparatively higher percentage of risk-based measures in their scorecard.

For 2015, the scorecard for the Group CRO was heavily weighted towards risk measures.

Hedging prohibition

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

All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results.

While performance rights remain unvested, executives do not have an entitlement to the underlying shares held in the name of the trustee nor may they access the underlying shares.
Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. More detail can be found in the 2015 Corporate Governance Statement at www.suncorpgroup.com.au/about-us/governance.

2.8.
EXECUTIVE REMUNERATION – STATUTORY DISCLOSURES

This section provides full details of total remuneration for executives for 2015 and 2014, as required under the *Corporations Act 2001.*

The following table includes LTI amounts during 2015 and 2014 which are 'share-based payment' amounts that reflect the amount required to be expensed in accordance with the Australian Accounting Standards (AASBs).

The fair value of equity-settled performance rights is determined at grant date and amortised over the vesting period. The fair value of cash-settled performance rights is remeasured at year end, with changes in fair value recognised as an expense. The values realised by executives in subsequent years may differ to the accounting expense reported below, depending on the extent to which the performance hurdles are met.

2.8.

EXECUTIVE REMUNERATION – STATUTORY DISCLOSURES (CONTINUED)

	Short-term benefits				Post-employment benefits	Long-term benefits				
	Salary and fees	Cash incentives	Non-monetary benefits[1]	Other[2]	Superannuation benefits	Deferred incentives[3]	Other[4]	Share-based payments[5]	Total Remuneration	Performance related
	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Executive director										
P Snowball										
2015	2,550	1,434	88	49	-	1,569	39	2,396	8,125	66.5
2014	2,550	1,545	38	-	-	1,692	-	2,061	7,886	67.2
Senior Executives										
A Day										
2015	783	581	13	31	19	342	13	355	2,137	59.8
2014	769	632	6	(6)	18	369	17	299	2,104	61.8
G Dransfield										
2015	684	496	108	35	19	290	-	304	1,936	56.3
2014	684	537	74	(29)	18	308	-	219	1,812	58.7
C Herbert										
2015	658	491	14	(12)	19	285	11	278	1,744	60.4
2014	637	517	7	15	18	292	28	176	1,690	58.3
S Johnston										
2015	760	567	-	(11)	19	317	13	309	1,974	60.5
2014	369	291	-	(3)	9	162	17	79	924	57.6
A Lenahan										
2015	484	396	17	(8)	19	229	8	199	1,344	61.3
2014	483	395	7	2	18	221	-	123	1,249	59.2
M Milliner										
2015	808	583	27	(9)	19	344	13	376	2,161	60.3
2014	803	652	6	(27)	18	381	(28)	321	2,126	63.7
J Nesbitt										
2015	885	655	8	192	19	386	14	416	2,575	56.6
2014	884	703	15	76	18	412	-	352	2,460	59.6
M Pancino										
2015	683	519	7	8	19	289	11	146	1,682	56.7
2014	26	-	-	2	-	-	-	3	30	8.4
M Reinke										
2015	532	392	9	(6)	19	223	9	228	1,406	60.0
2014	297	238	2	(12)	9	133	5	55	726	58.6
A Revis										
2015	618	471	15	1	19	275	10	282	1,691	60.8
2014	604	490	6	-	18	286	-	232	1,636	61.6
G Summerhayes										
2015	768	555	22	(2)	19	324	13	338	2,037	59.7
2014	725	532	11	13	18	313	15	283	1,910	59.1
Former Senior Executive										
J Smith (ceased employment on 5 September 2014)										
2015	147	-	23	-	5	-	-	-	175	-
2014	764	668	6	41	18	392	13	314	2,216	62.0

[1] Non-monetary benefits represent costs met by Suncorp Group for airfares and insurances. Non-monetary benefits costs for Mr Gary Dransfield include accommodation benefits for financial year 2015 and New Zealand Income Tax on accommodation benefits paid by the Suncorp Group in respect of financial years 2013 and 2014.

[2] Other short-term benefits represent annual leave accrued during the year and Mr John Nesbitt's accommodation allowance. Mr Jeff Smith's annual leave balance was paid out on termination.

[3] The amount of deferred incentives awarded to the Group CEO and Senior Executives are recognised in full as there are no performance or service conditions required.

[4] Other long-term benefits represent long service leave accrued during the year. Mr Jeff Smith's long service leave balance was paid out on termination.

[5] Equity-settled performance rights issued as LTI are expensed to the profit or loss based on their fair value at grant date over the period from grant date to vesting date. For cash-settled performance rights, the fair value is remeasured at year end with changes in fair value recognised as an expense. The fair value is assessed using a Monte-Carlo model and reflects the fact that an individual's entitlement to the shares is dependent on relative TSR performance. The assumptions underpinning these valuations are set out in note 10 to the financial statements.

2.9.
EMPLOYMENT AGREEMENTS – SUMMARY

The Group CEO, Mr Patrick Snowball is employed by Suncorp Group Limited, and the Senior Executives are employed by Suncorp Staff Pty Limited (SSPL), a wholly-owned subsidiary of SGL. The key terms of the Group CEO's employment agreement (which were effective from 1 September 2011) are outlined below. Senior Executives are employed under a standard employment agreement with no fixed term. The agreements may be terminated at any time provided that the relevant notice period is given. In the event of misconduct, the Group may terminate the agreement immediately, without notice (or any payment in lieu).

A payment in lieu of notice may be made for all or part of any notice period, calculated based on an individual's fixed remuneration less superannuation contributions (subject to it not being prohibited by law from making such a payment). Payment on termination will include payment of accrued annual leave and, where appropriate, long service leave. Where a change of control of Suncorp Group Limited occurs, for the Group CEO deferred STI and a pro-rata award of current year STI may be awarded, and unvested LTI may vest pro-rata (subject to the satisfaction of applicable performance measures). For Senior Executives, the impact of a change of control on remuneration is at Board discretion.

A summary is shown in the table below.

Group CEO, Mr Patrick Snowball

NOTICE PERIOD/ TERMINATION PAYMENTS	Employer-initiated termination Incapacity: 9 months Poor performance: 3 months Misconduct: None In all other cases: 12 months' notice (or payment in lieu) Employee-initiated termination: 6 months
TREATMENT OF STI ON TERMINATION	Employer-initiated and employee-initiated termination Board discretion: • cash STI may be received, subject to performance • deferred STI award will (generally) vest after the termination date at the end of the original deferral period and will be subject to potential clawback at such time, unless the Board exercises its discretion otherwise. For misconduct or poor performance, deferred STI award is forfeited.
TREATMENT OF LTI ON TERMINATION	For misconduct or poor performance, all unvested awards are forfeited. For other cases, the Board has the discretion to determine that: • the number of any unvested LTI performance rights under the 2012, 2013 and 2014 Grants will be pro-rated based on the number of months the Group CEO worked in the performance period, as a proportion of the 36 months making up the performance period • the pro-rated number of rights under the 2012, 2013 and 2014 Grants will continue until the relevant vesting dates, subject to the performance measures; and • the number of rights to be forfeited equals the difference between the original number of rights granted and the pro-rated number of rights remaining.

2.9.
EMPLOYMENT AGREEMENTS – SUMMARY (CONTINUED)

Senior Executives

NOTICE PERIOD/ TERMINATION PAYMENTS	Employer-initiated termination Redundancy[1]: 12 months (including pay in lieu of notice) Misconduct: none All other cases: 12 months Employee-initiated termination: 3 months
TREATMENT OF STI ON TERMINATION	Misconduct: No cash STI will be awarded and all unvested deferral is forfeited. Resignation or redundancy: • any cash STI award may be received, subject to performance, at Board discretion • any deferred STI award will generally vest after the termination date at the end of the original deferral period and will be subject to potential clawback at such time, unless the Board exercises its discretion otherwise. All other cases: Board discretion
TREATMENT OF LTI ON TERMINATION	Qualifying reason[2] The Board has the discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures, unless otherwise determined by the Board. Non-qualifying reason All unvested awards are forfeited

3. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

3.1.
REMUNERATION STRUCTURE

Remuneration Policy

The remuneration arrangements for non-executive directors are designed to ensure SGL attracts and retains suitably qualified and experienced directors. Arrangements are based on a number of factors, including requirements of the role, the size and complexity of Suncorp Group and market practices.

Fee structure

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

Shareholders have approved a maximum aggregate total remuneration limit of $3,500,000 for all non-executive directors (including Superannuation Guarantee Contributions (**SGC**)).

Suncorp Group Limited pays compulsory SGC of 9.5% of base fee on behalf of all eligible non-executive directors. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.

Non-executive directors' fees have remained unchanged for Suncorp Group Limited since 1 July 2011[3]. In 2015 the Board undertook a review of the non-executive directors' fees and as a result approved changes to support alignment with the market. These changes will be implemented in 2016.

[1] Exception: Mr Geoff Summerhayes, CEO Suncorp Life: greater of 12 months or total benefit under the redundancy policy (maximum 80 weeks including notice).
[2] Qualifying reasons include death, total and permanent disablement, retirement, redundancy as a result of a Suncorp Group restructure, or any other reason determined by the Board.
[3] Fees for the New Zealand subsidiary boards were increased in 2015.

3.1.
REMUNERATION STRUCTURE (CONTINUED)

Fee structure (continued)

The approved non-executive director fee structure for 2015 is set out in the table below.

	2015 FEE P.A.[1] $000					
COMMITTEE	BOARD	AUDIT	RISK	REMUNERATION	OTHER[2]	OTHER[3]
CHAIRMAN FEES (C)	570[4]	50	50	40	100	70
MEMBER FEES (✓)	207	25	25	20		
Dr Z Switkowski AO	C	Ex Officio[5]	Ex Officio[5]	Ex Officio[5]		
W Bartlett[6]	✓	✓	✓	C		
M Cameron[7]	✓					
A Exel AO	✓		✓			
E Kulk	✓		C	✓		C
C McLoughlin[8]	✓		✓	✓		
Dr D McTaggart	✓	C				
G Ricketts CNZM	✓	✓			C	

The Group's minimum shareholding requirement introduced in October 2013 (refer to section 2.7) requires non-executive directors in office at 31 October 2013 to hold a minimum number of ordinary shares in SGL with a value at least equal to 50% after two years and 100% after four years of one year's pre-tax (gross) base fees[9].

Any non-executive directors appointed after October 2013 will have four years from the October following their appointment to achieve the 100% shareholding, with a 50% shareholding to be achieved at two years.

All non-executive directors currently hold sufficient shares to meet the October 2015 requirement. Detailed share ownership information for the non-executive directors is shown in section 4.2.

3.2.
NON-EXECUTIVE DIRECTORS' SHARE PLAN

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

The shares are fully vested and if acquired prior to 1 July 2009 can be held in the plan for up to ten years from the date of purchase or until retirement, whichever occurs first. Shares acquired after 1 July 2009 can be held for up to seven years.

[1] Fees exclude SGC
[2] An additional fee is payable to Mr Geoffrey Ricketts CNZM for the Chairmanship of Vero Insurance New Zealand Limited and other New Zealand insurance companies.
[3] An additional fee is payable to Mr Ewoud Kulk for the Chairmanship of AA Insurance Limited.
[4] Includes base fee.
[5] Dr Ziggy Switkowski AO does not receive fees for attending Audit, Risk and Remuneration Committee meetings as an ex officio member.
[6] Mr William Bartlett was appointed Chairman of the Remuneration Committee effective 26 September 2014.
[7] Mr Michael Cameron ceased to be a member of the Remuneration Committee effective 14 April 2015.
[8] Ms Christine McLoughlin was appointed to the Board effective 11 February 2015 and Risk and Remuneration Committees effective 14 April 2015.
[9] Board member fee or Board Chairman fee only (excluding SGC), does not include Committee membership fees or Committee Chairmanship fees.

3.3. NON-EXECUTIVE DIRECTORS' REMUNERATION DISCLOSURES

Details of non-executive directors' remuneration for 2015 and 2014 are set out in the table below.

	Year	Short-term benefits		Post-employment benefits	Total[2]
		Salary and fees	Non-monetary benefits[1]	Superannuation benefits	
		$000	$000	$000	$000
Non-executive directors in office as at 30 June 2015					
Dr Z Switkowski AO	2015	570	1	54	625
	2014	570	1	53	624
W Bartlett	2015	292	1	28	321
	2014	293	1	27	321
M Cameron[3]	2015	223	1	21	245
	2014	227	1	21	249
A Exel AO	2015	232	1	22	255
	2014	232	1	21	254
E Kulk	2015	344	1	33	378
	2014	327	1	30	358
C McLoughlin[4]	2015	95	-	9	104
Dr D McTaggart	2015	257	1	24	282
	2014	241	1	21	263
G Ricketts CNZM	2015	323	1	31	355
	2014	282	1	26	309
Former non-executive director					
I Atlas[5]	2015	40	-	4	44
	2014	272	1	25	298

4. RELATED PARTY TRANSACTIONS

4.1. LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Loans to KMP and their related parties 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 Suncorp Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as provisions, as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time during the reporting period, are as follows:

	2015				2014			
	Balance 1 July 2014	Balance 30 June 2015	Interest charged during the year	Highest balance during the year	Balance 1 July 2013	Balance 30 June 2014	Interest charged during the year	Highest balance during the year
	$000	$000	$000	$000	$000	$000	$000	$000
Senior Executives								
A Lenahan	292	130	8	292	-	292	8	299
M Reinke	834	228	17	834	-	834	26	956
A Revis	4,250	3,710	181	4,511	1,132	4,250	115	5,389
Former Senior Executive								
J Smith	900	-	39	900	900	900	45	900

[1] The non-executive directors receive a non-monetary benefit in relation to a proportion of the directors' and officers' insurance policy premium pro-rated for time in office. The amounts for both the current and prior year are below $1,000 per individual.
[2] None of the remuneration paid to non-executive directors is performance-based.
[3] Since 25 August 2012, Mr Michael Cameron's fees (exclusive of superannuation) have been paid directly to GPT Management Holdings Limited.
[4] Ms Christine McLoughlin was appointed to the Board effective 11 February 2015.
[5] Ms Ilana Atlas retired from the Board on 20 August 2014.

4.1.

LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES (CONTINUED)

Details regarding the aggregate of loans made, guaranteed or secured by any entity in Suncorp Group to KMP and their related parties, and the number of individuals in each group, are as follows:

	2015			2014		
	Key management personnel	Other related parties	Total	Key management personnel	Other related parties	Total
	$000	$000	$000	$000	$000	$000
Opening balance	5,302	974	6,276	2,032	-	2,032
Closing balance	3,790	278	4,068	5,302	974	6,276
Interest charged	226	19	245	185	17	202
	Number	Number	Number of individuals	Number	Number	Number of individuals
Number of individuals at 30 June	2	2	4	3	2	5

4.2.

MOVEMENT IN SHARES HELD BY KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of ordinary shares in SGL held directly, indirectly or beneficially, by each of the KMP, including their related parties, is as follows:

	Balance 1 July 2014		1 July 2014 - 30 June 2015			Balance 30 June 2015	
	Ordinary shares	Performance rights[1]	Received as compensation[2]	Purchases (sales)	Other changes	Ordinary shares	Performance rights[1]
Directors							
Executive director							
P Snowball	475,333	1,071,148	276,839	(69,368)	-	705,965	1,047,987
Non-executive directors							
Dr Z Switkowski AO	281,599	-	-	30,000	-	311,599	-
W Bartlett	26,968	-	-	-	-	26,968	-
M Cameron	5,000	-	-	10,000	-	15,000	-
A Exel AO	5,189	-	-	3,623	-	8,812	-
E Kulk	20,173	-	-	-	-	20,173	-
C McLoughlin	-	-	-	15,000	-	15,000	-
Dr D McTaggart	11,754	-	-	6,045	-	17,799	-
G Ricketts CNZM	28,157	-	-	2,168	-	30,325	-
Former non-executive director							
I Atlas[3]	19,155	-	-	-	(19,155)	-	-
Senior Executives							
A Day	98,408	144,674	56,561	(33,766)	-	111,803	154,074
G Dransfield	18,942	114,352	49,604	-	-	50,383	132,515
C Herbert	107,567	89,328	47,723	-	-	118,885	125,733
S Johnston	33,521	98,486	53,026	-	-	56,158	128,875
A Lenahan	31,347	63,904	35,431	-	-	42,665	88,017
M Milliner	128,506	153,970	58,328	-	-	177,553	163,251
J Nesbitt	168,105	169,332	63,777	(68,105)	-	152,317	180,792
M Pancino	21,504	30,290	49,490	-	-	33,577	67,707
M Reinke	45,436	66,373	38,885	(12,881)	-	41,610	96,203
A Revis	17,396	111,651	44,895	(23,610)	-	27,427	122,905
G Summerhayes	44,496	136,874	53,026	(43,262)	-	44,496	146,638
Former Senior Executive							
J Smith[4]	337,907	150,460	-	-	(488,367)	-	-

[1] The number of performance rights disclosed for the Group CEO and Senior Executives represents performance rights held by the trustee of the LTI Plan and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles.

[2] For the Group CEO and Senior Executives, compensation includes shares held under the LTI Plan. These shares are recorded in SGL's share register in the name of the LTI Plan trustee and vest only when performance hurdles are met.

[3] Retired from the Board 20 August 2014. Shares and performance rights held upon retirement are shown in 'Other changes'.

[4] Employment ceased 5 September 2014. Shares and performance rights held upon cessation are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 150,460 performance rights were forfeited.

4.2. MOVEMENT IN SHARES HELD BY KEY MANAGEMENT PERSONNEL (CONTINUED)

Directors and executives of SGL and their related parties received normal distributions on these shares. Details of the directors' shareholdings in SGL at the date of signing this financial report are also disclosed in section 3 of the Directors' Report.

The movement during 2014 in the number of ordinary shares in SGL held directly, indirectly or beneficially, by each of the KMP, including their related parties, is as follows:

	Balance 1 July 2013		1 July 2013 - 30 June 2014			Balance 30 June 2014	
	Ordinary shares	Performance rights[1]	Received as compensation[2]	Purchases (sales)	Other changes	Ordinary shares	Performance rights[1]
	Number	Number	Number	Number	Number	Number	Number
Directors							
Executive director							
P Snowball	375,333	1,046,752	324,396	(200,000)	-	475,333	1,071,148
Non-executive directors							
Dr Z Switkowski AO	201,599	-	-	80,000	-	281,599	-
I Atlas	11,635	-	-	7,520	-	19,155	-
W Bartlett	26,968	-	-	-	-	26,968	-
M Cameron	5,000	-	-	-	-	5,000	-
A Exel AO	989	-	-	4,200	-	5,189	-
E Kulk	20,173	-	-	-	-	20,173	-
Dr D McTaggart	11,000	-	-	754	-	11,754	-
G Ricketts CNZM	26,349	-	-	1,808	-	28,157	-
Senior Executives							
A Day	16,828	173,096	57,006	29	(3,877)	98,408	144,674
G Dransfield	-	80,088	53,206	-	-	18,942	114,352
C Herbert	62,239	79,366	45,605	-	9,685	107,567	89,328
A Lenahan	14,000	37,247	38,004	6,000	-	31,347	63,904
M Milliner	78,671	244,447	61,338	(82,599)	(19,381)	128,506	153,970
J Nesbitt	313,016	189,030	68,407	(233,016)	-	168,105	169,332
A Revis	17,371	124,966	45,605	(58,895)	-	17,396	111,651
J Smith	201,913	247,933	59,286	-	(20,765)	337,907	150,460
G Summerhayes	-	212,780	54,726	(68,832)	(17,304)	44,496	136,874
Senior Executives appointed during 2014							
S Johnston[3]	-	-	36,284	-	95,723	33,521	98,486
M Pancino[4]	-	-	-	-	51,794	21,504	30,290
M Reinke[3]	-	-	25,635	-	86,174	45,436	66,373
Former Senior Executive							
D Foster[5]	25,542	230,112	58,526	(148,909)	(165,271)	-	-

[1] The number of performance rights disclosed for the Group CEO and Senior Executives represents performance rights held by the trustee of the LTI Plan and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles. The 1 October 2008 Grant vested at 72%, Tranche 2 of the Group CEO's October 2009 Grant vested at 100% and the 1 October 2010 Grant vested at 100% during the 2014 financial year.

[2] For the Group CEO and Senior Executives, compensation includes shares held under the LTI Plan. These shares are recorded in SGL's share register in the name of the LTI Plan trustee and vest only when performance hurdles are met.

[3] Appointed 9 December 2013. Shares and performance rights held upon appointment are shown in 'Other changes'.

[4] Appointed 16 June 2014. Shares and performance rights held upon appointment are shown in 'Other changes'.

[5] Mr David Foster ceased employment on 28 February 2014. Shares and performance rights held upon termination are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 65,538 performance rights remained subject to performance hurdles.

4.2.
MOVEMENT IN SHARES HELD BY KEY MANAGEMENT PERSONNEL (CONTINUED)

Movements in the number of convertible preference shares held directly, indirectly or beneficially by any of the KMP, including their related parties, are noted in the table below:

	2015			2014		
	1 July 2014	Purchases (sales)	30 June 2015	1 July 2013	Purchases (sales)	30 June 2014
	Number	Number	Number	Number	Number	Number
SUNPC[1]						
Directors						
Non-executive directors						
E Kulk	3,000	-	3,000	3,000	-	3,000
Senior Executives						
C Herbert	400	-	400	400	-	400
A Lenahan	2,000	-	2,000	2,000	-	2,000
A Revis	1,500	-	1,500	1,500	-	1,500
SUNPE[2]						
Directors						
Non-executive directors						
W Bartlett	323	-	323	-	323	323
Senior Executives						
C Herbert	323	-	323	-	323	323

4.3.
OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between Suncorp Group and directors, Senior 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 and are deemed trivial or domestic in nature.

Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with SGL or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with directors, Senior 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.

This Remuneration Report is prepared in accordance with a resolution of the Board of directors.

Dr Ziggy Switkowski AO
Chairman of the Board

Patrick J R Snowball
Managing Director and Group CEO

4 August 2015

[1] SGL issued Suncorp Convertible Preference Shares (SUNPC) on 6 November 2012.
[2] SGL issued Suncorp Convertible Preference Shares (SUNPE) on 8 May 2014.

Lead Auditor's Independence Declaration

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

KPMG

KPMG

Jillian Richards

Jillian Richards
Partner
Brisbane

4 August 2015

Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

Consolidated Financial Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

CONSOLIDATED FINANCIAL REPORT INDEX

Statements of comprehensive income for the financial year ended 30 June 2015

	Note	Consolidated		Company	
		2015 $m	2014 $m	2015 $m	2014 $m
Interest income	5.1	2,843	2,975	2,812	2,940
Interest expense	5.1	(1,740)	(1,964)	(1,623)	(1,808)
Net interest income		1,103	1,011	1,189	1,132
Other operating income	5.2	107	76	461	452
Total net operating income		1,210	1,087	1,650	1,584
Operating expenses	6	(646)	(624)	(1,113)	(1,140)
Loss on disposal of loans and advances		-	(13)	-	(13)
Impairment loss on loans and advances	13.2	(58)	(124)	(49)	(117)
Profit before tax		506	326	488	314
Income tax expense	7.1	(152)	(98)	(142)	(87)
Profit for the financial year attributable to owners of the Company		354	228	346	227
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	20	38	46	38	48
Net change in fair value of available-for-sale financial assets	20	(8)	23	(8)	23
Income tax expense	7.2	(10)	(22)	(10)	(22)
Total other comprehensive income		20	47	20	49
Total comprehensive income for the financial year attributable to owners of the Company		374	275	366	276

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

Statements of financial position as at 30 June 2015

	Note	Consolidated		Company	
		2015 $m	2014 $m	2015 $m	2014 $m
Assets					
Cash and cash equivalents	8	591	463	586	463
Receivables due from other banks	9	595	927	595	927
Derivatives	11	651	334	651	334
Investment securities	10	7,629	8,093	7,649	8,124
Loans and advances	12	51,961	49,927	51,559	49,511
Due from subsidiaries	28.2	-	-	543	352
Deferred tax assets	7.2	81	98	79	97
Other assets		203	220	166	128
Total assets		61,711	60,062	61,828	59,936
Liabilities					
Payables due to other banks		297	81	297	81
Deposits and short-term borrowings	14	44,431	44,154	44,604	44,220
Derivatives	11	401	525	384	488
Payables and other liabilities	15	599	617	576	600
Due to subsidiaries	28.2	-	-	3,677	3,494
Securitisation liabilities	23.4	3,651	3,598	-	-
Debt issues	16	7,876	6,839	7,876	6,839
Subordinated notes	17	742	742	742	742
Total liabilities		57,997	56,556	58,156	56,464
Net assets		3,714	3,506	3,672	3,472
Equity					
Share capital	18	2,648	2,565	2,648	2,565
Capital notes	19	450	450	450	450
Reserves	20	(224)	(239)	148	133
Retained profits		840	730	426	324
Total equity attributable to owners of the Company		3,714	3,506	3,672	3,472

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

Statements of changes in equity
for the financial year ended 30 June 2015

Consolidated	Note	Share capital $m	Capital notes $m	Reserves $m	Retained profits $m	Total equity $m
Balance as at 1 July 2013		2,452	450	(306)	545	3,141
Profit for the financial year		-	-	-	228	228
Other comprehensive income		-	-	47	-	47
Total comprehensive income for the financial year		-	-	47	228	275
Transactions with owners, recorded directly in equity						
Shares issued	18	113	-	-	-	113
Dividends paid	3	-	-	-	(23)	(23)
Transfers		-	-	20	(20)	-
Balance as at 30 June 2014		2,565	450	(239)	730	3,506
Profit for the financial year		-	-	-	354	354
Other comprehensive income		-	-	20	-	20
Total comprehensive income for the financial year		-	-	20	354	374
Transactions with owners, recorded directly in equity						
Shares issued	18	83	-	-	-	83
Dividends paid	3	-	-	-	(249)	(249)
Transfers		-	-	(5)	5	-
Balance as at 30 June 2015		2,648	450	(224)	840	3,714

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

Statements of changes in equity
for the financial year ended 30 June 2015

Company	Note	Share capital $m	Capital notes $m	Reserves $m	Retained profits $m	Total equity $m
Balance as at 1 July 2013		2,452	450	64	140	3,106
Profit for the financial year		-	-	-	227	227
Other comprehensive income		-	-	49	-	49
Total comprehensive income for the financial year		-	-	49	227	276
Transactions with owners, recorded directly in equity						
Shares issued	18	113	-	-	-	113
Dividends paid	3	-	-	-	(23)	(23)
Transfers		-	-	20	(20)	-
Balance as at 30 June 2014		2,565	450	133	324	3,472
Profit for the financial year		-	-	-	346	346
Other comprehensive income		-	-	20	-	20
Total comprehensive income for the financial year		-	-	20	346	366
Transactions with owners, recorded directly in equity						
Shares issued	18	83	-	-	-	83
Dividends paid	3	-	-	-	(249)	(249)
Transfers		-	-	(5)	5	-
Balance as at 30 June 2015		2,648	450	148	426	3,672

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

Statements of cash flows
for the financial year ended 30 June 2015

	Note	Consolidated		Company	
		2015 $m	2014 $m	2015 $m	2014 $m
Cash flows (used in) from operating activities					
Interest received		2,810	2,979	2,779	2,944
Interest paid		(1,793)	(1,963)	(1,678)	(1,807)
Other operating income received		250	219	602	594
Operating expenses paid		(902)	(762)	(1,424)	(1,278)
Income tax paid		(83)	(23)	(71)	(22)
Net (increase) decrease in operating assets					
Trading securities		209	1,854	209	1,854
Loans and advances		(1,971)	(1,664)	(1,982)	(1,632)
Net increase (decrease) in operating liabilities					
Deposits and short-term borrowings		277	154	384	(1,085)
Net cash (used in) from operating activities	22.1	(1,203)	794	(1,181)	(432)
Cash flows from investing activities					
Net proceeds from the sale and purchase of investment securities excluding trading securities		241	171	247	173
Net cash from investing activities		241	171	247	173
Cash flows from (used in) financing activities					
Net increase (decrease) in borrowings		703	(1,789)	670	(564)
Payment on call of subordinated notes		-	(79)	-	(79)
Dividends paid		(244)	(23)	(244)	(23)
Proceeds from issue of shares		83	113	83	113
Payments for reset preference share redemption		-	(30)	-	(30)
Net cash from (used in) financing activities		542	(1,808)	509	(583)
Net decrease in cash and cash equivalents		(420)	(843)	(425)	(842)
Cash and cash equivalents at the beginning of the financial year		1,309	2,152	1,309	2,151
Cash and cash equivalents at end of the financial year	22.2	889	1,309	884	1,309

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

Notes to the consolidated financial statements

1. REPORTING ENTITY

Suncorp-Metway Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 28, 266 George Street, Brisbane, QLD, 4000.

The consolidated financial statements for the financial year ended 30 June 2015 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 4 August 2015.

The principal activities of the Group during the course of the year were the provision of banking and related services to the retail, corporate and commercial sectors in Australia. The Group conducts the Banking operations of the Suncorp Group.

The Company's parent entity is SBGH Limited, with Suncorp Group Limited (**SGL**) being the ultimate parent entity. Suncorp Group is defined to be Suncorp Group Limited and its subsidiaries.

The Company is an Authorised Deposit-taking Institution (**ADI**).

2. BASIS OF PREPARATION

The Company and the Group are for-profit entities and their consolidated financial statements have been prepared on the historical cost basis unless the application of fair value measurements is required by relevant accounting standards.

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

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

The consolidated statement of financial position is prepared in a liquidity format. Amounts expected to be recovered or settled no more than twelve months after the reporting period, are classified as 'current' otherwise they are classified as 'non-current'.

Significant accounting policies applied in the preparation of these consolidated financial statements are set out in note 31.

2.1. STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The financial report complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

2.2. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgments and assumptions are discussed as follows:

- Specific and collective provisions for impairment (refer note 31.11 and note 24.2)
- Valuation of financial instruments and fair value hierarchy disclosures (refer note 23).

3. DIVIDENDS

Consolidated and Company	2015		2014	
	¢ per share	$m	¢ per share	$m
Dividends on ordinary shares				
2014 final dividend	21	56	-	-
2015 interim dividend	63	170	-	-
Total dividends on ordinary shares	84	226	-	-
Dividends on capital notes				
September quarter	130	6	131	6
December quarter	127	6	126	6
March quarter	128	6	125	5
June quarter	123	5	129	6
Total dividends on capital notes	508	23	511	23
Dividends not recognised in the statements of financial position				
Dividends declared since balance date				
2015 final dividend (2014: 2014 final dividend) on ordinary shares of an amount up to:	59	161	21	56
2014 quarterly dividend on capital notes	-	-	130	6
	59	161	151	62

4. SEGMENT REPORTING

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and his immediate executive team (representing the Group's Chief Operating Decision Maker) in assessing performance and determining the allocation of resources.

As the Group operates in only one segment, all results of the Group, as presented in this consolidated financial report, relate to the Banking segment for the current and prior financial years.

All revenue of the Group is from external customers. The Group is not reliant on any external individual customer for 10 per cent or more of the Group’s revenue.

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

5. NET OPERATING INCOME

5.1. NET INTEREST INCOME

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Interest income				
Cash and cash equivalents	20	18	20	18
Receivables due from other banks	3	8	3	8
Trading securities	47	62	47	62
Other investment securities	239	251	239	251
Loans and advances	2,534	2,636	2,503	2,601
	2,843	2,975	2,812	2,940
Interest expense				
Deposits and short-term borrowings:				
at amortised cost	(1,229)	(1,370)	(1,236)	(1,374)
designated at fair value through profit and loss	(12)	(17)	(12)	(17)
Derivatives	(83)	(112)	(83)	(112)
Securitisation liabilities	(126)	(163)	-	-
Debt issues	(252)	(260)	(254)	(263)
Subordinated notes	(38)	(42)	(38)	(42)
	(1,740)	(1,964)	(1,623)	(1,808)
Net interest income	1,103	1,011	1,189	1,132

5.2. OTHER OPERATING INCOME

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Other operating income				
Banking fee and commission income	200	192	198	190
Banking fee and commission expense	(131)	(125)	(131)	(125)
Net banking fee and commission expense	69	67	67	65
Dividend income	-	-	18	24
Net gains on:				
Trading securities	1	1	1	1
Financial liabilities designated at fair value through the profit and loss	-	2	-	2
Derivative and other financial instruments	9	1	9	1
Other fees and commissions	-	-	342	354
Other revenue[1]	28	5	24	5
	38	9	394	387
Total other operating income	107	76	461	452

[1] Other revenue for the financial year ended 30 June 2015 includes a one-off recovery of $19 million in settlement of a claim.

6. OPERATING EXPENSES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Wages, salaries and other staff costs	367	355	367	355
Occupancy and equipment expenses	79	72	79	72
Information technology and communication	42	41	42	41
Depreciation	30	38	30	38
Other expenses	128	118	595	634
Total operating expenses	646	624	1,113	1,140

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

7. INCOME TAX

7.1. INCOME TAX EXPENSE

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Profit before tax	506	326	488	314
Income tax using the domestic corporation tax rate of 30% (2014: 30%)	152	98	147	94
Increase (decrease) in income tax expense due to:				
Intercompany dividend elimination	-	-	(5)	(7)
Income tax expense on profit before tax	152	98	142	87
Income tax expense recognised in profit or loss consists of:				
Current tax expense				
Current year	144	78	134	66
Adjustment for prior financial years	-	(1)	-	(1)
	144	77	134	65
Deferred tax expense				
Origination and reversal of temporary differences	8	21	8	22
Total income tax expense	152	98	142	87

7.2.
DEFERRED TAX ASSETS AND LIABILITIES

Consolidated	2015	2014	2015	2014	2015	2014
	Deferred tax assets		Deferred tax liabilities		Net	
	$m	$m	$m	$m	$m	$m
Other investments	15	28	-	-	15	28
Provisions	64	69	-	-	64	69
Other items	3	3	(1)	2	4	1
Tax assets / liabilities	82	100	(1)	2	83	98
Set-off of tax	(1)	(2)	1	(2)	(2)	-
Net tax assets	81	98	-	-	81	98

Consolidated	2015	2014	2015	2014
	Deferred tax assets		Deferred tax liabilities	
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	100	146	(2)	(5)
(Charged) credited to profit or loss	(9)	(46)	2	25
(Charged) credited to other comprehensive income	(10)	-	-	(22)
Balance at the end of the financial year	81	100	-	(2)

Company	2015	2014	2015	2014	2015	2014
	Deferred tax assets		Deferred tax liabilities		Net	
	$m	$m	$m	$m	$m	$m
Other investments	15	28	-	-	15	28
Provisions	61	68	-	-	61	68
Other items	3	3	-	2	3	1
Tax assets / liabilities	79	99	-	2	79	97
Set-off of tax	-	(2)	-	(2)	-	-
Net tax assets	79	97	-	-	79	97

Company	2015	2014	2015	2014
	Deferred tax assets		Deferred tax liabilities	
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	99	146	(2)	(5)
(Charged) credited to profit or loss	(10)	(47)	2	25
(Charged) credited to other comprehensive income	(10)	-	-	(22)
Balance at the end of the financial year	79	99	-	(2)

There are no unrecognised deferred tax assets and liabilities.

7.3.
TAX CONSOLIDATION

Suncorp Group Limited and its wholly-owned Australian entities have elected to form part of a tax-consolidated group. The accounting policy in relation to tax consolidation legislation and its application to the Group is set out in note 31.4.

8. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Cash at bank	122	225	117	225
Other money market placements	469	238	469	238
Total cash and cash equivalents	591	463	586	463

9. RECEIVABLES DUE FROM OTHER BANKS

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Cash collateral[1]	101	268	101	268
Other receivables due from financial institutions	494	659	494	659
Total receivables due from other banks - current	595	927	595	927

10. INVESTMENT SECURITIES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Trading securities at fair value				
Interest-bearing securities: Bank bills, certificates of deposits and other negotiable securities	1,384	1,593	1,384	1,593
Available-for-sale financial assets at fair value				
Interest-bearing securities	2,603	2,542	2,603	2,542
Held-to-maturity investments at cost				
Interest-bearing securities	3,642	3,958	3,642	3,958
Investments at cost				
Shares in subsidiaries	-	-	20	31
Total investment securities	7,629	8,093	7,649	8,124
Current	3,016	1,819	3,016	1,819
Non-current	4,613	6,274	4,633	6,305
Total investment securities	7,629	8,093	7,649	8,124

[1] Cash pledged as collateral to support derivative liability positions in accordance with standard International Swaps and Derivatives Association (ISDA) agreements.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated	2015			2014		
	Notional value $m	Fair value Asset $m	Fair value Liability $m	Notional value $m	Fair value Asset $m	Fair value Liability $m
Exchange rate-related contracts						
Forward foreign exchange contracts	3,055	55	8	3,002	-	88
Cross currency swaps	3,304	303	52	2,797	78	126
	6,359	358	60	5,799	78	214
Interest rate-related contracts						
Forward rate agreements	200	-	-	-	-	-
Interest rate swaps	55,182	292	341	54,372	255	311
Interest rate futures	1,610	1	-	910	1	-
Interest rate options	68	-	-	111	-	-
	57,060	293	341	55,393	256	311
Total derivative exposures	63,419	651	401	61,192	334	525

Company	2015			2014		
	Notional value $m	Fair value Asset $m	Fair value Liability $m	Notional value $m	Fair value Asset $m	Fair value Liability $m
Exchange rate related contracts						
Forward foreign exchange contracts	3,055	55	8	3,002	-	88
Cross currency swaps	3,148	303	35	2,490	78	89
	6,203	358	43	5,492	78	177
Interest rate related contracts						
Forward rate agreements	200	-	-	-	-	-
Interest rate swaps	55,182	292	341	54,372	255	311
Interest rate futures	1,610	1	-	910	1	-
Interest rate options	68	-	-	111	-	-
	57,060	293	341	55,393	256	311
Total derivative exposures	63,263	651	384	60,885	334	488

Derivatives are used by the Group to manage interest rate and foreign exchange risk.

The use of derivatives to mitigate market risk, interest rate risk and currency risk includes the use of exchange traded bill and bond futures, OTC forward foreign exchange contracts and interest rate swaps and options.

To prevent derivatives being used as a source of gearing, all derivatives have to be wholly or partly cash covered depending on the type of risk undertaken. Derivative restrictions are designed to either prevent gearing or to cover unrealised and potential losses on all derivatives to guard against potential liquidity short falls. Counterparty risk procedures are in place for OTC type derivatives.

As at 30 June 2015 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges.

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedging of fluctuations in interest rates

The Group seeks to minimise volatility in net interest income through use of interest rate derivatives, primarily vanilla interest rate swaps. The swaps are implemented to reduce the repricing mismatch between the lending and deposit products issued by the Group. The aggregate earnings exposure to interest rates is managed within the Board approved risk limits.

At balance date, there are 21 (2014: 18) swaps designated as fair value hedges of fixed rate bonds held. All other interest rate swaps designated as hedges are cash flow hedges. The swaps designated as cash flow hedges are hedges of either variable rate mortgages or variable rate short-term debt.

	Consolidated				Company			
	2015		2014		2015		2014	
	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	1,100	35,137	985	23,956	1,100	35,137	985	23,956
Fair value:								
net receivable interest rate swaps	1	173	-	66	1	173	-	66
net payable interest rate swaps	(90)	(155)	(71)	(96)	(90)	(155)	(71)	(96)
	(89)	18	(71)	(30)	(89)	18	(71)	(30)

Cash flows relating to the cash flow hedges are expected to impact the profit or loss in the following periods:

Consolidated and Company	0 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total expected cash flows $m
2015				
Forecast receivable cash flows	746	837	17	1,600
Forecast payable cash flows	(751)	(812)	(17)	(1,580)
	(5)	25	-	20
2014				
Forecast receivable cash flows	78	1,122	12	1,212
Forecast payable cash flows	(76)	(1,155)	(10)	(1,241)
	2	(33)	2	(29)

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedging of fluctuations in foreign currency rates

The Group hedges its exposure to fluctuations in foreign exchange rates through the use of derivatives in the foreign exchange market. The currencies giving rise to this risk are primarily US Dollars, Euro and Pounds Sterling.

The Group hedges its offshore debt issues using cross currency interest rate swaps and foreign exchange swaps. In respect of other financial assets and liabilities held in currencies other than AUD, the Group ensures that the net exposure is kept to an acceptable level through participation in the spot and forward markets.

All cross currency interest rate swaps entered into by the Group are designated as hedges using the split approach. Under this approach the benchmark rate component of the swap is accounted for as a fair value hedge and the margin component as a cash flow hedge.

The Group has elected to fair value its Euro Commercial Paper portfolio through the profit or loss on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward contracts and the debt issue are recognised. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies where hedge accounting is not applied as at 30 June 2015 was $47 million (2014: $88 million).

Included within net profits on derivatives and other financial instruments for both the Company and Consolidated are losses on derivatives held in qualifying fair value hedging relationships of $13 million (2014: losses of $15 million) and gains representing changes in fair value of the hedged items attributable to the hedged risk of $13 million (2014: gains of $15 million).

	Consolidated		Company	
	Split approach 2015 $m	Split approach 2014 $m	Split approach 2015 $m	Split approach 2014 $m
Hedging of fluctuations in foreign exchange rates				
Notional value of cross currency swaps designated as hedges	2,722	2,797	2,566	2,490
Fair value:				
net receivable cross currency swaps	280	78	280	78
net payable cross currency swaps	(40)	(126)	(23)	(89)
	240	(48)	257	(11)

12. LOANS AND ADVANCES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Financial assets at amortised cost				
Housing loans	41,785	39,001	41,785	39,001
Consumer loans	380	431	380	431
Business loans	9,753	10,524	9,348	10,100
Other lending	25	51	25	51
Loans to related parties	226	146	220	146
	52,169	50,153	51,758	49,729
Provision for impairment	(208)	(226)	(199)	(218)
Total loans and advances	51,961	49,927	51,559	49,511
Current	11,563	11,464	11,523	11,431
Non-current	40,398	38,463	40,036	38,080
Total loans and advances	51,961	49,927	51,559	49,511

13. PROVISION FOR IMPAIRMENT ON LOANS AND ADVANCES

13.1. RECONCILIATION OF PROVISION FOR IMPAIRMENT ON LOANS AND ADVANCES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Collective provision				
Balance at the beginning of the financial year	120	102	112	101
Charge against impairment losses	6	18	9	11
Balance at the end of the financial year	126	120	121	112
Specific provision				
Balance at the beginning of the financial year	106	198	106	198
Charge against impairment losses	46	104	36	104
Impaired assets written off	(61)	(179)	(55)	(179)
Unwind of discount	(9)	(17)	(9)	(17)
Balance at the end of the financial year	82	106	78	106
Total provision for impairment	208	226	199	218

13.2. IMPAIRMENT LOSS ON LOANS AND ADVANCES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Increase in collective provision for impairment	6	18	9	11
Increase in specific provision for impairment	46	104	36	104
Bad debts written off	12	15	11	15
Bad debts recovered	(6)	(13)	(7)	(13)
Total impairment loss	58	124	49	117

14. DEPOSITS AND SHORT-TERM BORROWINGS

	Consolidated		Company	
	2015	2014	2015	2014
	$m	$m	$m	$m
Financial liabilities at amortised cost				
Call deposits	16,533	14,033	16,706	14,099
Term deposits	17,592	19,337	17,592	19,337
Short-term securities issued	7,429	7,980	7,429	7,980
Offshore borrowings	101	93	101	93
Total financial liabilities at amortised cost	41,655	41,443	41,828	41,509
Financial liabilities designated at fair value through profit and loss				
Offshore borrowings	2,776	2,711	2,776	2,711
Total deposits and short-term borrowings (unsecured)	44,431	44,154	44,604	44,220

Deposits and short-term borrowings outstanding at 30 June 2015 of $856 million (2014: $827 million) have been obtained under repurchase agreements with the Reserve Bank of Australia.

15. PAYABLES AND OTHER LIABILITIES

	Consolidated		Company	
	2015	2014	2015	2014
	$m	$m	$m	$m
Accrued interest payable	300	353	295	350
Trade creditors and accrued expenses	60	77	59	63
Payables due to related parties	199	160	181	160
Other liabilities	40	27	41	27
Total payables and other liabilities - current	599	617	576	600

16. DEBT ISSUES

	Note	Consolidated		Company	
		2015	2014	2015	2014
		$m	$m	$m	$m
Financial liabilities at amortised cost					
Offshore borrowings		2,836	1,900	2,836	1,900
Domestic borrowings		2,392	2,742	2,392	2,742
Total unsecured debt issues		5,228	4,642	5,228	4,642
Domestic covered bonds issued	23.4	2,648	2,197	2,648	2,197
Total secured debt issues		2,648	2,197	2,648	2,197
Total debt issues		7,876	6,839	7,876	6,839
Current		1,701	1,829	1,701	1,829
Non-current		6,175	5,010	6,175	5,010
Total debt issues		7,876	6,839	7,876	6,839

Covered bonds issued are guaranteed by the Covered Bond Guarantor and are secured over a covered pool which consists of $3,008 million (2014: $2,705 million) of loans and advances.

The Covered Bond Guarantor can take possession of the cover pool under certain Title Perfection Events, as detailed in clause 6.1 of the Mortgage Sale Deed. In the event of default by the Company, the covered bond holders have claim against both the cover pool and the Company.

17. SUBORDINATED NOTES

Consolidated and Company	Due date	First call	2015 $m	2014 $m
Financial liabilities at amortised cost				
Floating rate notes	November 2023	November 2018	670	670
Perpetual floating rate notes			72	72
Total subordinated notes - non-current			742	742

The floating rate notes are issued by the Company. Payments of principal and interest on the notes have priority over the Company's dividend payments only. 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 its ordinary shareholders.

18. SHARE CAPITAL

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Ordinary capital				
Balance at the beginning of the financial year	2,565	2,452	2,565	2,452
Shares issued to parent entity	83	113	83	113
Total share capital	2,648	2,565	2,648	2,565

Company	2015 Number	2014 Number
Ordinary shares		
Balance at the beginning of the financial year	263,220,984	251,934,572
Shares issued to parent entity	8,246,600	11,286,412
Balance at the end of the financial year	271,467,584	263,220,984

The Company does not have authorised capital in respect of its issued shares. All issued shares are fully paid.

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.

19. CAPITAL NOTES

The Capital notes are perpetual, subordinated notes issued to the Group's ultimate parent entity, Suncorp Group Limited, on 17 December 2012. The number of capital notes on issue is 4,500,000 (2014: 4,500,000) at $100 per note. The notes are unsecured and pay periodic, non-cumulative dividends to the holder, based on a set formula (Bank Bill Swap Rate + Margin) x (1- Corporate Tax Rate). Such dividends are at the discretion of the directors.

20. RESERVES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Equity reserve for credit losses				
Balance at the beginning of the financial year	151	131	151	131
Transfer (to) from retained profits	(5)	20	(5)	20
Balance at the end of the financial year	146	151	146	151
Hedging reserve				
Balance at the beginning of the financial year	(30)	(61)	(30)	(63)
Amount recognised in equity	35	41	35	43
Amount transferred from equity to profit or loss	3	5	3	5
Income tax expense	(12)	(15)	(12)	(15)
Balance at the end of the financial year	(4)	(30)	(4)	(30)
Assets available-for-sale reserve				
Balance at the beginning of the financial year	12	(4)	12	(4)
Change in fair value recognised in equity	(4)	27	(4)	27
Change in fair value transferred from equity to profit or loss	(4)	(4)	(4)	(4)
Income tax benefit (expense)	2	(7)	2	(7)
Balance at the end of the financial year	6	12	6	12
Common control reserve				
Balance at the beginning of the financial year	(372)	(372)	-	-
Balance at the end of the financial year	(372)	(372)	-	-
Total reserves	(224)	(239)	148	133

Equity reserves for credit losses

The equity reserve for credit losses represents the difference between the Group's collective provisions for impairment and the estimate of credit losses across the credit cycle consistent with the requirements of APRA Prudential Standard APS 220 *Credit Quality*.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Assets available-for-sale reserve

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

Common control reserve

The common control reserve represents the balance of the loss on disposal of subsidiaries following the Suncorp Group restructure on 7 January 2011.

21. CAPITAL MANAGEMENT

As the Company and Group are entities within the Suncorp Group, they follow the capital management strategy of the Suncorp Group. The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Suncorp Group as a whole, and each regulated entity, is capitalised to meet internal and external requirements.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group. Capital targets are structured according to both the business line regulatory framework and to the Australian Prudential Regulation Authority's (**APRA**) standards for the supervision of conglomerates.

The Company is an Authorised Deposit-taking Institution (**ADI**) and the Company and its subsidiaries are subject to APRA prudential standards which include capital adequacy requirements.

For regulatory purposes, capital is classified as follows:

- Common Equity Tier 1 (**CET1**) Capital comprising accounting equity with adjustments for intangible assets and regulatory reserves
- Tier 1 Capital comprising CET1 Capital plus Additional Tier 1 Capital such as hybrid securities with 'equity-like' qualities
- Tier 2 Capital comprising APRA reserve for credit losses and eligible hybrid capital
- Total Capital, being the sum of Tier 1 Capital and Tier 2 Capital.

CET1 Capital has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

The Group's capital base is expected to be adequate for its size, business mix, complexity and the risk profile of its business and therefore applies a risk-based approach to capital adequacy.

The Group uses the standardised framework for calculating risk weighted assets (**RWA**) in accordance with the relevant prudential standards.

The RWA for the Group is calculated by assessing the risks inherent in the business, which comprise:

- Credit risk - the risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms, applies to both on-balance sheet and off-balance sheet exposures
- Market risk - the risk of unfavourable changes in interest rates, foreign exchange rates, equity prices, credit spreads, market volatilities and liquidity
- Operational risk - the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

These risks are quantified and then aggregated to determine the RWA under the prudential standards.

This RWA is compared with the CET1, Tier 1 and Total eligible capital held in the Group to determine the capital adequacy ratios. The capital position and RWA as at the end of the financial year are included in note 21.1. The Group satisfied all externally imposed capital requirements which it is subject to during the current financial year and the prior financial year.

The Group's Basel III APS 330 capital disclosures are made available at the regulatory disclosures section www.suncorpgroup.com.au/investors.

21.1. CAPITAL ADEQUACY

The following table summarises the capital position at the end of the financial year.

Consolidated	2015	2014
	$m	$m
Tier 1 Capital		
Common Equity Tier 1 Capital		
Ordinary share capital	2,648	2,565
Retained profits	461	355
Accumulated other comprehensive income	6	12
	3,115	2,932
Regulatory adjustments to Common Equity Tier 1 Capital		
Goodwill and other intangibles arising on acquisition	(21)	(26)
Deferred tax assets	(79)	(85)
Investments in non-consolidated subsidiaries, capital support	(22)	(24)
Other adjustments to CET1	(198)	(152)
	(320)	(287)
Common Equity Tier 1 Capital	2,795	2,645
Additional Tier 1 Capital		
Eligible hybrid capital	450	450
Total Tier 1 Capital	3,245	3,095
Tier 2 Capital		
APRA general reserve for credit losses	245	237
Eligible hybrid capital	670	670
Ineligible hybrid capital (applicable to transitional relief under APS 160)	72	72
	987	979
Total Tier 2 Capital	987	979
Total Capital	4,232	4,074
Total assessed risk weighted assets	30,610	30,997
Risk weighted capital ratios	%	%
Common Equity Tier 1	9.13	8.53
Total Tier 1	10.60	9.99
Total Tier 2	3.23	3.15
Total risk weighted capital ratio	13.83	13.14

21.1. CAPITAL ADEQUACY (CONTINUED)

The following table summarises the RWA at the end of the financial year.

Consolidated	Carrying amount 2015 $m	Carrying amount 2014 $m	Risk weighted balance 2015 $m	Risk weighted balance 2014 $m
On-balance sheet assets				
Cash items	596	723	10	2
Claims on Australian and foreign governments	2,442	1,733	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	3,289	4,162	674	891
Claims on securitisation exposures	1,047	1,208	209	242
Claims secured against eligible residential mortgages	38,965	36,494	15,035	14,553
Past due claims	538	673	473	631
Other assets and claims	9,204	9,715	9,086	9,584
Total banking assets	56,081	54,708	25,487	25,903

	Notional amount 2015 $m	Credit equivalent 2015 $m	Risk weighted balance 2015 $m	Risk weighted balance 2014 $m
Off-balance sheet positions				
Guarantees entered into in the normal course of business	283	281	196	208
Commitments to provide loans and advances	8,091	2,438	1,229	975
Foreign exchange contracts	6,203	217	53	56
Interest rate contracts	57,060	139	48	93
Securitisation exposures	2,973	47	39	36
CVA capital charge	-	-	108	128
Total off-balance sheet positions	74,610	3,122	1,673	1,496

	2015	2014
Market risk capital charge	172	333
Operational risk capital charge	3,278	3,265
Total off-balance sheet positions	1,673	1,496
Total on-balance sheet credit risk weighted assets	25,487	25,903
Total assessed risk weighted assets	30,610	30,997

22. NOTES TO THE STATEMENTS OF CASH FLOWS

22.1. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Profit for the financial year	354	228	346	227
Non-cash items				
Loss on disposal of loans and advances	-	13	-	13
Impairment losses on loans and advances	58	124	49	117
Net profits on financial liabilities at amortised cost	-	(19)	-	(19)
Change in fair value relating to investing and financing activities	(10)	15	(10)	15
Change in operating assets and liabilities				
Net movement in tax balances	7	75	8	63
Decrease (increase) in other assets	12	49	(38)	73
Decrease in trading securities	209	1,854	209	1,854
Increase in loans and advances	(2,092)	(1,700)	(2,288)	(1,691)
Increase (decrease) in deposits and short-term borrowings	277	292	384	(947)
(Decrease) increase in payables and other liabilities	(18)	(137)	159	(137)
Net cash (used in) from operating activities	(1,203)	794	(1,181)	(432)

22.2. RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Cash and cash equivalents at the end of the financial year in the statement of cash flows is represented by:				
Cash and cash equivalents	591	463	586	463
Receivables due from other banks	595	927	595	927
Payables due to other banks[1]	(297)	(81)	(297)	(81)
	889	1,309	884	1,309

[1] Includes cash received as collateral to support derivative asset positions of $259 million (2014: $31 million) in accordance with standard International Swaps and Derivatives Association (ISDA) agreements.

22.3. FINANCIAL ARRANGEMENTS

Consolidated and Company	2015		2014	
	Program limit $m	Unused $m	Program limit $m	Unused $m
The Group had the following debt programs outstanding at end of the financial year:				
USD $5 billion Global Covered Bond Programme	6,502	3,854	5,303	3,103
USD $15 billion Euro Medium Term Notes Program and Euro Commercial Paper	19,506	18,915	15,908	15,252
USD $5 billion United States Commercial Paper Program	6,502	3,755	5,303	2,478
USD $15 billion U.S. Medium Term Notes Program	19,506	17,531	15,908	14,657
AUD Transferable Certificate of Deposit Program	5,000	2,600	5,000	2,250
	57,016	46,655	47,422	37,740

23. FINANCIAL INSTRUMENTS

23.1. COMPARISON OF FAIR VALUE TO CARRYING AMOUNTS

The following financial assets and liabilities are recognised and measured at fair value and therefore their carrying value equates to their fair value. The basis for determining their fair values is described in note 23.2.

- trading securities
- certain investment securities designated as available-for-sale financial assets
- certain short-term offshore borrowings designated as financial liabilities at fair value through profit or loss
- derivatives.

The table below discloses a comparison of carrying value and fair value of financial assets and liabilities that are not recognised and measured at fair value, where their carrying value is not a reasonable approximation of fair value.

Consolidated	Note	2015					2014				
		Carrying value $m	Fair value Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Carrying value $m	Fair value Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets											
Held-to-maturity investments	10	3,642	-	3,665	-	3,665	3,958	-	3,995	-	3,995
Loans and advances	12	51,961	-	-	53,260	53,260	49,927	-	-	50,288	50,288
Financial liabilities											
Deposits and short-term borrowings at amortised cost	14	41,655	-	41,262	-	41,262	41,443	-	41,211	-	41,211
Securitised liabilities	23.4	3,651	-	3,689	-	3,689	3,598	-	3,621	-	3,621
Debt issues	16	7,876	-	7,968	-	7,968	6,839	-	6,796	-	6,796
Subordinated notes	17	742	-	756	-	756	742	-	726	-	726

23.1. COMPARISON OF FAIR VALUE TO CARRYING AMOUNTS (CONTINUED)

Company	Note	2015					2014				
		Carrying value	Fair value				Carrying value	Fair value			
			Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
		$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Financial assets											
Held-to-maturity investments	10	3,642	-	3,665	-	3,665	3,958	-	3,995	-	3,995
Loans and advances	12	51,559	-	-	52,853	52,853	49,511	-	-	49,865	49,865
Financial liabilities											
Deposits and short-term borrowings at amortised cost	14	41,828	-	41,436	-	41,436	41,509	-	41,277	-	41,277
Debt issues	16	7,876	-	7,968	-	7,968	6,839	-	6,796	-	6,796
Subordinated notes	17	742	-	756	-	756	742	-	726	-	726

Significant assumptions and estimates used to determine the fair values are described below. The definition of the levels in the fair value hierarchy is defined in note 23.2.

Financial assets

Fair value of held-to-maturity investments are determined based on quoted market price where available (would be classified into level 1 in the fair value hierarchy). Where quoted prices are not available, alternative valuation techniques are used (would be classified into level 2 in the fair value hierarchy). Valuation techniques employed include discounted cash flow analysis using expected future cash flows and a market-related discount rate.

The carrying value of loans and advances 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 (would be classified into level 3 in the fair value hierarchy). The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans (would be classified into level 3 in the fair value hierarchy). The discount rates applied were based on the rates offered by the Group on current products with similar maturity dates.

Financial liabilities

The carrying value of non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months approximate their fair value (would be classified into level 2 in the fair value hierarchy). Discounted cash flow models are used to calculate the fair value of other term deposits based upon deposit type and related maturities (would be classified into level 2 in the fair value hierarchy).

The fair value of securitised liabilities, debt issues and subordinated notes are calculated based on the quoted market prices at reporting date (would be classified into level 1 in the fair value hierarchy) 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 (would be classified into level 2 in the fair value hierarchy).

23.2. FAIR VALUE HIERARCHY

Financial assets and liabilities that are measured at fair value are categorised by a hierarchy which identifies the most significant input used in the valuation methodology as:

- Level 1 - derived from quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2 - derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly
- Level 3 - fair value measurement is not based on observable market data.

23.2.
FAIR VALUE HIERARCHY (CONTINUED)

Consolidated	2015				2014			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets								
Trading securities	-	1,384	-	1,384	-	1,593	-	1,593
Available-for-sale financial assets	-	2,603	-	2,603	-	2,542	-	2,542
Derivatives	1	650	-	651	1	299	34	334
	1	4,637	-	4,638	1	4,434	34	4,469
Financial liabilities								
Offshore borrowings designated at fair value through the profit or loss	-	2,776	-	2,776	-	2,711	-	2,711
Derivatives	-	384	17	401	-	455	70	525
	-	3,160	17	3,177	-	3,166	70	3,236

Company	2015				2014			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets								
Trading securities	-	1,384	-	1,384	-	1,593	-	1,593
Available-for-sale financial assets	-	2,603	-	2,603	-	2,542	-	2,542
Derivatives	1	650	-	651	1	299	34	334
	1	4,637	-	4,638	1	4,434	34	4,469
Financial liabilities								
Offshore borrowings designated at fair value through the profit or loss	-	2,776	-	2,776	-	2,711	-	2,711
Derivatives	-	384	-	384	-	455	33	488
	-	3,160	-	3,160	-	3,166	33	3,199

There have been no significant transfers between Level 1 and Level 2 during the financial year (2014: $nil).

Level 3 derivatives relate to long-dated interest rate swaps and cross currency swaps in relation to the Apollo securitisation trusts where a significant input is the amortisation profile of the mortgage portfolio. The valuation methodology for derivative financial instruments classified within Level 3 of the fair value hierarchy is based on market data using observable quoted rates for actively traded tenor points. Where interpolation is used to value an instrument for the correct time period observable inputs such as the Bank Bill Swap rate (BBSW), yield curve and swap curve rates are used.

The Group's exposure to Level 3 financial instruments is restricted to an insignificant component of the portfolios to which they belong, such that any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance or the Group's results.

23.2.
FAIR VALUE HIERARCHY (CONTINUED)

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

Consolidated	2015		2014	
	Asset	Liability	Asset	Liability
	Derivatives asset $m	Derivatives liability $m	Derivatives asset $m	Derivatives liability $m
Balance at the beginning of the financial year	34	(70)	41	(101)
Total gains and losses included in profit or loss[1]	-	20	4	17
Change in fair value recognised in other comprehensive income	-	-	-	(2)
Settlements	(34)	32	-	-
Transfer out to level 2	-	1	(11)	16
Balance at the end of the financial year	-	(17)	34	(70)

Company	2015		2014	
	Asset	Liability	Asset	Liability
	Derivatives asset $m	Derivatives liability $m	Derivatives asset $m	Derivatives liability $m
Balance at the beginning of the financial year	34	(33)	41	(46)
Total gains and losses included in profit or loss[1]	-	-	4	(3)
Settlements	(34)	32	-	-
Transfer out to level 2	-	1	(11)	16
Balance at the end of the financial year	-	-	34	(33)

23.3.
MASTER NETTING OR SIMILAR ARRANGEMENTS

The following table sets out the effect of netting arrangements of financial assets and financial liabilities that are offset in the statements of financial position (SoFP), or are subject to enforceable master netting arrangements, irrespective of whether they are offset in the statements of financial position.

Derivative assets and liabilities

- Offsetting has been applied to the Group's derivatives (e.g. interest rate swaps and cross currency swaps) in the statements of financial position where the Group has a legally enforceable right to set off and there is an intention to settle on a net basis.
- Certain Group derivatives are subject to International Swaps and Derivatives Association (ISDA) Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Group and the counterparty to apply close out netting across all outstanding transactions only if either party defaults or other pre-agreed termination events occur. As such, they do not meet the criteria for offsetting in the statements of financial position.
- The cash collateral pledged or received is subject to ISDA Credit Support Annex and other standard industry terms.

[1] All gains or losses included in the profit or loss relate to assets and liabilities held at the end of financial year (i.e. unrealised).

23.3.
MASTER NETTING OR SIMILAR ARRANGEMENTS (CONTINUED)

Consolidated	Amounts subject to master netting or similar arrangements					Amounts not subject to master netting or similar arrangements	
			Related amounts not offset on the SoFP				
	Gross amounts $m	Offsetting applied $m	Financial instruments $m	Cash collateral $m	Net exposure $m	$m	Total $m
2015							
Financial assets							
Derivatives	547	-	(257)	(251)	39	104	651
Total	547	-	(257)	(251)	39	104	651
Financial liabilities							
Derivatives	377	-	(257)	(41)	79	24	401
Liabilities under repurchase agreement	856	-	(856)	-	-	-	-
Total	1,233	-	(1,113)	(41)	79	24	401
2014							
Financial assets							
Derivatives	267	-	(165)	(31)	71	67	334
Total	267	-	(165)	(31)	71	67	334
Financial liabilities							
Derivatives	468	-	(165)	(268)	35	57	525
Liabilities under repurchase agreement	827	-	(827)	-	-	-	-
Total	1,295	-	(992)	(268)	35	57	525

The balances in the table may not equate to the corresponding line item presented on the face of the consolidated statement of financial position or in the supporting notes. The difference relates to financial assets and financial liabilities that are not subject to master netting arrangements and are therefore not in scope of offsetting disclosures.

23.3.
MASTER NETTING OR SIMILAR ARRANGEMENTS (CONTINUED)

Company

	Amounts subject to master netting or similar arrangements					Amounts not subject to master netting or similar arrangements	
			Related amounts not offset on the SoFP				
	Gross amounts $m	Offsetting applied $m	Financial instruments $m	Cash collateral $m	Net exposure $m	$m	Total $m
2015							
Financial assets							
Derivatives	547	-	(257)	(251)	39	104	651
Total	547	-	(257)	(251)	39	104	651
Financial liabilities							
Derivatives	377	-	(257)	(41)	79	7	384
Liabilities under repurchase agreement	856	-	(856)	-	-	-	-
Total	1,233	-	(1,113)	(41)	79	7	384
2014							
Financial assets							
Derivatives	267	-	(165)	(31)	71	67	334
Total	267	-	(165)	(31)	71	67	334
Financial liabilities							
Derivatives	468	-	(165)	(268)	35	20	488
Liabilities under repurchase agreement	827		(827)	-	-	-	-
Total	1,295	-	(992)	(268)	35	20	488

The balances in the table may not equate to the corresponding line item presented on the face of the consolidated statement of financial position or in the supporting notes. The difference relates to financial assets and financial liabilities that are not subject to master netting arrangements and are therefore not in scope of offsetting disclosures.

23.4.
TRANSFERS OF FINANCIAL ASSETS

Assets sold under repurchase agreements

The Group enters into repurchase agreements and conducts covered bond and securitisation programs. The Group is deemed to have retained substantially all of the risks and rewards associated with the financial assets transferred in these arrangements. As such, the transferred financial assets continue to be recognised in the consolidated statement of financial position.

Repurchase agreements

The Group enters into repurchase agreements involving the sale of interest-bearing securities in exchange for cash and simultaneously agreeing to buy back the interest-bearing securities at a pre-agreed price on a future date. In the consolidated statement of financial position, the interest-bearing securities transferred are included in 'Trading securities' and 'Available-for-sale financial assets', and the obligation to repurchase is included in 'Deposits and short-term borrowings'.

23.4.
TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Securitisation

The Company conducts a loan securitisation program whereby housing mortgage loans are packaged and sold to the securitisation trusts known as the Apollo Trusts (**Trusts**). The Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. The Group receives residual income from the special purpose trusts after all payments to security holders and costs of the program have been met. The Group does not stand behind the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Group cannot use these assets to settle the liabilities of the Group. The Group is not obliged to support any losses that may be suffered by investors and does not intend to provide such support. The carrying amount of these securitised assets is $3,800 million (2014: $3,756 million). In the consolidated statement of financial position, the loans transferred are included in 'Loans and advances' and the securitisation securities issued are included in 'Securitisation liabilities'.

Covered bonds

The Company also conducts a covered bond program whereby it issues covered bonds guaranteed by the Covered Bond Guarantor and are secured over a covered pool which consists of $3,008 million (2014: $2,705 million) of loans and advances. This cover pool of eligible loans and advances (**covered pool assets**) is sold by the Company to a special purpose trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain Title Perfection Events, as detailed in clause 6.1 of the Mortgage Sale Deed. In the event of default by the Company the covered bond holders have claim against both the cover pool and the Company. The Company receives residual income of the special purpose trust after all payments due to covered bond holders have been met. In the statements of financial position, the covered pool assets transferred are included in 'Loans and advances' and the covered bonds issued are included in 'Debt issues'.

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

Consolidated	Repurchase agreements $m	Covered bonds $m	Securitisation $m
2015			
Carrying amount of transferred assets	859	3,008	3,800
Carrying amount of associated liabilities	(856)	(2,648)	(3,651)
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	859	n/a	3,818
Fair value of associated financial liabilities	(856)	n/a	(3,689)
Net position	3		129
2014			
Carrying amount of transferred assets	838	2,705	3,756
Carrying amount of associated liabilities	(827)	(2,197)	(3,598)
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	838	n/a	3,771
Fair value of associated financial liabilities	(827)	n/a	(3,621)
Net position	11		150

23.4. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Company	Repurchase agreements	Covered bonds	Securitisation[1]
2015	**$m**	**$m**	**$m**
Carrying amount of transferred assets	859	3,008	9,676
Carrying amount of associated liabilities	(856)	(2,648)	(9,981)
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	859	n/a	9,733
Fair value of associated financial liabilities	(856)	n/a	(9,357)
Net position	3		376
2014			
Carrying amount of transferred assets	838	2,705	9,649
Carrying amount of associated liabilities	(827)	(2,197)	(9,928)
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	838	n/a	9,706
Fair value of associated financial liabilities	(827)	n/a	(9,341)
Net position	11		365

24. GROUP RISK MANAGEMENT

24.1. GROUP RISK MANAGEMENT OBJECTIVES AND STRUCTURE

As the Company and its subsidiaries are entities within the Suncorp Group, the Group follows the Suncorp Group risk management objectives and structure as described below.

The Suncorp Group Limited Board (**SGL Board**) and management recognise that effective risk management is considered to be critical to the achievement of the Suncorp Group's objectives. The Board Risk Committee (**Risk Committee**) has delegated authority from the SGL Board to carry out the oversight of the adequacy and effectiveness of the risk management frameworks and processes within the Suncorp Group.

An Enterprise Risk Management Framework (**ERMF**) is in place for the Suncorp Group. It is subject to an annual review, updated for material changes as they occur and is approved by the Board. The ERMF comprises:

- the Suncorp Group's risk appetite framework and its link to strategic business and capital plans;
- accountabilities and governance arrangements for the management of risk within the Three Lines of Defence model; and
- the risk management process.

[1] Includes internal self-securitisation established for contingent liquidity purposes.

24.1. GROUP RISK MANAGEMENT OBJECTIVES AND STRUCTURE (CONTINUED)

The Three Lines of Defence model of accountability involves:

LINE OF DEFENCE	RESPONSIBILITY OF	ACCOUNTABLE FOR
First – Manage risk and comply with Suncorp Group frameworks, policies and risk appetite	All business areas (and staff)	• Identify and manage the risks inherent in their operations • Ensure compliance with all legal and regulatory requirements and Suncorp Group policies • Promptly escalate any significant actual and emerging risks for management attention.
Second – Independent functions own and monitor the application of risk frameworks, and measure and report on risk performance and compliance	All risk functions (Suncorp Group and business units)	• Design, implement and manage the ongoing maintenance of Suncorp Group risk frameworks & related policies • Advise and partner with the business in design and execution of risk frameworks and practices • Develop, apply and execute business units, risk frameworks that are consistent with the Suncorp Group for the respective business areas • Facilitate the reporting of the appropriateness and quality of risk management.
Third – Independent assurance over internal controls and risk management practices	Internal auditors	• Decides the level and extent of independent testing required to verify the efficacy of internal controls • Validates the overall risk framework • Provides assurance that the risk management practices are functioning as intended.

The Board has delegated authorities and limits to the Group CEO to manage the business. Management recommends to the Board, and the Board has approved, various frameworks, policies and limits relating to the key categories of risk faced by the Suncorp Group within the Group CEO's authorities and limits.

The Senior Leadership Team, comprising the Group CEO, Line of Business CEOs and all Senior Executives, provides executive oversight and direction-setting across the Suncorp Group, taking risk considerations into account. The Group Chief Risk Officer, a member of the Senior Leadership Team, is charged with the overall accountability for both the ERMF and risk management capability.

The Company also has an Asset and Liability Committee (**ALCO**). The ALCO has responsibility for establishing, managing and enforcing an effective asset and liability risk framework which optimises the long-term returns achieved by the asset portfolios within any risk appetite or parameters established by the relevant Board.

APRA-regulated entities prepare Risk Management Strategies (**RMS**) approved by the Risk Committee. The RMS describe the strategy adopted by the Board and management for managing risk within these entities, including risk appetite, policies, procedures, management responsibilities and controls.

24.1.
GROUP RISK MANAGEMENT OBJECTIVES AND STRUCTURE (CONTINUED)

The key risks addressed by the ERMF are defined below:

KEY RISKS	DEFINITION
Counterparty risk (Credit risk)	The risk to each party to a contract that a counterparty will not meet its financial obligations in accordance with agreed terms.
Liquidity risk	The risk that the Group will be unable to service its cash flow obligations today or in the future.
Market risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities.
Asset and liability risk	The risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.
Operational risks	The risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk but excludes strategic and reputational risks.
Compliance risks	The risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.
Strategic risks	The risk that the Group's business model or strategy is not viable due to adverse changes in the business environment.

The Group is exposed to mainly the following categories of market risk:

CATEGORIES OF MARKET RISK	DEFINITION
Foreign exchange (FX) risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest bearing assets and liabilities from changes in interest rates.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss in current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

24.2.
CREDIT RISK

Credit risk exposures

Credit risk in the Group arises not only from traditional lending to customers, but also from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The acceptance and management of credit risk is performed independently as is setting and maintaining of detailed credit policies and standards. The Bank Credit Risk Committee and the Bank Chief Risk Officer have responsibility for the independent management of credit functions to monitor trends impacting the credit quality of lending portfolios, develop and maintain risk grading and automated risk assessment systems and manage troublesome and impaired assets.

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio and risk-graded portfolio.

The statistically managed portfolio covers consumer business (personal loans and housing loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Group's end-to-end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

24.2. CREDIT RISK (CONTINUED)

Credit risk exposures (continued)

The risk-graded portfolio includes business and agribusiness exposures. Within this portfolio, exposures are individually assessed and an internal risk grade assigned depending on discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are generally subject to annual (or more frequent) review, including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the client manager including regular performance monitoring, reporting and, if required, transfer to the Credit Recovery Unit.

A credit inspection process is in place to review the acceptance and management of credit risk in accordance with the approved risk management framework.

The Group manages its exposure to credit losses on derivative contracts by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. The International Swaps and Derivatives Association (ISDA) Master Agreement provides a contractual framework for derivatives dealing across a full range of over-the-counter products. This agreement contractually binds both parties to apply close out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-agreed termination events occur.

The carrying amount of the relevant asset classes in the statements of financial position generally represents the maximum amount of credit exposures as at the end of the financial year, except for derivatives. The fair value of derivatives recognised in the statement of financial position represents the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 11.

The following table details Group's exposure to credit risk from its financial assets and credit commitments as at the reporting date. It is prepared on the following basis:

- No adjustments are made for any collateral held or credit enhancements;
- Impaired loans are those for which Group has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. In relation to loans for business purposes, all relevant circumstances surrounding the customer are considered before a loan is considered impaired; and
- An asset is considered past due when any payment under the contractual terms have been missed or received late. The amount included as past due is the entire contractual balance, not just the overdue portion.

24.2.
CREDIT RISK (CONTINUED)

Credit risk exposures (continued)

Consolidated

	Receivables due from other banks	Investment securities	Loans and advances	Credit commitments[1]	Derivatives[1]	Total risk	Individually provisioned impaired assets	Past due > 90 days but not impaired	Remaining assets[2] and not impaired
	$m	$m	$m	$m	$m	$m	$m	$m	$m
2015									
Agribusiness	-	-	3,983	173	-	4,156	111	21	4,024
Construction and development	-	-	489	155	-	644	15	-	629
Financial services	595	7,629	334	216	356	9,130	-	-	9,130
Hospitality	-	-	912	47	-	959	25	3	931
Manufacturing	-	-	319	20	-	339	14	3	322
Professional services	-	-	233	11	-	244	7	1	236
Property investment	-	-	1,997	80	-	2,077	3	6	2,068
Real estate - Mortgage	-	-	41,800	1,898	-	43,698	21	323	43,354
Personal	-	-	380	10	-	390	-	8	382
Government and public authorities	-	-	-	-	-	-	-	-	-
Other commercial and industrial	-	-	1,722	109	-	1,831	22	34	1,775
Total gross credit risk	595	7,629	52,169	2,719	356	63,468	218	399	62,851
Impairment provisions						(208)	(82)	(27)	(99)
						63,260	136	372	62,752
2014									
Agribusiness	-	-	4,269	172	-	4,441	197	8	4,236
Construction and development	-	-	606	142	-	748	36	4	708
Financial services	927	8,093	341	187	358	9,906	-	-	9,906
Hospitality	-	-	1,002	60	-	1,062	29	-	1,033
Manufacturing	-	-	364	24	-	388	11	15	362
Professional services	-	-	258	10	-	268	5	2	261
Property investment	-	-	1,995	81	-	2,076	12	14	2,050
Real estate - Mortgage	-	-	38,947	1,237	-	40,184	22	358	39,804
Personal	-	-	431	10	-	441	-	8	433
Government and public authorities	-	-	1	-	-	1	-	-	1
Other commercial and industrial	-	-	1,939	109	-	2,048	21	30	1,997
Total gross credit risk	927	8,093	50,153	2,032	358	61,563	333	439	60,791
Impairment provisions						(226)	(106)	(34)	(86)
						61,337	227	405	60,705

[1] Credit commitments and Derivative instruments represent the credit equivalent amount of the Group's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.
[2] Not past due or past due ≤ 90 days.

24.2.
CREDIT RISK (CONTINUED)

Credit risk exposures (continued)

Company

	Receivables due from other banks $m	Investment securities $m	Loans and advances $m	Credit commitments[1] $m	Derivatives[1] $m	Total risk $m	Individually provisioned impaired assets $m	Past due > 90 days but not impaired $m	Remaining assets[2] and not impaired $m
2015									
Agribusiness	-	-	3,983	173	-	4,156	109	21	4,026
Construction and development	-	-	489	155	-	644	13	-	631
Financial services	595	7,649	328	248	371	9,191	-	-	9,191
Hospitality	-	-	912	47	-	959	25	3	931
Manufacturing	-	-	319	20	-	339	12	3	324
Professional services	-	-	233	11	-	244	3	1	240
Property investment	-	-	1,997	80	-	2,077	3	6	2,068
Mortgage	-	-	41,800	1,898	-	43,698	21	323	43,354
Personal	-	-	380	10	-	390	-	8	382
Government and public authorities	-	-	-	-	-	-	-	-	-
Other commercial and industrial	-	-	1,317	109	-	1,426	19	33	1,374
Total gross credit risk	595	7,649	51,758	2,751	371	63,124	205	398	62,521
Impairment provisions						(199)	(78)	(23)	(98)
						62,925	127	375	62,423
2014									
Agribusiness	-	-	4,269	172	-	4,441	196	6	4,239
Construction and development	-	-	606	142	-	748	35	4	709
Financial services	927	8,124	341	217	370	9,979	-	-	9,979
Hospitality	-	-	1,002	60	-	1,062	29	-	1,033
Manufacturing	-	-	364	24	-	388	10	14	364
Professional services	-	-	258	10	-	268	2	1	265
Property investment	-	-	1,995	81	-	2,076	12	14	2,050
Mortgage	-	-	38,947	1,237	-	40,184	22	360	39,802
Personal	-	-	431	10	-	441	-	8	433
Government and public authorities	-	-	1	-	-	1	-	-	1
Other commercial and industrial	-	-	1,515	109	-	1,624	21	30	1,573
Total gross credit risk	927	8,124	49,729	2,062	370	61,212	327	437	60,448
Impairment provisions						(218)	(106)	(29)	(83)
						60,994	221	408	60,365

Credit quality

Credit quality of loans and advances are classified as follows:

- Performing loans are loans that are not impaired and either not past due or past due less than or equal to 90 days;
- Non performing loans - not impaired are loans that are past due for greater than 90 days; and
- Non performing loans - impaired are individually impaired loans for which an individually assessed provision for impairment has been raised.

24.2.
CREDIT RISK (CONTINUED)

Credit quality (continued)

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

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

The following table provides information regarding the credit quality of loans and advances including restructured loans.

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Performing loans				
Loans and advances	51,551	49,376	51,154	48,960
Loans and advances with restructured terms	1	5	1	5
Collective allowance for impairment	(99)	(86)	(98)	(83)
	51,453	49,295	51,057	48,882
Non performing loans - not impaired				
Non performing loans - not impaired	399	439	398	437
Collective allowance for impairment	(27)	(34)	(23)	(29)
	372	405	375	408
Non performing loans - impaired				
Individually impaired loans	218	333	205	327
Specific allowance for impairment	(82)	(106)	(78)	(106)
	136	227	127	221
Total loans and advances	51,961	49,927	51,559	49,511

Ageing of past due but not impaired financial assets is used by the Group to measure and manage emerging credit risks. A summary of the ageing of past due but not impaired loans and advances and other receivables is noted below. The balances of financial assets other than loans and advances are all neither past due nor impaired.

Consolidated	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
2015						
Loans and advances						
Retail banking	858	220	113	183	148	1,522
Business banking	90	32	20	49	19	210
	948	252	133	232	167	1,732
2014						
Loans and advances						
Retail banking	948	229	142	205	161	1,685
Business banking	102	77	51	59	14	303
	1,050	306	193	264	175	1,988

24.2.
CREDIT RISK (CONTINUED)

Credit quality (continued)

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
2015						
Loans and advances						
Retail banking	858	220	113	183	148	1,522
Business banking	90	31	20	49	18	208
	948	251	133	232	166	1,730
2014						
Loans and advances						
Retail banking	948	229	142	206	161	1,686
Business banking	102	73	50	56	14	295
	1,050	302	192	262	175	1,981

Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in case the counterparty cannot meet their contractual repayment commitments.

The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Group upon extension of credit, is based on management's credit evaluation of the counterparty.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. With more than 81% (2014: 79%) of the Group's lending consumer in nature and 99% (2014: 98%) of that secured by residential property the Group's exposures are ultimately linked to factors impacting employment and residential property values.

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

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

An estimate of the fair value of collateral and other security enhancements held by the Group against 'Non-performing loans – Impaired' is $143 million (2014: $233 million). It has not been practicable to determine the fair value of collateral held as security against 'Non-performing loans – not impaired' or 'Performing loans'.

Collateral and other credit enhancements held by the Group mitigates the maximum credit exposure to credit risk.

24.2.
CREDIT RISK (CONTINUED)

Concentration of credit risk

Concentration of credit risk is managed by client or counterparty and industry sector. Portfolios are actively monitored and frequently reviewed to identify, assess and guard against unacceptable risk concentrations.

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

Consolidated	2015 Number	2014 Number
25% and greater	2	2
20% to less than 25%	1	2
15% to less than 20%	2	-
10% to less than 15%	2	2
5% to less than 10%	1	3

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.

Provision for impairment – specific and collective provisions

The credit provisions raised (specific and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date. The independent Credit Recovery Unit provides the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability. Impaired loans are reviewed by the Bank Credit Risk Committee to ensure judgments are appropriate and provisions for impairment are adequate.

A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of the principal is considered doubtful. All factors that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments can change as new information becomes available and work-out strategies evolve.

Group policy requires the level of impairment allowances on individual facilities that are above internal thresholds to be reviewed at least half yearly, and more regularly as circumstances require.

A collective provision is established for loan portfolios which are not specifically provisioned. Collective provisions are held for potential credit losses which have been incurred but not yet specifically identified, and can be in the performing or non performing portfolios. For business banking exposures, a ratings based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.

A collective provision for impairment is established against loan portfolios when events have occurred that have historically resulted in loan losses, but for which at balance date individual loans have not yet become impaired requiring individual (specific) provisioning. The collective provision is determined by identifying groups of loans with similar credit risk characteristics and loss events, and estimating the adverse impact of these events on future cash flows on the loans and subsequent potential losses that could arise.

24.2. CREDIT RISK (CONTINUED)

Provision for impairment – specific and collective provisions (continued)

The Group has determined its groups of loans with similar credit risk characteristics as follows:

- Retail loans, small business and non-credit risk rated business loans are grouped by product.
- Credit risk rated business loans are grouped by the industry types, being agribusiness, commercial, development finance and property investment.

The key loss event identified for retail, small business and non-credit risk rated business loans is borrower in monetary default. The key loss events for credit risk rated business loans substantially align with existing credit review and management procedures to identify loans where deterioration has occurred in the underlying credit quality but which are currently not individually provisioned.

The Group has developed models to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics. These models estimate impairment losses by applying probability of default and loss given default statistical factors derived from prior experience.

Each model determines an impairment loss based on the Group's historical experience, with adjustment made for current economic conditions as deemed necessary by the Bank Risk Committee. It is possible that the estimated impairment loss will differ from the actual losses to be incurred from the groups of identified impaired loans.

24.3. LIQUIDITY RISK

Executive management of liquidity risk is delegated to the Bank Asset and Liability Committee, which reviews risk measures and limits, endorses and monitors the overall funding and liquidity strategy. Operational management of liquidity risk is delegated to both the Balance Sheet and Cash Management sections of the Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Market Risk division.

Separate policies and processes are in place to mitigate liquidity and funding risk which are approved by the Bank Risk Committee and subject to APRA review. These include:

- liquidity and funding policies as well as relevant risk limits;
- a framework that includes going concern, name crisis scenario, liquidity coverage ratio and net stable funding ratio analysis, minimum high quality liquid asset ratio, minimum liquid asset ratios, liquidity concentration limits and other supplementary management trigger limits; and
- sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration for product, tenor, geography and customer concentrations and market trends.

24.3.
LIQUIDITY RISK (CONTINUED)

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

Concentration of deposits and borrowings

Consolidated and Company	Note	2015	2014
		$m	$m
Australian funding sources			
Retail deposits		33,823	32,799
Wholesale funding		7,730	8,551
Covered bond programme		2,648	2,197
Australian domestic programme		3,134	3,484
Securitisation		3,512	3,327
		50,847	50,358
Overseas wholesale funding sources			
FX retail deposits		101	93
European commercial paper and medium term note market		3,638	3,360
United States 144a medium term note market		1,975	1,251
Securitisation		139	271
		5,853	4,975
		56,700	55,333
Comprised of the following items on the statement of financial position:			
Deposits and short-term borrowings	14	44,431	44,154
Securitisation liabilities	23.4	3,651	3,598
Debt issues	16	7,876	6,839
Subordinated notes	17	742	742
		56,700	55,333

24.3.
LIQUIDITY RISK (CONTINUED)

Maturity analysis

The following table summarises the maturity profile of the consolidated Group's financial liabilities based on the remaining undiscounted contractual obligations.

The cash flows for subordinated notes have been included at their next call date. The total cash flows include both principal and associated future interest payments. Interest is calculated based on liabilities held at balance date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the balance date.

Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the 0-3 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.

The Group does not use this contractual maturity information as presented in the liquidity risk management of its liabilities. Additional factors as described above are considered when managing the maturity profiles of the business.

Consolidated	Carrying amount $m	At call $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total Cash flows $m
2015							
Deposits and short-term borrowings	44,431	16,716	16,085	11,088	1,230	-	45,119
Payables due to other banks	297	297	-	-	-	-	297
Payables and other liabilities	599	-	599	-	-	-	599
Derivative financial instruments (trading)	129	-	16	32	89	4	141
Securitisation liabilities	3,651	-	273	1,039	2,097	761	4,170
Debt issues	7,876	-	254	1,589	6,528	-	8,371
Subordinated notes	742	-	9	12	787	-	808
	57,725	17,013	17,236	13,760	10,731	765	59,505
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	242	473	1,381	46	2,142
Contractual amounts receivable		-	(198)	(365)	(1,205)	(40)	(1,808)
	272	-	44	108	176	6	334
Off-balance sheet positions							
Guarantees entered into in the normal course of business		283	-	-	-	-	283
Commitments to provide loans and advances		8,091	-	-	-	-	8,091
		8,374	-	-	-	-	8,374

24.3.
LIQUIDITY RISK (CONTINUED)

Consolidated

	Carrying amount $m	At call $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total Cash flows $m
2014							
Deposits and short-term borrowings	44,154	14,146	18,022	11,408	1,397	-	44,973
Payables due to other banks	81	81	-	-	-	-	81
Payables and other liabilities	617	-	617	-	-	-	617
Derivative financial instruments (trading)	232	-	232	-	-	-	232
Securitisation liabilities	3,598	-	275	894	2,117	742	4,028
Debt issues	6,839	-	35	2,484	4,842	-	7,361
Subordinated notes	742	-	10	29	894	-	933
	56,263	14,227	19,191	14,815	9,250	742	58,225
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	120	391	620	63	1,194
Contractual amounts receivable		-	(91)	(306)	(490)	(62)	(949)
	293	-	29	85	130	1	245
Off-balance sheet positions							
Guarantees entered into in the normal course of business		297	-	-	-	-	297
Commitments to provide loans and advances		7,100	-	-	-	-	7,100
		7,397	-	-	-	-	7,397

Company

	Carrying amount $m	At call $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total Cash flows $m
2015							
Deposits and short-term borrowings	44,604	16,889	16,085	11,088	1,230	-	45,292
Payables due to other banks	297	297	-	-	-	-	297
Payables and other liabilities	576	-	576	-	-	-	576
Derivative financial instruments (trading)	129	-	16	32	89	4	141
Payables to subsidiaries[1]	3,677	-	132	1,039	2,097	761	4,029
Debt issues	7,876	-	254	1,589	6,528	-	8,371
Subordinated notes	742	-	9	12	787	-	808
	57,901	17,186	17,072	13,760	10,731	765	59,514
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	232	324	1,381	46	1,983
Contractual amounts receivable		-	(190)	(234)	(1,205)	(40)	(1,669)
	255	-	42	90	176	6	314
Off-balance sheet positions							
Guarantees entered into in the normal course of business		283	-	-	-	-	283
Commitments to provide loans and advances		8,155	-	-	-	-	8,155
		8,438	-	-	-	-	8,438

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

24.3.
LIQUIDITY RISK (CONTINUED)

Company	Carrying amount $m	At call $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total Cash flows $m
2014							
Deposits and short-term borrowings	44,220	14,212	18,022	11,408	1,397	-	45,039
Payables due to other banks	81	81	-	-	-	-	81
Payables and other liabilities	600	-	600	-	-	-	600
Derivative financial instruments (trading)	232	-	232	-	-	-	232
Payables to subsidiaries[1]	3,494	-	171	894	2,117	742	3,924
Debt issues	6,839	-	35	2,484	4,842	-	7,361
Subordinated notes	742	-	10	29	894	-	933
	56,208	14,293	19,070	14,815	9,250	742	58,170
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	120	391	620	63	1,194
Contractual amounts receivable		-	(91)	(306)	(490)	(62)	(949)
	256	-	29	85	130	1	245
Off-balance sheet positions							
Guarantees entered into in the normal course of business		297	-	-	-	-	297
Commitments to provide loans and advances		7,160	-	-	-	-	7,160
		7,457	-	-	-	-	7,457

24.4.
MARKET RISK

The Group is exposed to mainly two sources of market risk, being interest rate and foreign exchange risks. For the purposes of market risk management, these are further broken down into traded and non-traded market risks.

The Group uses value at risk (VaR) as one of the key measures of traded market risk and non-traded interest rate risk in the banking book (IRRBB). The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The Group's standard VaR approach for both traded and non-traded risk is historical simulation which uses equally weighted market observation from the last two years.

Traded market rate risk

The Group trades a range of on-balance sheet interest, foreign exchange (FX) and derivative products. Income is earned from spreads achieved through market making and effective trading within the established risk management framework.

In addition to VaR, traded interest rate and foreign exchange risks are managed using a framework that includes stress testing, scenario analysis, sensitivity and stop losses. These measures are monitored and reported to the Bank Chief Risk Officer and the Bank Asset and Liability Committee for management oversight.

VaR is modelled at a 99% confidence level over a 1 day holding period for trading book positions.

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

24.4.
MARKET RISK (CONTINUED)

The VaR for Group's total interest rate and foreign exchange trading activities at end of the financial year are as follows:

Consolidated and Company	2015			2014		
Traded market risks	Interest rate risk $m	FX risk $m	Combined risk [1] $m	Interest rate risk $m	FX risk $m	Combined risk [1] $m
VaR at end of the financial year	0.21	0.22	0.29	0.26	0.37	0.61

Non-traded interest rate risk

Non-traded interest rate risk in the banking book (IRRBB) is defined as all on-balance sheet items and off-balance sheet items that create an interest rate risk exposure within the Group. The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Group to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB arising from mismatches in the interest rate repricing dates of banking book items and include:

- Repricing risk: resulting from changes in the overall levels of interest rates;
- Yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve);
- Basis risk: resulting from differences between the actual and expected interest margins on banking book items; and
- Optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the remeasurement of repricing, yield curve or basis risks.

IRRBB – Net Interest Income Sensitivity (NIIS)

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

As a measure of shorter term sensitivity, NIIS measures the sensitivity of the banking book earnings over the next 12 months to an instantaneous parallel and non-parallel shock to the yield curve. NIIS is measured using a 2% parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The following table indicates the potential adverse change in NIIS on the consolidated statement of financial position. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Consolidated and Company	2015 $m	2014 $m
Exposure at the end of the financial year	(44)	(27)

IRRBB - Present Value Sensitivity (PVS)

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

[1] VaR for combined risk is the total trading interest rate and foreign exchange risks, taking into account correlations between different positions in both the interest rate and foreign exchange trading portfolios.

24.4. MARKET RISK (CONTINUED)

The following table indicates the potential adverse change in PVS on the consolidated statement of financial position. The change in PVS is based on an adverse 2% parallel or non-parallel instantaneous shock to the yield curve.

The results are prepared based on the IRRBB framework applicable to the respective financial year.

Consolidated and Company	2015	2014
	$m	$m
Exposure at end of the financial year	(52)	(69)

Value at Risk (VaR)

VaR is modelled at a 99% confidence level over a 1-month holding period for IRRBB. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Consolidated and Company	2015	2014
	$m	$m
Exposure at end of the financial year	(23)	(21)

Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking book, thereby exposing current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of financial derivatives (refer note 11).

25. COMMITMENTS

25.1. CREDIT COMMITMENTS

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the probability of default. They are not sold or traded. They are not recorded in the statements of financial position but are disclosed in the financial statements. The Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

The following table shows 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	
	2015	2014	2015	2014
	$m	$m	$m	$m
Notional amounts				
Guarantees entered into in the normal course of business	283	297	283	297
Commitments to provide loans and advances	8,091	7,100	8,155	7,160
	8,374	7,397	8,438	7,457
Credit equivalent amounts				
Guarantees entered into in the normal course of business	281	295	281	295
Commitments to provide loans and advances	2,438	1,737	2,470	1,767
	2,719	2,032	2,751	2,062

25.2. OPERATING LEASE EXPENDITURE COMMITMENTS

The Group leases property under operating leases expiring from 1-9 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.

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Aggregate non-cancellable operating lease rental payable but not provided in the financial statements:				
Less than one year	31	46	31	46
Between one and five years	48	70	48	70
More than five years	40	50	40	50
	119	166	119	166

26. MATERIAL SUBSIDIARIES OF THE COMPANY

Subsidiaries			2015	2014
	Class of shares	Country of incorporation	Equity Holding %	%
APOLLO Series Trusts (various) [1]	Units	Australia	**100**	100
Suncorp Covered Bond Trust	Units	Australia	**100**	100
SME Management Pty Limited	Ordinary	Australia	**100**	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	**100**	100
Suncorp Property Development Equity Fund #2 Unit Trust	Units	Australia	**100**	100

27. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

As a wholly-owned subsidiary of Suncorp Group Limited, key management personnel disclosures are consistent with those disclosed by Suncorp Group Limited.

Total compensation for KMP are as follows:

Consolidated and Company	2015 $000	2014 $000
Short-term employee benefits	20,499	20,388
Long-term employee benefits	5,025	5,248
Post employment benefits	435	416
Share-based payment	5,628	4,719
Termination benefits	-	767
	31,587	31,538

The ultimate parent entity has determined the compensation of KMPs in accordance with their roles within the Suncorp Group. Employee service contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Company and to allocate a figure may be misleading. There is no link between KMP compensation and the performance of the Company. Therefore, as there is no reasonable basis for allocating a KMP compensation amount to the Company, the entire compensation of the KMPs has been disclosed above.

[1] The Company conducts a loan securitisation program whereby housing mortgage loans are packaged and sold as securities to the wholly owned Apollo Trusts (Trusts). As at 30 June 2015, the Company held interests in eleven Trusts (2014: ten).

27.1. LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Loans to KMP and their related parties 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 Suncorp Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as provisions, as the balances are considered fully collectable.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in Suncorp Group to KMP and their related parties are as follows:

Consolidated and Company	2015		2014	
	Key management personnel $000	Other related parties $000	Key management personnel $000	Other related parties $000
Closing balance	3,790	278	5,302	974
Interest charged	226	19	185	17

28. OTHER RELATED PARTY DISCLOSURES

28.1. IDENTITY OF RELATED PARTIES

The Company has a related party relationship with its subsidiaries (refer note 26), parent entity and its other controlled subsidiaries and with its key management personnel (refer note 27.1).

28.2. RELATED PARTY TRANSACTIONS WITH RELATED PARTIES

A number of banking transactions occur between the Company and related parties within the Group. These transactions occur in the normal course of business and are on terms equivalent with those made on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Other transactions between these related parties consisted of advances made and repaid, dividends received and paid and interest received and paid. All these transactions were on a normal commercial basis except that some intercompany advances may be interest free.

28.2.

RELATED PARTY TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
The aggregate amounts included in the determination of profit or loss and other comprehensive income before tax that resulted from transactions with related parties:				
Investment revenue including dividend income				
Subsidiaries	-	-	18,001	24,000
Other income				
Subsidiaries	-	-	336,004	354,046
Other related parties	1,500	1,600	1,500	1,600
Interest income				
Other related parties	-	2,672	-	2,672
Interest expense				
Subsidiaries	-	-	6,202	4,768
Other related parties	42,937	44,819	36,095	36,865
Other operating expenses				
Subsidiaries	-	-	608,730	684,874
Other related parties	509,160	514,432	509,168	514,432
Dividend paid				
Parent entity	225,810	-	225,810	-
Other related parties	22,925	22,991	22,925	22,991
Aggregate balances, amounts receivable from, and payable to, each class of related parties as at the end of the financial year:				
Receivables				
Subsidiaries	-	-	543,061	352,017
Loans and advances				
Other related parties	226,049	146,000	219,864	146,000
Payables and Other liabilities				
Subsidiaries	-	-	3,677,007	3,494,115
Other related parties	198,636	159,561	181,311	160,000
Deposit and short-term borrowings				
Subsidiaries	-	-	101	319
Other related parties	531,958	574,275	531,958	574,275
Derivatives liability				
Other related parties	16,615	10,485	16,615	10,485

29. AUDITOR'S REMUNERATION

	Consolidated		Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
KPMG Australia				
Audit and review services				
Audit and review of financial reports	1,098	1,194	957	1,000
Other regulatory audits	351	303	351	303
	1,449	1,497	1,308	1,303
Other services				
In relation to other assurance, actuarial, taxation and other non-audit services	2,120	766	1,912	564
Total auditor's remuneration	3,569	2,263	3,220	1,867

Fees for services rendered by the Group's auditor are borne by a related entity within the Suncorp Group.

30. CONTINGENT ASSETS AND LIABILITIES

30.1. CONTINGENT ASSETS

There are claims and possible claims made by the Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The directors are of the opinion that receivables are not required in respect of these matters, as it is not virtually certain that future economic benefits will eventuate or the amount is not capable of reliable measurement.

30.2. CONTINGENT LIABILITIES

There are outstanding court proceedings, potential fines, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider 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 25 sets out the 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.

31. SIGNIFICANT ACCOUNTING POLICIES

The Group's significant accounting policies set out below have been consistently applied by all Group entities to all periods presented in these consolidated financial statements.

31.1.
BASIS OF CONSOLIDATION

The Group's consolidated financial statements are the financial statements of the Company and all its subsidiaries, presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group which includes companies, managed funds and trusts. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date on which control ceases.

Non-controlling interests recognised as equity and managed funds units recognised as a liability arise when the Group does not hold 100% of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries of the Group.

Structured entities (**SE**) are entities created to accomplish a narrow and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Critical judgments are applied in determining whether a SE is controlled and consolidated by the Group. A SE is consolidated if the Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main types of SE established by the Group are securitisation trusts and covered bond trusts. The securitisation trusts and the covered bond trusts are controlled by the Group and are consolidated in the consolidated financial statements.

31.2.
FOREIGN CURRENCY

Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency of the operation using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at balance date are translated into the functional currency using the spot exchange rates current on that date. The resulting differences on monetary items are recognised as exchange gains or losses in the financial year in which the exchange rates difference arises. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the date of the transaction. Foreign currency non-monetary assets and liabilities that are stated at fair value are translated using exchange rates at the dates the fair value was determined. Where a non-monetary asset is classified as an available-for-sale financial asset, the gain or loss is recognised in other comprehensive income.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the hedge accounting rules set out in note 31.10.

31.3.
REVENUE AND EXPENSE RECOGNITION

Interest income and expense
Interest income and expense are recognised in profit or loss using the effective interest method. This includes fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability.

Dividends and distribution income
Dividends and distribution income are recognised when the right to receive income is established.

Other income
Non-yield related application and activation lending fee revenue is recognised when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing services, for example maintaining and administering existing facilities, insurance portfolio fund management services income, and asset management services, are recognised on an accrual basis when the service is provided.

31.4.
INCOME TAX

Income tax expense comprises current and deferred tax and is recognised in the profit or loss except to the extent it relates to items recognised in equity or in other comprehensive income.

Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Provisions for taxation require the Group to take into account the impact of uncertain tax positions. For such uncertainties, the Group relies on estimates and assumptions about future events.

Tax consolidation
The Group is a wholly-owned entity in a tax-consolidated group, with Suncorp Group Limited as the head entity.

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

The members of the tax-consolidated group have entered into a tax-sharing agreement and a tax funding agreement. Under the tax funding agreement, the Group fully compensate the Suncorp Group Limited for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

Taxation of financial arrangements
The Company has accepted the default method of accruals or realisation and has not made any elections regarding transitional financial arrangements or other elective timing methods.

31.5.
GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Receivables and payables are stated with the amount of GST included.

31.6.
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. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

Receivables due from and payables due to other banks include collateral posted or received on derivative positions, nostro balances and settlement account balances. They are carried at the gross value of the outstanding balance.

31.7.
NON-DERIVATIVE FINANCIAL ASSETS

Upon initial recognition, financial assets of the Group are classified into one of the following categories:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are classified as held for trading and are included in investment securities as trading securities.

They are initially recognised on trade date at fair value. Transaction costs are recognised in the profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date and any gains or losses are taken immediately to the profit or loss.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are initially recognised on trade date at fair value plus any directly attributable transaction costs and subsequently are measured at amortised cost using the effective interest rate method at each reporting date.

Loans and other receivables
Loans and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These include all forms of lending and direct finance provided to Banking customers including finance leases, premiums outstanding and other insurance receivables. They are initially recognised on the date they originated.

They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

31.7. NON-DERIVATIVE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets

Available-for-sale financial assets consist of debt and equity securities which are intended to be held for an indefinite period of time, but which may be sold in response to a need for liquidity or changes in interest rates or exchange rates. They are initially recognised on trade date at fair value plus any directly attributable transaction costs and are measured at fair value at each reporting date.

Fair value gains and losses, other than foreign exchange gains and losses on debt securities, are recognised in other comprehensive income until impaired or derecognised, whereupon the cumulative gains and losses previously recognised in other comprehensive income are transferred to profit or loss. Foreign exchange gains and losses on debt securities are recognised in profit or loss.

Derecognition of financial assets

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

Repurchase agreements

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date (repurchase agreement), the financial assets sold under such agreements continue to be recognised as a financial asset and the obligation to repurchase recognised as a liability.

31.8. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are carried at cost.

31.9. DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge the Group's assets and liabilities or as part of the Group's trading and investment activities.

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Fair values are determined from quoted market prices where available, or else by using discounted cash flow models, broker and dealer price quotations or option pricing models as appropriate.

Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss (note 31.7) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 31.10).

Embedded derivatives

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

31.10.
HEDGE ACCOUNTING

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

Cash flow hedges

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

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

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and accumulated in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

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

Fair value hedges

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

- a recognised asset or liability;
- an unrecognised firm commitment; or
- an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit and loss.

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

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

31.11.
IMPAIRMENT

Financial assets

Financial assets, other than those measured at fair value through profit and loss, are assessed each reporting date to determine whether there is any objective evidence of impairment. If impairment has occurred, the carrying amount of the asset is written down to its estimated recoverable amount.

31.11.
IMPAIRMENT (CONTINUED)

Loans and advances

An impairment loss is recognised in respect of financial assets measured at amortised cost when the carrying amount of the asset exceeds the present value of estimated future cash flows discounted at the asset's original effective interest rate. When impairment losses are recognised, the carrying amount of the relevant asset or group of assets is reduced by the balance of the provision for impairment. If a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

The amount necessary to bring the impairment provisions to their assessed levels, after write-offs, is charged to profit or loss. All known bad debts are written off in the period in which they are identified. Where not previously provided for, they are written off directly to profit or loss.

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

In relation to the provision for impairment of loans and advances, two categories of provisions are recognised: specific provisions and collective provisions. Specific impairment provisions are recognised for all loans where there is objective evidence that an individual loan is impaired. Specific impairment provisions are based on the carrying amount of the loan and the present value of expected future cash flows.

A collective provision is established for loan portfolios which are not specifically provisioned. Collective provisions are held for potential credit losses which have been incurred but not yet specifically identified, and can be in the performing or non-performing portfolios. For business banking exposures, a ratings based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.

Available-for-sale financial assets

An impairment loss is recognised in respect of available-for-sale financial assets where there is evidence of a decrease in fair value below cost. Cumulative losses are transferred from the available-for-sale reserve in equity to the profit or loss. When subsequent events cause the amount of the impairment loss to decrease, a reversal of the impairment is recognised in profit or loss for debt securities if the decrease can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, and in equity for equity securities and other debt security recoveries.

Non-financial assets

Non-financial assets are assessed for indicators of impairment at each reporting date. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit (CGU)) – this may be an individual asset or a group of assets. The recoverable amount is the greater of 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 or CGU.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

31.12.
NON-DERIVATIVE FINANCIAL LIABILITIES

Upon initial recognition, financial liabilities of the Group are classified into one of the categories listed below.

Financial liabilities at fair value through profit or loss

These liabilities are classified as either held for trading or those that are designated upon initial recognition. Liabilities are initially recognised on trade date at fair value with any directly attributable transaction costs recognised in profit or loss as incurred. Fair value is determined using the offer price where available. Movements in the fair value are recognised in the profit or loss. The Group designates certain short-term offshore borrowings at fair value through profit or loss when they are managed on a fair value basis.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. The Group's financial liabilities at amortised cost includes deposits and short-term borrowings, debt issues, subordinated notes.

Hybrid instruments

Hybrid instruments are those that have an embedded derivative that should be separated, and has both financial liability and equity characteristics.

The embedded derivative component is accounted for separately from the host contract and is recognised at fair value on initial recognition. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The amount allocated to the equity component is the residual.

Issue costs are apportioned between the liability and equity components of the instruments on their relative carrying amounts at the date of issue.

Derecognition of financial liabilities

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

31.13.
LEASES

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).

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

31.14.
CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent assets are not recognised but are disclosed in the financial statements 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.

31.15. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

- AASB 9 *Financial Instruments* was issued and introduces changes in the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting. This standard becomes mandatory for the Group's 30 June 2019 financial statements. The potential effects on adoption of the standard are currently being assessed.
- AASB 15 *Revenue from Contracts with Customers* was issued and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It will replace the existing revenue recognition standards including AASB 118 *Revenue*. This standard becomes mandatory for the Group's 30 June 2018 financial statements. The potential effects on adoption of the standard are currently being assessed.

32. SUBSEQUENT EVENTS

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.

Directors' declaration

1. In the opinion of the directors of Suncorp-Metway Limited (the **Company**):
   a. the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report set out on pages 16 to 42, 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 2015 and of their performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2015.
3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dr Ziggy Switkowski AO
Chairman

Patrick J Snowball
Managing Director and Group CEO

4 August 2015

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

Report on the financial report

We have audited the accompanying financial report of Suncorp-Metway Limited (the **Company**), which comprises the consolidated statements of financial position as at 30 June 2015, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

a. the financial report of the Suncorp-Metway Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2015 and of their performance for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*

b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2.1.

Report on the Remuneration Report

We have audited sections 2, 3, and 4 of the Remuneration Report included in pages 19 to 42 of the Directors' Report for the year ended 30 June 2015 that are described as audited. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion
In our opinion, the information set out in the Remuneration Report of Suncorp-Metway Limited for the year ended 30 June 2015, that is described as audited, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Jillian Richards

Jillian Richards
Partner
Brisbane

4 August 2015