SUNCORP GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2014 /15

One Company
Many Brands

SUNCORP GROUP

Leaner. Faster. Smarter.

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Chairman's Report

Dear Shareholder

Suncorp is a low-risk, financial services conglomerate, operating in Australia and New Zealand. The Group aims to deliver high yield and steady growth for its shareholders by diligently serving its customers.

This past year clearly demonstrates that our conglomerate structure enables good outcomes even under adverse conditions. In aggregate, the Suncorp Group has delivered a strong result. Full year net profit after tax improved to $1,133 million, despite the significant financial impact of weather events, which totalled more than one billion dollars in net claims.

The Bank is free of legacy issues and is performing strongly. It has lifted return on equity and is winning awards along the way. The Life Insurance business is now pointed in a positive direction and is expected to grow as the sector restructures. The General Insurance businesses were hit with record natural hazard claims expenses, but were able to offset the financial impact with reserve releases achievable through sustained improvements in claims management. In New Zealand, both the general and life insurance businesses have powered ahead.

SUSTAINABLE VALUE CREATION

Suncorp Group continues to deliver attractive shareholder returns through disciplined cost and capital management, reinsurance arrangements and ongoing business efficiency improvements.

Total shareholder return (including dividends) for the year was 6.8%, slightly ahead of the ASX200 accumulation index of 5.7%. Over the past five years the Group has delivered total returns of 124% and improved its share price by 67%. The business remains focused on delivering sustainable returns to shareholders through superior customer service and moderate growth while maintaining margins.

The Suncorp Group Limited Board has declared the payment of a final ordinary dividend of 38 cents per share. For the fourth consecutive year, the Board has also declared a special dividend which will be paid at 12 cents per share. This brings the year's total dividend to 88 cents per share fully franked and supports the Group's commitment to returning capital to shareholders that is in excess of regulatory ratios and surplus to operating requirements.

A CLEAR AND COMMITTED STRATEGY

We remain unified behind the One Company. Many Brands operating model which continues to drive scale efficiencies across the Group while enabling deeper relationships with more of Suncorp's nine million customers.

Ongoing Simplification programs are streamlining operations while reducing costs and risk. Suncorp is on target to deliver the Optimised Platform in the 2017/18 financial year. This will improve the Group's flexibility to respond quickly to customer needs and changing market dynamics.

Our strong cash flows and capital position allow us to invest in systems, products and capability so we can innovate and remain a leader in our field.

The Board and executive team are very clear about our role to create long-term shareholder value. This is a business that has been enmeshed in Australian and New Zealand communities for more than 110 years. It is our aim to respect this heritage and set the Group up for future success.

CHANGE OF LEADERSHIP

Under the leadership of Group CEO Patrick Snowball and his executive team, the Company has established credibility and confidence with the market while building a highly engaged culture where Suncorp's people can feel proud about their contributions. The Company's turnaround is complete. The Group is now leaner, faster and smarter and in a great position to leverage its strategic assets – cost, capital, customers and culture.

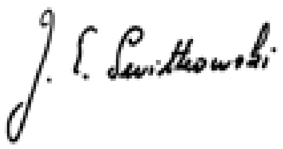
On behalf of the Board, I would like to thank Mr Snowball for his enormous personal contribution and exceptional leadership in transforming the Group during his six year tenure. He will leave the business in outstanding shape as a leading financial services provider in Australia and New Zealand.

Suncorp welcomes Michael Cameron to the Group CEO position. Through his role on the Board since 2012, he has helped shape our strategy and define our priorities. In appointing Mr Cameron, the Board believes he is the right leader for this time and will be at the helm of a company that is buzzing with energy and enthusiasm.

In closing, I would like to express my gratitude to Suncorp's people whose dedication and passion for this business are both impressive and a great source of competitive advantage.

I'd like to thank my Board colleagues for their steadfast support, commitment and conscientious stewardship of the Company.

I would also like to thank Suncorp Group's loyal customers and shareholders. You remain the reason we are driven to innovate, succeed and grow.



Dr Ziggy Switkowski AO
Chairman of the Board

4 August 2015

Directors' Report

The directors present their report together with the financial report of the **Suncorp Group** (or **Group**), being Suncorp Group 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.

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 December 2010 and director of Suncorp-Metway Limited since September 2005

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Oil Search Limited	22-11-10	
Suncorp-Metway Limited	19-09-05	
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 December 2010 and Managing Director of Suncorp-Metway Limited since joining the Group on 1 September 2009

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Suncorp-Metway Limited	01-09-09	

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 December 2010 and director of Suncorp-Metway Limited since July 2003

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-Metway Limited	01-07-03	

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-Metway 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-Metway 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 December 2010 and director of Suncorp-Metway Limited since March 2007

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Suncorp-Metway Limited	20-03-07	

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-Metway 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-Metway 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 December 2010 and director of Suncorp-Metway Limited since March 2007

LISTED COMPANY DIRECTORSHIPS HELD SINCE 1 JULY 2012

COMPANY NAME	APPOINTED	RESIGNED
Heartland New Zealand Limited (NZX)	05-01-11	
Suncorp-Metway Limited	20-03-07	
Spotless Group Limited	08-07-96	16-08-12

Mr Ricketts is Chairman of Todd Corporation Limited (NZ) and Heartland New Zealand Limited, and 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-Metway 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

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

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange (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 August 2010, having been Company Secretary of Suncorp-Metway Limited since 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 23 and forms part of the Directors' Report for the financial year ended 30 June 2015.

6. PRINCIPAL ACTIVITIES

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

There were no significant changes in the nature of Suncorp 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. SUNCORP GROUP'S OBJECTIVES

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 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 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 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 Group.

The 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 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 $489 million (38 cents per share) was paid on 1 April 2015. A fully franked 2015 final ordinary dividend of $489 million (38 cents per share) and a fully franked 2015 special dividend of $154 million (12 cents per share) has been declared by the directors.

Further details of dividends on ordinary shares provided for or paid are set out in note 4 to the consolidated financial statements.

8. OPERATING AND FINANCIAL REVIEW

8.1. OVERVIEW OF THE SUNCORP GROUP

The Suncorp Group has delivered a net profit after tax of $1,133 million for the financial year ended 30 June 2015 (2014: $730 million), up 55.2%. The strong result was achieved despite Suncorp's worst ever year for natural hazard events, which had a financial impact of $1,068 million, well above the annual allowance of $595 million. The result underscores the benefit of the Group operating a conglomerate structure with a diversified earnings base.

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 Group's strong margin focus has continued to deliver attractive returns for shareholders despite the adverse year of natural hazard events and an easing in the Group's top-line growth. The Board has determined a final ordinary dividend of 38 cents per share. This brings total ordinary dividends for the 2015 financial year to 76 cents per share.

In addition, the strength of the Group's balance sheet has enabled the Board to determine a special dividend of 12 cents per share. The total 2015 dividends declared equate to 100% of the Group's net profit after tax. Based on capital levels at 30 June 2015 on an ex-dividend basis, the Group will remain well capitalised with $570 million in Common Equity Tier 1 (**CET1**) capital held above its operating targets. The General Insurance CET1 coverage ratio is 1.40 times Prescribed Capital Amount (**PCA**) and the Bank CET1 ratio is 9.15%.

In addition to delivering strong returns for shareholders, the Group has continued to deliver exceptional service for its customers. The benefits of the Group's operational efficiencies are providing enhanced service and, where possible, premium reductions. These benefits have been recognised by the Group's customers and are reflected in improved retention rates and high levels of customer satisfaction.

Strong customer satisfaction has allowed the Group to deliver targeted growth in key segments, notably:

- unit growth in both the Australian Personal and Commercial businesses
- unit growth and increased market share in the New Zealand business
- Banking delivering 3.9% growth in gross loans and advances, with annualised mortgage growth of over 10% in the second half partly offset by a reduction in commercial and agribusiness lending; and
- Life grew in Direct products sold through General Insurance brands and maintained a 'value over volume' approach to the Independent Financial Advisers (**IFA**) channel.

The Group's ongoing commitment to expense control is demonstrated with Group operating expenses being flat over the financial year.

During the year, the Group improved its capability in risk management. This included building on the implementation of risk based capital (**RBC**) modelling in 2013. The Group and the business areas have used RBC to assess risk appetite, reinsurance strategy and capital targets and triggers. As a result of the annual review of targets, the General Insurance CET1 target operating range and the Non-operating Holding Company (**NOHC**) targets have been reduced. The Group continues to hold capital above its revised targets.

8.2. REVIEW OF PRINCIPAL BUSINESSES

General Insurance delivered a net profit after tax of $756 million for the financial year ended 30 June 2015 (2014: $1,010 million) despite a series of high impact weather events that resulted in the Group's worst year for natural hazard events.

The insurance trading result (**ITR**) was $894 million (2014: $1,195), representing an ITR ratio of 11.4% (2014: 15.5%). The result was driven by underwriting discipline in a highly competitive market together with a continued focus on claims and expense management.

Gross written premium (**GWP**) was flat overall at $8,872 million (2014: $8,870 million) with continued growth in the New Zealand and Compulsory Third Party (**CTP**) portfolios offsetting slight reductions in the Australian Motor and Home portfolios.

The Australian Personal Insurance business successfully reinvested the benefits of the Simplification program, reinsurance savings and improved risk selection in targeted premium reductions to improve customer retention. This has resulted in positive trajectory on unit growth in both Home and Motor during the year. New Zealand Personal Insurance is experiencing strong profitable growth.

The Commercial Insurance business's diverse portfolio, coupled with its commitment to underwriting discipline and market-leading claims performance, has seen it maintain its strong position in a competitive market. In Australia, this has been boosted by the business's all-time high broker relationship score and its increased focus on customer services.

CTP GWP grew 5.9% partly through the Group's ability to leverage the scale of its national CTP model to enter new markets.

Net incurred claims were $5,587 million (2014: $5,240 million), with a loss ratio of 71.0% (2014: 67.8%). Natural hazard claims were $1,068 million, $473 million above the 2015 financial year allowance, driven by a high number of natural hazards including the Brisbane Hailstorm in November, Cyclone Marcia in February and NSW Low Storms in late April.

Reserve releases of $427 million were well above the expectation of 1.5% of net earned premium (**NEP**) being $118 million. This was attributable to the proactive management of long-tail claims and a benign wage and super-imposed inflation environment.

At the half-year results announcement on 11 February 2015, the Group advised that there was a potential issue relating to recoveries under 2011 catastrophe reinsurance program. This potential issue had a maximum financial impact of $118 million after tax. The Group has now largely finalised commercial negotiations with all stakeholders, the effect of which reduced the impact of this to less than $20 million after tax ($29 million before tax). Negotiated arrangements include one-off ex-gratia payments and other recovery payments from key reinsurance partners.

In consideration of this support, the Group has provided, and in some cases increased, participation for some reinsurers on key reinsurance protections including adverse development cover and multi-year catastrophe covers. While unrelated to the claims recovery, these support items benefit the Group in the 2015 financial year and have also contributed to mitigating the impact of this issue.

The 2016 financial year catastrophe program and the additional multi-year covers have been purchased on favourable terms relative to the 2015 reinsurance program.

Total operating expenses were $1,783 million (2014: $1,776 million) with the operating expense ratio improving to 22.6% from 23.0%.

Investment income on Insurance Funds was $399 million (2014: $487 million), with gains from reductions in risk-free rates partially offset by the relative underperformance of inflation-linked bonds. Investment income on Shareholders' Funds of $179 million (2014: $269 million) also benefited from reductions in risk-free rates.

8.2.
REVIEW OF PRINCIPAL BUSINESSES (CONTINUED)

Banking delivered a strong net profit after tax result of $354 million (2014: $228 million), up 55.3%, while executing on major transformational programs of work.

Banking 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.

Banking maintains a focus on sustainable, high quality growth in target segments. Total loans and advances reached $51,735 million (2014: $49,781 million), an increase of 3.9%.

Retail deposits remain the Bank's 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.

Net interest income increased 9.1% from $1,011 million to $1,103 million. Banking's net interest margin (**NIM**) improved 13 basis points (**bps**) to 1.85% and sits at the top end of the target operating range of 1.75% to 1.85%. The NIM benefited from improvements in both funding composition and pricing.

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. Banking continues to hold appropriate provisioning for stress across both retail and business lending segments.

The CET1 ratio increased 61 bps to 9.15%, above the target range of 8.5% to 9.0%. Banking is well positioned given the broader strengthening of capital targets across the banking industry.

Life delivered a net profit after tax for the financial year of $125 million (2014: $92 million before policy adjustments of $176 million), up 35.9%.The business has outperformed expectations with favourable claims and lapse experience. Profit after tax benefited from a reduction in long-term interest rates which will unwind when rates increase. Overall claims and lapse experience was favourable $15 million. The result was also underpinned by a strong focus on costs, with operating expenses down 7.3%.

Life continues to drive sustainable growth across the portfolio with a focus on value over volume. This is reflected in the value of one year's sales (**VOYS**), which has more than doubled to $25 million.

Annual in-force premium increased to $970 million (2014: $911 million) with total in-force premium up 6.5%. Direct in-force products sold through General Insurance increased by over 20% as Life unlocks the Suncorp Group 'One Company. Many Brands' opportunity and continues to diversify its product and channel mix.

Superannuation delivered strong growth. New business of $496 million was driven by good growth in both Suncorp Everyday Super and WealthSmart, which also benefited from strong pension sales during the first half driven by regulatory change.

The New Zealand business has continued to grow its in-force portfolio through its focus on customer centricity in all processes, developing value-adding and sustainable intermediary relationships, and a market leading customer retention strategy. This has been evidenced by once again winning the New Zealand Life Company of the Year Award.

8.3. REVIEW OF FINANCIAL POSITION

Total assets of the Suncorp Group increased by $1,222 million or 1.3% to $95,651 million compared with 30 June 2014.

Trading securities decreased by $209 million primarily driven by liquidity optimisation.

Derivative assets increased by $358 million mainly driven by the weaker Australian dollar resulting in positive fair value adjustments to cross currency swaps.

Investment securities decreased by $785 million following ordinary and special dividend payments during the financial year partially offset by investment returns for the financial year.

Loans and advances increased by $1,954 million primarily 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 Banking looked to reposition the balance sheet through selective acquisition of new credit and manage the exposures deemed outside of risk appetite.

Reinsurance and other recoveries decreased by $87 million mainly attributable to the progress made on settling recoveries from New Zealand earthquake claims.

Total liabilities of the Suncorp Group increased by $1,503 million or 1.9% to $82,133 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 $320 million due to the shift in retail funding mix from term 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.

Outstanding claims liabilities increased by $266 million due to high levels of natural hazards (Cyclone Marcia, NSW and Qld storms) occurring during the financial year which has increased the liability despite a large amount of claims payments made. In addition, the Australia long-tail reserve increased due to growth in premiums.

Gross policy liabilities decreased by $183 million due to a downward movement in zero coupon government bonds throughout the financial year contributing to a decrease in the valuation of gross policy liabilities. In addition, there was a net redemption in the unit linked business as a result of an increased competitive environment in the superannuation market.

Managed funds units on issue increased by $115 million due to greater non-controlling interests held in the consolidated managed investment schemes.

Securitisation liabilities increased by $58 million with the new issuances of $1,250 million largely offset by the repayment of debt which is contractually linked to the run-off in the existing securitised loans.

Debt issues increased by $1,038 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.

Subordinated notes decreased by $151 million mainly driven by a payment on call of $183 million offset by unfavourable foreign exchange movements.

Total equity decreased by $281 million or 2.0% to $13,518 million compared with 30 June 2014.

Retained profits decreased by $253 million due to total dividends paid (2014 final ordinary and special dividends and 2015 interim ordinary dividend) of $1,386 million exceeding the current year profit after tax attributable to owners of the Company of $1,133 million.

8.4.
REVIEW OF CAPITAL STRUCTURE

The Suncorp Group's capital management strategy 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) and the Reserve Bank of New Zealand.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the 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 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 business line 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 Bank 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.

The Group's enhanced capital management, together with strong business profitability, has resulted in a significant increase in dividends over the past four years. The Group's net profit after tax facilitates a fully franked final ordinary dividend of 38 cents per share, in line with the interim dividend. This brings total ordinary dividends to 76 cents per share, up one cent per share (1.3%). Given the strength of the Group's profitability, the Board is comfortable adopting a full year payout ratio that is slightly above its targeted range. The Group's strong capital position again facilitates payment of a special dividend of 12 cents per share, fully franked.

Risk Based Capital (RBC)

The Group's Risk Based Capital models, first introduced in 2013, have been further developed and embedded in capital and risk processes. In particular, the RBC models have:

- enabled enhanced articulation of aspects of risk appetite across the Group, including a review of the risk appetite, and associated capital targets and triggers, for the General Insurance business; and
- been a key tool used in the annual review of capital targets and triggers for the Life business and the overall Group, including confirmation of the strength of the Group's targets given the diversification inherent in the conglomerate structure.

In addition to assessment of capital targets, the Group's RBC modelling framework will be increasingly used to drive optimal decision-making in the Group, including: product pricing, assessment of growth opportunities, informing business planning via sensitivity analysis, further development of risk appetite, reinsurance strategy and strategic asset allocation. Going forward, RBC will continue to be used to explore opportunities to further optimise the Group's capital structure.

8.4. REVIEW OF CAPITAL STRUCTURE (CONTINUED)

Capital position at 30 June 2015

The CET1 capital positions (pre dividend) as at 30 June 2015 are:

- the General Insurance business CET1 position was 1.40 times the PCA, above its target operating range of 0.95 – 1.15 times PCA
- the Bank's CET1 ratio was 9.15%, above its target operating range of 8.5% – 9.0%
- Life's excess CET1 to Target was $104 million.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $570 million after adjusting for the final ordinary and special dividends.

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

Suncorp 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 Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

10. LIKELY DEVELOPMENTS

The benefits of the Suncorp Group's transformation have been fully demonstrated over the past year. The Building Blocks and Simplification programs of work have created a leaner, faster, smarter organisation that is more responsive to customer needs.

Combined with a very strong balance sheet and a resilient diversified earnings profile, the Group has set the foundation to capitalise on the 'One Company. Many Brands' business model and maximise the Group's strategic assets of Cost, Capital, Customer and Culture. Building on the successful Building Blocks and Simplification programs, a further $170 million of annual efficiency benefits will be delivered by the Optimisation program in the 2018 financial year. The Group will invest $75 million for the Optimisation program of work which completes the redesign of the Group's operating systems. The benefits include improved efficiency of processing claims, motor vehicle repairs, home repairs, procurement, technology and business intelligence.

The Simplification and Optimisation programs provide Suncorp Group with the ability to deliver strong sustainable margins, quality long-term growth and the agility to respond to changing external markets. These programs form the basis of Suncorp's shareholder promise to build a simple, low risk financial services group that delivers both high yield and above-system growth.

10. LIKELY DEVELOPMENTS (CONTINUED)

In the medium term, Suncorp Group's key targets are:

- 'above-system' growth in key target markets
- optimisation benefits of $170 million in the 2018 financial year
- 'meet or beat' an underlying insurance trading result of 12% through the cycle
- sustainable return on equity of at least 10%
- an ordinary dividend payout ratio of 60% to 80% of cash earnings; and
- continuing to return surplus capital to shareholders.

The Group's RBC modelling framework is now embedded throughout the Group and being applied for business as usual purposes such as product pricing and business plan sensitivity analysis, particularly in relation to capital sufficiency and earnings volatility. RBC is also a key driver in the long-term strategic decisions for the lines of business and the Group and, for example, is being applied for the purposes of reinsurance analysis and asset allocation.

General Insurance will continue to 'meet or beat' the 12% underlying ITR and maintain positive unit growth by focusing on customer retention in all three business lines.

The Optimisation program will directly benefit the General Insurance business by streamlining operational processes and reducing costs. Further operational efficiencies and improved customer service will result from the Group's vertical integration strategy that includes SMART, SMART Plus, ACM parts and the home repairs initiative.

Banking 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 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.

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

In addition, the Group's Business Intelligence and Suncorp Group customer extensions programs will be key differentiators, allowing Banking to meet more customers' needs.

The expected continuation of a low growth and low yield economic outlook is likely to increase competition in the mortgage market. Banking is well placed to continue to 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.

Life is well placed to take advantage of industry dislocation having already reset its strategy and balance sheet. Life's customer centric strategy will continue to develop across its Australian and New Zealand businesses. The business will focus on value over volume by leveraging the Acclaim IFA program and growth of direct products sold through the General Insurance brands. Life continues to benefit from leveraging the Group's expertise in claims and rehabilitation.

Life has a unique opportunity to capitalise on the potential of the Direct channel as it is the only life insurer that is part of a large scale insurance business. Through leveraging the evolving analytic capability across the Group, access to a large customer base through trusted brands, and realising significant value chain efficiencies, Life is well placed to capitalise on the opportunities now afforded by industry transformation.

11. KEY INTERNAL AND EXTERNAL RISKS

The risks Suncorp Group manages include strategic, counterparty, market, asset and liability, liquidity, insurance, operational, and compliance-related risks. Specific detail on Suncorp'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 Group's strategic planning processes, innovation programs, continual market and competitor monitoring and leveraging the 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 Group's agile way of working and have established change management programs.
- macroeconomic and industry factors which adversely affect lapse and claims experience in the life business. The Group continues to play an active role in the reform agenda for the industry. Valuation assumptions for the life business have been reset for the anticipated impacts as the life industry progresses through reforms. Customer strategies and product design have been enhanced.
- 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.
- natural hazards that result in earnings volatility exceeding Board and market expectations. Natural hazard catastrophe modelling and a reinsurance program are designed and managed to maintain earnings volatility within the risk appetite of the Board.
- external and cyber security threats leading to loss, compromise or unavailability of 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.

A summary of the governance framework is included on page 52. More complete information on key risk categories, risk management and the overall Suncorp Group governance framework is in the Company'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 domestic and global legislative and regulatory reforms which will, or may, impact the Suncorp Group's operations in Australia and New Zealand now and in the future. Government and regulator consultations, reviews and inquiries which may result in relevant changes or proposals that could impact the Suncorp 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 International Association of Insurance Supervisors, 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.

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

AUSTRALIA

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 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 Suncorp-Metway Limited.

Australian Prudential Regulation Authority Level 3 Framework

APRA released its proposed framework for the supervision of Level 3 conglomerate groups (the **Level 3 framework**) in August 2014. The Level 3 framework will apply to the Suncorp Group and imposes group-wide requirements in relation to governance, exposure management, risk management and capital adequacy. A timetable for implementation is to be determined once the Federal Government's response to the Inquiry is known. The Suncorp Group remains well placed to implement the proposed requirements.

Prudential Standards CPS220 and CPS510

APRA has 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 Suncorp Group Limited and its regulated subsidiaries.

General Insurance Code of Practice

In 2014, the Insurance Council of Australia (**ICA**) released a revised *General Insurance Code of Practice* (**Code**). The revised Code imposes 'stronger and more detailed obligations' on Code signatories in relation to hardship claims and will limit certain existing Code obligations (including the timing requirements for claims handling) to retail insurance. The ICA is liaising with the Australian Securities and Investment Commission (**ASIC**) on potentially submitting a formal application for Code approval. Participants to the revised Code, including Suncorp Group Limited subsidiary AAI Limited, are required to be fully compliant from 1 July 2015.

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 Suncorp Group by the initial reforms.

There have also been numerous inquiries into, and reports on, the financial adviser and life insurance industries including those by the Financial System Inquiry, the Federal Parliamentary Joint Committee on Corporations, ASIC and the Life Insurance Advisory Working Group. Of particular note was the release of the Trowbridge Report which made 11 recommendations relating to adviser remuneration, licensee remuneration, quality of advice and insurer practices. The Federal Government is consulting on raising the professional, ethical and education standards in the financial services industry. It is currently uncertain as to what the eventual impact of any of these inquiries, reports or consultations will be other than that there will be changes.

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

AUSTRALIA (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, Suncorp Bank 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 Suncorp Bank and other Australian Authorised Deposit-taking Institutions to meet the NSFR by 1 January 2018. The Basel III reforms impose higher regulatory capital requirements for Suncorp Bank 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.

Northern Australia Insurance Premiums Taskforce

On 30 March 2015, the Federal Government established the Northern Australia Insurance Premiums Taskforce which was tasked with examining if the government could "provide support to a reinsurance pool or a mutual insurer that provides cyclone-specific cover" and other policy options to reduce insurance premiums in Northern Australia. The taskforce is expected to provide its report in November 2015. AAI Limited is a significant insurer in Northern Queensland.

NEW ZEALAND

Financial Markets Conduct Act

The Financial Markets Conduct Act 2013 came into force fully on 1 December 2014, with certain transitional arrangements taking effect up to 1 December 2016. The Act represents significant new legislation and will replace much of New Zealand's existing financial markets conduct law. The Act governs the creation, promotion, trading and sale of financial products and introduces, amongst other things, new fair dealing obligations, new disclosure requirements, new licensing obligations, and a new governance and accountability framework.

Consumer Law Reform

New Zealand's consumer laws were revised following the passing of the *Consumer Law Reform Bill* in 2013. This introduces a new prohibition on including or enforcing "unfair contract terms" in standard form consumer contracts which came into force on 18 March 2015. Some exceptions apply for insurance contracts on the basis they will be considered reasonably necessary to protect the legitimate interests of the insurer. The Bill also introduced other changes to the *Fair Trading Act 1986* including a prohibition on making unsubstantiated representations which may affect the way in which New Zealand insurers prepare advertising and marketing materials.

Revised Fair Insurance Code

The Insurance Council of New Zealand (**ICNZ**) has published a revised *Fair Insurance Code* which will come into force from 1 January 2016. The Code will expand upon the existing obligations of ICNZ members with key changes including strict timing requirements for claims handling decisions, breach reporting processes and changes to dispute resolution processes. Members of the ICNZ include AA Insurance Limited and Vero Insurance New Zealand Limited.

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

NEW ZEALAND (CONTINUED)

Solvency Standard for Life Insurance Business 2014

The Reserve Bank of New Zealand released a revised solvency standard made under the *Insurance Prudential Supervision Act 2010*. The new solvency standard came into force on 1 January 2015; however, some sections will not come into effect until 1 January 2016 and those relating to reinsurance of insurance contracts written prior to January 2016 will not come into effect until January 2019. The solvency standard applies to New Zealand licensed life insurers that as a condition of their licence are required to have a solvency margin.

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 Suncorp 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 Suncorp Group may however become subject to state environmental regulation when enforcing securities over land for the recovery of loans. The Suncorp Group has not incurred any liability (including for rectification costs) under any environmental legislation.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

During the financial year ended 30 June 2015, the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

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	755	693
Australian financial services licences	134	114
Other regulatory compliance services	386	389
	1,275	1,196
Audit-related fees (non-regulatory)		
Other assurance services	3,553	2,508
Other services		
Tax compliance	12	10
Other non-audit related services	42	-
	54	10
	4,882	3,714

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 51 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 Suncorp Group's Remuneration Report for the financial year ended 30 June 2015.

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 Suncorp to deliver sustainable returns to shareholders.

Looking ahead, Suncorp 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.

Dr Ziggy Switkowski AO
Chairman of the Board

Bill Bartlett
Chairman of the Remuneration Committee

4 August 2015

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4.3. Other key management personnel transactions 50

INTRODUCTION

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

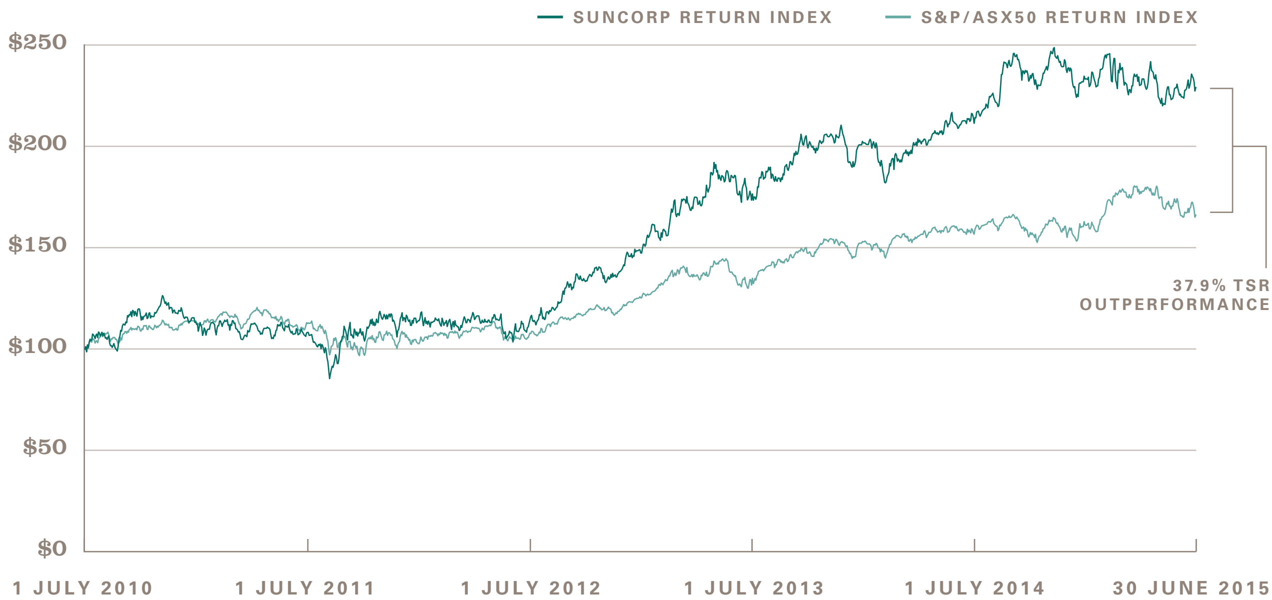
1. SUMMARY OF 2015 PERFORMANCE AND REMUNERATION

FOCUS	DESCRIPTION	FURTHER INFORMATION
Key financial outcomes	• Suncorp 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 Suncorp TSR reflects a 0.8% decline in the share price, more than offset by the $1.08 of total dividends paid during the year. • Suncorp'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 the Group'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. • Group 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 Suncorp Group Limited[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] Suncorp Group Limited 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 STI	At-risk remuneration LTI
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	

PERFORMANCE AND RISK ALIGNMENT

Fixed Remuneration	STI	LTI
› 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:

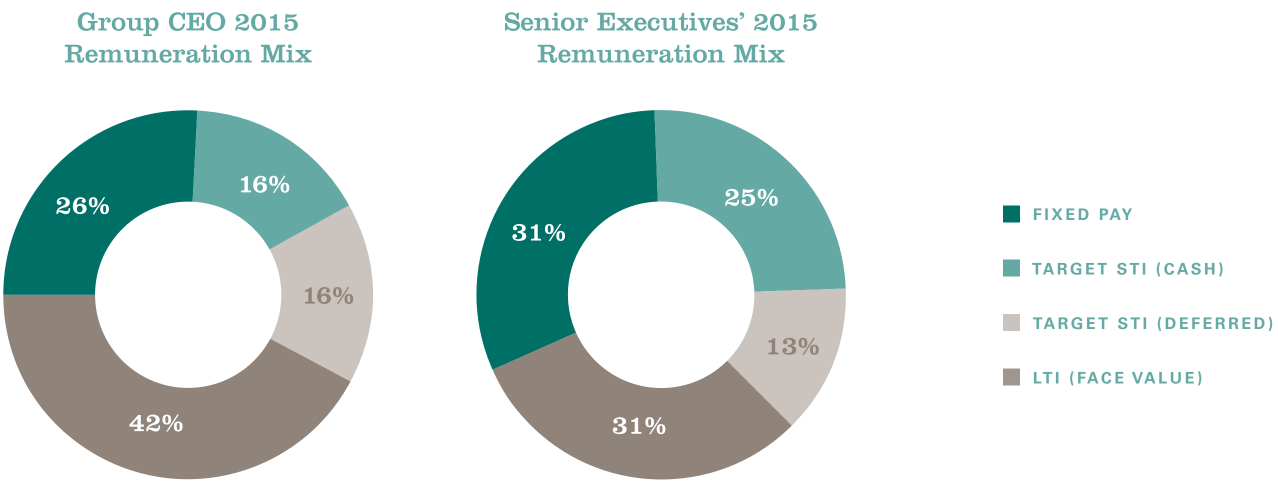
- the deferred portion of 2015 STI (excluding the value of any future interest payable on vesting), which is subject to potential clawback during the deferral period
- the face value of LTI performance rights granted during 2015 that may conditionally vest in future years.

[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 the Company'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)

Company performance

The table below provides an overall view of the Company'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 the Company (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in the Company) 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 the Company's share price over the long term determines the extent to which LTI performance rights vest. This is measured by ranking the Company'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 a company'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 the Company'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 a company 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 the Company'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 the Company'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.

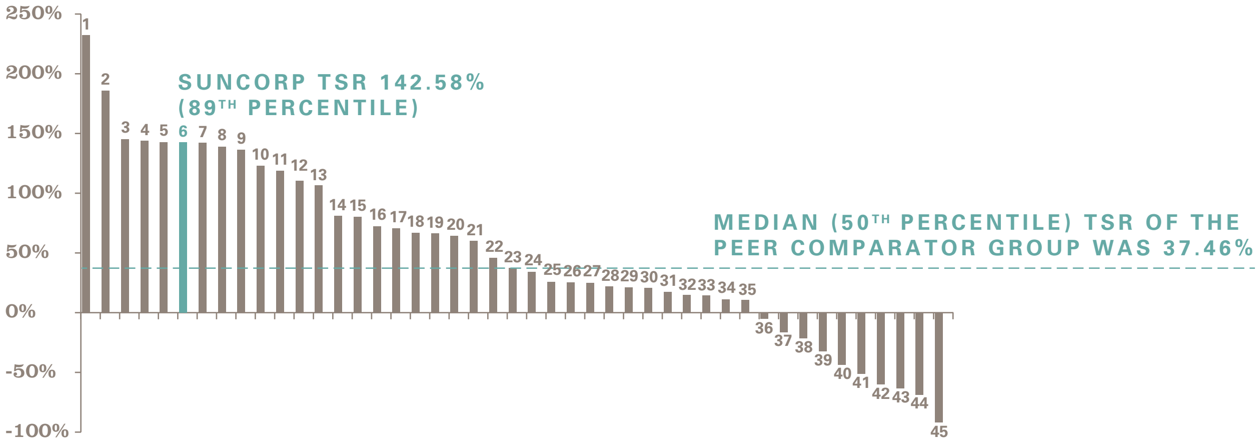
The performance rights vested in three equal tranches and were subject to the performance conditions outlined above.

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%.

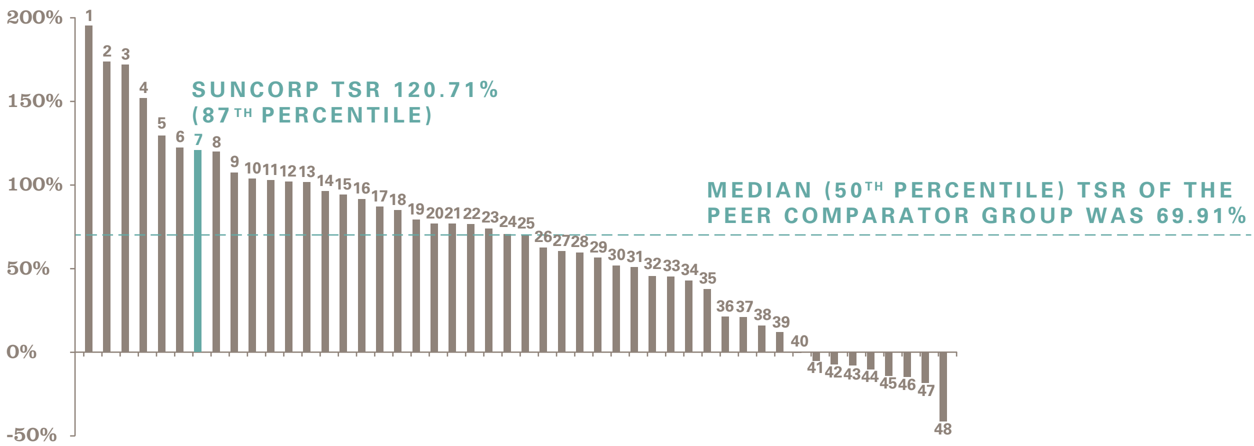
Peer comparator group TSR outcomes, ranked from highest to lowest



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			
				Min[3]	Max[4]	At date of grant[5]	As at 30 June 2015[6]	Vested in year	Vested in year
	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 judgment (either at the time business was written, or when a deterioration should have been recognised 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 the Company'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 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 incent-ives	Non-monetary benefits[1]	Other[2]	Super-annuation benefits	Deferred incent-ives[3]	Other[4]	Share-based payments[5]	Total Remun-eration	Perfor-mance 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 the Company. 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 Suncorp Group 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 the Company 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 the Company'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.

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

The movement during 2014 in the number of ordinary shares in the Company 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 the Company'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 the Company 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] The Company issued Suncorp Convertible Preference Shares (**SUNPC**) on 6 November 2012.
[2] The Company 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 GROUP 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

Chris Hall
Partner
Brisbane

4 August 2015

Corporate Governance Summary

2014/15 key areas of focus and achievements

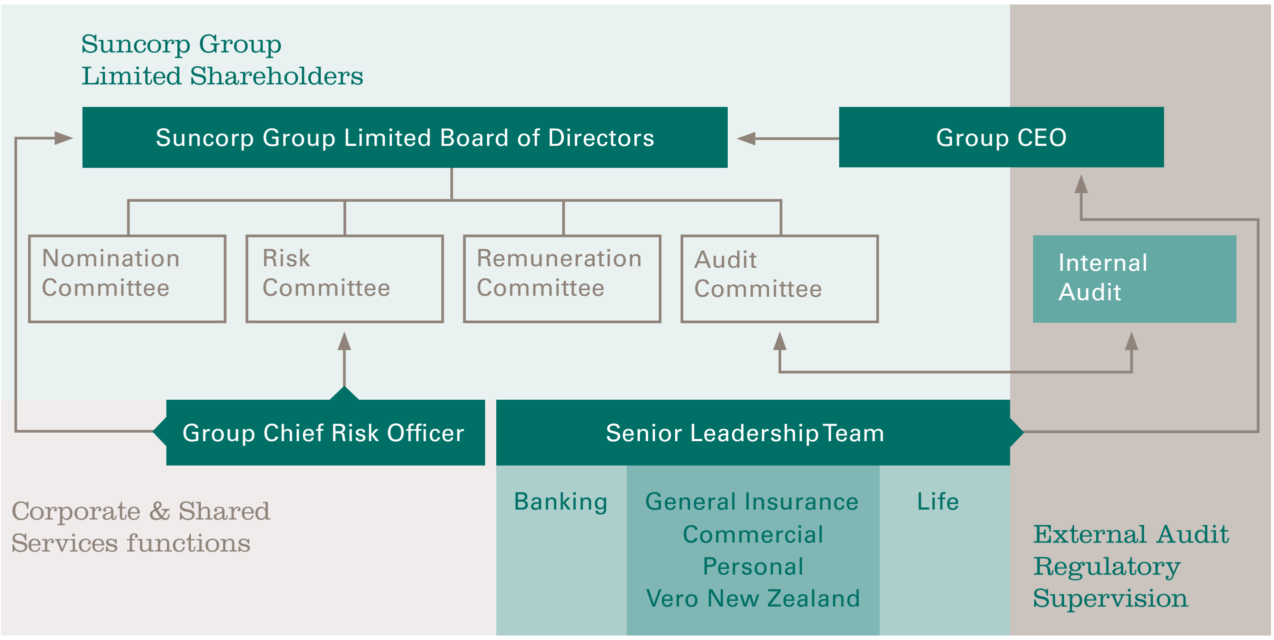
- Significant advancements made in risk based capital management, as well as further progress with risk management systems including the Basel II Advanced program. Group-wide financial risk management has also been enhanced
- Developed a revised Group Diversity and Inclusion Strategy, including the implementation of a number of important initiatives relating to gender, age, inclusion, Indigenous engagement, disability and workplace flexibility
- Created a comprehensive Board Skills Matrix to assist with non-executive director education, development and recruitment
- Key Board changes include Mr Michael Cameron's appointment as incoming Managing Director and Group CEO by October 2015 and Ms Christine McLoughlin's appointment as a non-executive director in February 2015

Suncorp Group Limited ranks in the top 20 companies in the S&P/ASX 100 Index. Its operations in Australia and New Zealand include a general insurance business; Suncorp Bank – a licensed Australian bank; and a specialist life insurer. It employs some 14,500 employees and services more than nine million customers. Detailed information about the Company's business activities is at suncorpgroup.com.au.

1. SUNCORP GROUP'S GOVERNANCE FRAMEWORK

The Board believes high standards of corporate governance are essential for sustainable long-term performance and creating value for shareholders, and is committed to delivering a robust governance system and fostering a culture that values ethical behaviour and integrity.

Suncorp Group complies with the *Corporations Act 2001*, the ASX Listing Rules, and the third edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASXCGC Principles and Recommendations**). As an APRA-regulated entity, the Company also complies with the governance requirements prescribed by APRA under Prudential Standard CPS 510 *Governance*. The key aspects of the corporate governance framework and practices for the 2014/15 financial year are outlined in the Corporate Governance Statement, available at suncorpgroup.com.au/about-us/governance. The governance framework is illustrated below.



1. SUNCORP GROUP'S GOVERNANCE FRAMEWORK (CONTINUED)

The Board and its four committees regularly review the Company's governance framework and associated practices to ensure they keep pace with regulatory change. The Board and committee charters were reviewed during the year; such a review is done regularly to ensure consistency and accuracy.

2. BOARD'S ROLE

The Board directs management in the execution of business objectives, strategies and financial performance. It determines the most appropriate corporate governance and remuneration practices for Suncorp Group, approving key corporate policies and charters, strategy and business plans to achieve the Group's strategic objectives for stakeholders.

The Board considers its current members have an appropriate balance of skills, experience and independence to enable the Board to discharge its responsibilities and deliver the Company's strategy and corporate objectives.

During the year a comprehensive assessment of directors' skills, experience and qualities was incorporated into a robust Board Skills Matrix that will be used to provide targeted learning and development initiatives and when selecting and recruiting new directors to join the Board. The 2014/15 Corporate Governance Statement has more details.

3. INDEPENDENCE OF THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The current Board comprises eight non-executive directors including the Board Chairman, Dr Zygmunt Switkowski AO, who is elected from the independent directors. The Group CEO is an executive director of the Board. The Board considers seven of the eight non-executive directors to be independent. In April 2015, Mr Cameron was appointed to succeed Mr Patrick Snowball as Group CEO by October 2015, and hence Mr Cameron's status as a director is no longer independent.

Information about the directors is set out in the 2014/15 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports.

4. CODE OF CONDUCT AND CORPORATE POLICIES

The Code of Conduct outlines the standards of behaviour expected of all directors, management and employees. In addition to the Code of Conduct, the main business activities are also subject to a number of industry codes such as the General Insurance Code of Practice and the Banking Code of Conduct. There are also a number of internal policies in place as part of a compliance framework to monitor and encourage adherence with the Code of Conduct and industry codes. The key related policies are the:

- Conflicts of Interest Policy
- Whistleblower Policy
- Securities Trading Policy.

The Company monitors compliance with the Code of Conduct and its various other policies using an internal due diligence system. The Code is available at suncorpgroup.com.au/about-us/governance.

5. INTEGRITY OF FINANCIAL AND CORPORATE REPORTING

The Audit Committee and Board receive regular reports from management on the financial performance of each business unit and Suncorp Group, including details of all key financial and business results reported against budget, with regular updates on yearly forecasts.

The Audit Committee has reviewed the integrity of the Company's financial statements for the 2014/15 financial year and that the Company's financial reports for the 2014/15 financial year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

The Audit Committee also monitors internal control policies and procedures designed to safeguard Suncorp Group's assets and maintain the integrity of corporate reporting. A summary of the key responsibilities of the Audit Committee is set out in the Corporate Governance Statement. The Audit Committee Charter is available at suncorpgroup.com.au/about-us/governance.

Information on financial performance for 2014/15 and a description of the key risks which could adversely impact the Suncorp Group's financial performance or position, and matters of corporate responsibility, is discussed in both the 2014/15 Annual Review and the 2014/15 Directors' Report and Financial Statements. All financial reports are available on the website at suncorpgroup.com.au/investors/reports.

6. COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

The Company has a Disclosure Policy which together with associated procedures:

- regulate the communication of market sensitive information
- outline the processes for ensuring material information is not disclosed on a selective basis
- set out the Group's processes to ensure compliance with its continuous disclosure obligations.

The Disclosure Policy summarises the processes that have been adopted to ensure Suncorp Group complies with its continuous disclosure obligations under the *Corporations Act 2001*, the ASX Listing Rules and other regulatory requirements including APRA's Prudential Standard APS 330 *Public Disclosure*. The Disclosure Policy applies to all Suncorp Group directors, employees, contractors, advisors and consultants, and is available at suncorpgroup.com.au/about-us/governance.

Suncorp Group's latest ASX announcements are automatically published on the website, enabling access to the broader investment community. Interested parties can register to receive news updates. The Group seeks to continually improve its online and electronic communications and the functionality of the website and encourages securityholders to elect to receive shareholder reports and other communications electronically.

7. EFFECTIVE MANAGEMENT AND RECOGNITION OF RISK

The Board places great importance on Suncorp Group's risk management function being a robust, independent function with responsibility for all material business risk acceptance decisions. The Group's Enterprise Risk Management Framework lays the foundation for all risk management processes, embeds Board-approved Risk Management Policy and demonstrates the Board's and management's commitment to effective risk management as a key element of business success.

From 1 July 2014, the Group Chief Risk Officer assumed ultimate responsibility for all risk functions in the Group. This change enhances the independence of the risk function, its challenge and oversight of business unit risk taking and ensures that an enterprise view of risk is adopted.

7. EFFECTIVE MANAGEMENT AND RECOGNITION OF RISK (CONTINUED)

During 2014/15, initiatives implemented to enhance sustained performance and risk/return decisions include:

THE IMPLEMENTATION
of greater sophistication in risk appetite including its core link to strategy

FURTHER DEVELOPING
the measurement of the Company's risk capability with a risk maturity model

SIGNIFICANTLY ADVANCING
risk based capital management to enhance strategic decisions and performance management

FURTHER PROGRESS
with risk management systems including the Basel II Advanced program

THE ENHANCEMENT
of Group-wide financial risk management

ESTABLISHMENT
of an enterprise wide compliance strategy

The Board's Risk Committee is responsible for providing oversight for all categories of risk across Suncorp Group and receives written reports from management on the status of risk appetite, the Group's current and emerging risk profile and the effectiveness of the risk framework. A summary of the key responsibilities of the Risk Committee is set out in the Corporate Governance Statement. Further information on Risk Management and the Risk Committee Charter is available at suncorpgroup.com.au/about-us/governance.

8. FAIR AND RESPONSIBLE REMUNERATION SYSTEM

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policy and governance, including executive remuneration arrangements.

The Remuneration Committee consults experts and investors on the appropriateness and equitableness of Suncorp Group's remuneration arrangements. The Committee Chairman and the Group Executive Human Resources also meet with institutional shareholders during the year to discuss the remuneration framework, strategy and policy and to seek feedback on the Remuneration Report. A summary of the key responsibilities of the Remuneration Committee is set out in the Corporate Governance Statement.

The Remuneration Committee Charter is available at suncorpgroup.com.au/about-us/governance.

9. DIVERSITY, INCLUSION AND FLEXIBILITY

Suncorp is passionate about increasing the diversity of its workforce and building an inclusive culture. This focus helps attract the best talent and provides an environment for people to perform their best work and deliver great outcomes for our customers. The Group CEO chairs the Diversity Council which oversees the diversity strategy and policy and monitors progress against agreed objectives.

During 2014/15 the Diversity Council developed a revised Group Diversity and Inclusion Strategy, including the implementation of a number of important initiatives relating to gender, age, inclusion, Indigenous engagement, disability and workplace flexibility. Suncorp Group's policy on diversity is contained within its Equal Employment Opportunity and Diversity Policy, a summary of which is available at suncorpgroup.com.au/about-us/governance.

2014/15 CORPORATE GOVERNANCE STATEMENT IS ONLINE

More information about the Suncorp Group Board and management, corporate governance policies and practices, the Enterprise Risk Management Framework and corporate reporting is in the 2014/15 Corporate Governance Statement available at suncorpgroup.com.au/about-us/governance.

Consolidated statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

CONSOLIDATED	NOTE	2015	2014
		$m	$m
Revenue			
Insurance premium income		9,837	9,707
Reinsurance and other recoveries income		2,234	1,577
Interest income on			
- financial assets not at fair value through profit or loss		2,809	2,910
- financial assets at fair value through profit or loss		691	934
Net gains on financial assets and liabilities at fair value through profit or loss		428	537
Dividend and trust distribution income		141	160
Fees and other income		582	545
Total revenue		16,722	16,370
Expenses			
Claims expense and movement in policyowner liabilities		(8,434)	(8,045)
Outwards reinsurance premium expense		(1,284)	(1,124)
Underwriting and policy maintenance expenses		(2,427)	(2,430)
Interest expense on			
- financial liabilities not at fair value through profit or loss		(1,721)	(1,900)
- financial liabilities at fair value through profit or loss		(95)	(129)
Net losses on financial assets and liabilities not at fair value through profit or loss		-	(13)
Impairment loss on loans and advances	15.2	(58)	(124)
Impairment loss on goodwill and other intangible assets	16	-	(347)
Amortisation and depreciation expense		(155)	(245)
Fees, overheads and other expenses		(886)	(838)
Total expenses		(15,060)	(15,195)
Profit before tax		1,662	1,175
Income tax expense	11.1	(522)	(438)
Profit for the financial year		1,140	737
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges	25	37	47
Net change in fair value of available-for-sale financial assets	25	(8)	23
Exchange differences on translation of foreign operations	25	(54)	98
Income tax expense	25	(9)	(22)
		(34)	146
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses) gains on defined benefit plans		(1)	31
Income tax expense		-	(9)
		(1)	22
Total other comprehensive income		(35)	168
Total comprehensive income for the financial year		1,105	905
Profit for the financial year attributable to:			
Owners of the Company		1,133	730
Non-controlling interests		7	7
Profit for the financial year		1,140	737
Total comprehensive income for the financial year attributable to:			
Owners of the Company		1,098	898
Non-controlling interests		7	7
Total comprehensive income for the financial year		1,105	905
Earnings per share		Cents	Cents
Basic earnings per share	3	88.61	57.11
Diluted earnings per share	3	87.21	57.11

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

AS AT 30 JUNE 2015

CONSOLIDATED	NOTE	2015	2014
		$m	$m
Assets			
Cash and cash equivalents		1,216	895
Receivables due from other banks		595	927
Trading securities	12	1,384	1,593
Derivatives	13	659	301
Investment securities	12	26,130	26,915
Loans and advances	14	51,735	49,781
Premiums outstanding		2,493	2,554
Reinsurance and other recoveries		2,413	2,500
Deferred reinsurance assets		813	774
Deferred acquisition costs		661	619
Gross policy liabilities ceded under reinsurance	20	476	512
Property, plant and equipment		191	205
Deferred tax assets	11.3	197	183
Goodwill and other intangible assets	16	5,783	5,720
Other assets		905	950
Total assets		95,651	94,429
Liabilities			
Payables due to other banks		297	81
Deposits and short-term borrowings	17	43,899	43,579
Derivatives	13	536	625
Amounts due to reinsurers		707	662
Payables and other liabilities		1,599	1,669
Current tax liabilities	11.2	278	379
Unearned premium liabilities	18.1	4,708	4,668
Outstanding claims liabilities	19	9,998	9,772
Gross policy liabilities	20	5,924	6,107
Deferred tax liabilities	11.3	93	58
Managed funds units on issue		233	118
Securitisation liabilities	28.4	3,639	3,581
Debt issues	21	7,869	6,831
Subordinated notes	22	1,406	1,557
Preference shares	23	947	943
Total liabilities		82,133	80,630
Net assets		13,518	13,799
Equity			
Share capital	24	12,684	12,682
Reserves	25	167	206
Retained profits		632	885
Total equity attributable to owners of the Company		13,483	13,773
Non-controlling interests		35	26
Total equity		13,518	13,799

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

CONSOLIDATED	NOTE	Equity attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital $m	Reserves $m	Retained profits $m	Total $m	$m	$m
Balance as at 1 July 2013		12,682	40	1,245	13,967	16	13,983
Profit for the financial year		-	-	730	730	7	737
Total other comprehensive income for the financial year		-	146	22	168	-	168
Total comprehensive income for the financial year		-	146	752	898	7	905
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(1,088)	(1,088)	(6)	(1,094)
Share-based payments	24	(20)	-	(4)	(24)	-	(24)
Treasury share movements	24	20	-	-	20	-	20
Movement in non-controlling interests without a change in control		-	-	-	-	9	9
Transfers		-	20	(20)	-	-	-
Balance as at 30 June 2014		12,682	206	885	13,773	26	13,799
Profit for the financial year		-	-	1,133	1,133	7	1,140
Total other comprehensive income for the financial year		-	(34)	(1)	(35)	-	(35)
Total comprehensive income for the financial year		-	(34)	1,132	1,098	7	1,105
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(1,386)	(1,386)	(7)	(1,393)
Share-based payments	24	9	-	(4)	5	-	5
Treasury share movements	24	(7)	-	-	(7)	-	(7)
Movement in non-controlling interests without a change in control		-	-	-	-	9	9
Transfers		-	(5)	5	-	-	-
Balance as at 30 June 2015		12,684	167	632	13,483	35	13,518

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

CONSOLIDATED	NOTE	2015	2014
		$m	$m
Cash flows (used in) from operating activities			
Premiums received		11,018	10,928
Claims paid		(9,355)	(9,038)
Interest received		3,525	3,858
Interest paid		(1,853)	(2,096)
Reinsurance and other recoveries received		2,531	2,406
Outwards reinsurance premiums paid		(1,379)	(1,244)
Fees and other operating income received		598	447
Dividends and trust distributions received		141	160
Fees and operating expenses paid		(3,564)	(3,512)
Income tax paid		(620)	(189)
Net decrease (increase) in operating assets			
Trading securities		209	1,854
Loans and advances		(2,012)	(1,919)
Net increase in operating liabilities			
Deposits and short-term borrowings		320	32
Net cash (used in) from operating activities	27.1	(441)	1,687
Cash flows from investing activities			
Net proceeds from the sale and purchase of investment securities		1,212	6
Proceeds from other investing activities		115	127
Payments for other investing activities		(232)	(131)
Net cash from investing activities		1,095	2
Cash flows used in financing activities			
Net increase (decrease) in borrowings		709	(1,766)
Payment on call of subordinated notes		(183)	(79)
Proceeds from preference share issue		-	400
Payments for preference share redemption		-	(30)
Proceeds from other financing activities		10	11
Payments for other financing activities		(29)	(41)
Dividends paid on ordinary shares to owners of the Company		(1,386)	(1,088)
Net cash used in financing activities		(879)	(2,593)
Net decrease in cash and cash equivalents		(225)	(904)
Cash and cash equivalents at the beginning of the financial year		1,741	2,641
Effect of exchange rate fluctuations on cash held		(2)	4
Cash and cash equivalents at the end of the financial year	27.2	1,514	1,741

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1. REPORTING ENTITY

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

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

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

2. BASIS OF PREPARATION

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

These 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 its subsidiaries.

As the Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, all financial information presented 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 39.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year. The presentation of the consolidated statement of comprehensive income and consolidated statement of financial position was changed in this financial report to improve the quality of disclosures. For further details, refer to note 39.20.

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 consolidated financial statements comply with International Financial Reporting Standards and Interpretations issued 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. 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 in the following notes:

- liability adequacy test relating to general insurance contracts (refer note 18.2)
- general insurance outstanding claims liabilities and assets arising from reinsurance contracts (refer note 19.3)
- specific and collective provisions for impairment (refer note 30.1(e) and 39.10)
- life insurance contract liabilities (refer note 20.2)
- impairment of goodwill and other intangible assets (refer note 16)
- valuation of financial instruments and fair value hierarchy disclosures (refer note 28).

3. EARNINGS PER SHARE (EPS)

CONSOLIDATED	2015	2014
	$m	$m
Profit attributable to ordinary equity holders of the Company (basic)	1,133	730
Interest expense on convertible preference shares	45	-
Profit attributable to ordinary equity holders of the Company (diluted)	1,178	730
	No of shares	No of shares
Weighted average number of ordinary shares (basic)	1,278,680,915	1,278,270,243
Effect of conversion of convertible preference shares	72,147,105	-
Weighted average number of ordinary shares (diluted)	1,350,828,020	1,278,270,243

The EPS for the financial year ended 30 June 2014 was antidilutive.

4. DIVIDENDS

CONSOLIDATED	2015		2014	
	¢ per share	$m	¢ per share	$m
Dividend payments on ordinary shares				
2014 final dividend (2014: 2013 final dividend)	40	515	30	385
2014 special dividend (2014: 2013 special dividend)	30	386	20	257
2015 interim dividend (2014: 2014 interim dividend)	38	489	35	450
Dividends paid on treasury shares		(4)		(4)
Total dividends on ordinary shares paid to owners of the Company	108	1,386	85	1,088
Dividends not recognised in the consolidated statement of financial position[1]				
Dividends declared since balance date				
2015 final dividend (2014: 2014 final dividend)	38	489	40	515
2015 special dividend (2014: 2014 special dividend)	12	154	30	386
	50	643	70	901

	2015 $m	2014 $m
Dividend franking account[2]		
Amount of franking credit available for use in subsequent financial years excluding the effects of dividends declared since balance date	428	601

5. SEGMENT REPORTING

Operating segments are identified based on separate financial information which is regularly reviewed by the Group CEO and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker (CODM), in assessing performance and determining the allocation of resources. The Suncorp Group's operating segments are determined based on their business activities as described in note 5.1.

[1] The total 2015 final and special dividends declared but not recognised in the consolidated statement of financial position are estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 30 June 2015. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2016 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.
[2] The final and special dividends declared are expected to reduce the dividend franking account balance by $276 million (2014: $386 million).

5.1.
OPERATING SEGMENTS

The Suncorp Group comprises the following operating segments.

SEGMENT	BUSINESS AREA	BUSINESS ACTIVITIES
Personal Insurance (**Personal**)	General Insurance	Provision of personal insurance products to customers in Australia including home and contents insurance, motor insurance, boat insurance and travel insurance.
Commercial Insurance (**Commercial**)	General Insurance	Provision of commercial insurance products to customers in Australia including commercial motor insurance, commercial property insurance, marine insurance, industrial special risks insurance, public liability and professional indemnity insurance, workers' compensation insurance, compulsory third party insurance, loan protection insurance and equity and cash benefit insurance.
General Insurance – New Zealand (**GI NZ**)	General Insurance	Provision of general insurance products to customers in New Zealand including home and contents insurance, motor insurance, marine insurance, business insurance, rural insurance, construction and engineering insurance, travel insurance, public liability and professional indemnity, and directors' and officers' liability insurance.
Banking	Banking	Provision of personal and commercial banking, agribusiness, property and equipment finance, home, personal and small business loans, savings and transaction accounts and foreign exchange and treasury products and services in Australia.
Life	Life	Provision of life insurance products, superannuation administration services, financial planning and funds administration services in Australia and New Zealand.
Corporate	Corporate	Investment of the Suncorp Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

While profit or loss information is reviewed by the CODM at an operating segment level, assets and liabilities information are reviewed by the CODM at a business area level. Business areas are equivalent to operating segments except for the Personal Insurance, Commercial Insurance and General Insurance New Zealand operating segments which are aggregated as the General Insurance business area.

Segment results presented below are measured on a consistent basis to how they are reported to the CODM:

- Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
- Inter-segment transactions, which are eliminated on consolidation, are reported on a gross basis. An exception exists for operating expenses incurred by one segment on behalf of another, which are recharged on a cost-recovery basis, and are presented on a net basis (post allocation basis).
- Intra-group dividends are presented net of eliminations.
- Consolidated gain or loss on sale of subsidiaries and joint ventures and any amortisation of material business combination acquired intangible assets are allocated to the Corporate segment, regardless of whether the related assets and liabilities are included in the Corporate segment assets and liabilities.
- Amortisation and depreciation expenses relating to the Corporate segment's property, plant and equipment and non-business combination acquired intangible assets are allocated to other segments based on their utilisation.

5.1.
OPERATING SEGMENTS (CONTINUED)

- Goodwill is allocated to each operating segment on a consistent basis to goodwill impairment testing (note 16.1).
- The 2014 Life segment profit or loss includes the $250 million loss before tax ($176 million loss after tax) adjustments to policy liabilities (**policy adjustments**) following a material revision of claims and lapse assumptions.
- The 2014 Corporate segment profit or loss includes the $383 million loss before tax ($320 million loss after tax) write-down of intangible assets. This comprises a $191 million impairment loss on the customer contracts intangible asset; a $156 million impairment loss on goodwill; and a $36 million amortisation expense on other intangible assets following a reassessment of the remaining useful lives.

BUSINESS AREAS	GENERAL INSURANCE				BANKING	LIFE	CORPORATE	
	Personal $m	Commercial $m	GI NZ $m	Total $m	Banking $m	Life $m	Corporate $m	Total $m
2015								
External revenue	6,005	3,848	1,798	11,651	3,081	2,072	25	16,829
Inter-segment revenue	-	-	-	-	-	-	42	42
Total segment revenue	6,005	3,848	1,798	11,651	3,081	2,072	67	16,871
Segment profit (loss) before income tax	326	559	175	1,060	506	197	(101)	1,662
Segment income tax (expense) benefit	(87)	(163)	(54)	(304)	(152)	(72)	6	(522)
Segment profit (loss) after income tax	239	396	121	756	354	125	(95)	1,140
Other segment disclosures								
Interest revenue	207	224	39	470	2,843	179	56	3,548
Interest expense	(17)	(9)	-	(26)	(1,740)	(5)	(93)	(1,864)
Amortisation and depreciation expense	(22)	(25)	(6)	(53)	(30)	(1)	(71)	(155)
Impairment loss on loans and advances	-	-	-	-	(58)	-	-	(58)
Goodwill	2,377	1,815	263	4,455	254	212	-	4,921
Business area assets				24,759	61,952	10,146	16,532	113,389
Business area liabilities				16,820	57,997	8,265	2,908	85,990

5.1.
OPERATING SEGMENTS (CONTINUED)

BUSINESS AREAS	GENERAL INSURANCE				BANKING	LIFE	CORPORATE	
	Personal $m	Commercial $m	GI NZ $m	Total $m	Banking $m	Life $m	Corporate $m	Total $m
2014								
External revenue	5,757	3,811	1,533	11,101	3,173	2,217	25	16,516
Inter-segment revenue	-	-	-	-	3	9	42	54
Total segment revenue	5,757	3,811	1,533	11,101	3,176	2,226	67	16,570
Segment profit (loss) before income tax and Life write-down	758	566	110	1,434	326	162	(114)	1,808
Income tax (expense) benefit	(226)	(167)	(31)	(424)	(98)	(70)	17	(575)
Segment profit (loss) after income tax and before Life write-down	532	399	79	1,010	228	92	(97)	1,233
Life write-down loss	-	-	-	-	-	(250)	(383)	(633)
Income tax benefit	-	-	-	-	-	74	63	137
Life write-down loss after income tax	-	-	-	-	-	(176)	(320)	(496)
Segment profit (loss) before income tax	758	566	110	1,434	326	(88)	(497)	1,175
Segment income tax (expense) benefit	(226)	(167)	(31)	(424)	(98)	4	80	(438)
Segment profit (loss) after income tax	532	399	79	1,010	228	(84)	(417)	737
Other segment disclosures								
Interest revenue	234	253	38	525	2,975	367	60	3,927
Interest expense	(21)	(11)	(1)	(33)	(1,964)	(5)	(79)	(2,081)
Amortisation and depreciation expense	(28)	(32)	(9)	(69)	(38)	(1)	(137)	(245)
Impairment loss on loans and advances	-	-	-	-	(124)	-	-	(124)
Impairment loss on goodwill and other intangible assets	-	-	-	-	-	-	(347)	(347)
Goodwill	2,377	1,790	273	4,440	254	212	-	4,906
Business area assets				25,166	60,297	10,925	16,410	112,798
Business area liabilities				16,798	56,556	9,119	2,532	85,005

5.2.

RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT BEFORE INCOME TAX, ASSETS AND LIABILITIES

CONSOLIDATED	2015	2014	2015	2014
	Revenue		Profit before income tax	
	$m	$m	$m	$m
Segment total	16,871	16,570	1,662	1,175
Elimination of intragroup investments	(147)	(185)	(8)	(7)
Other consolidation eliminations	(2)	(15)	8	7
Consolidated total	16,722	16,370	1,662	1,175
	Assets		Liabilities	
	$m	$m	$m	$m
Business area total	113,389	112,798	85,990	85,005
Elimination of investment in subsidiaries	(13,864)	(13,978)	-	-
Elimination of intragroup investments	(1,415)	(2,275)	(1,408)	(2,264)
Elimination of other intragroup balances	(2,371)	(1,973)	(2,361)	(1,970)
Other consolidation eliminations and reclassifications	(88)	(143)	(88)	(141)
Consolidated total	95,651	94,429	82,133	80,630

5.3.

GEOGRAPHICAL SEGMENTS

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

5.4.

MAJOR CUSTOMERS

The Suncorp Group is not reliant on any external individual customer for 10% or more of the Suncorp Group's revenue.

6. UNDERWRITING RESULT FROM GENERAL INSURANCE CONTRACTS

CONSOLIDATED	NOTE	2015	2014
		$m	$m
Net earned premium			
Direct premium income		8,875	8,786
Outwards reinsurance premium expense		(1,010)	(1,060)
		7,865	7,726
Net incurred claims			
Claims expense		(7,581)	(6,595)
Reinsurance and other recoveries revenue		1,994	1,355
	7	(5,587)	(5,240)
Underwriting expenses			
Acquisition costs		(1,230)	(1,167)
Other underwriting expenses		(656)	(713)
		(1,886)	(1,880)
Reinsurance commission revenue		103	104
Underwriting result from general insurance contracts		495	710

7. NET INCURRED CLAIMS FROM GENERAL INSURANCE CONTRACTS

CONSOLIDATED	2015			2014		
	Current year $m	Prior year $m	Total $m	Current year $m	Prior year $m	Total $m
Gross claims incurred and related expenses						
Undiscounted	8,036	(662)	7,374	6,825	(324)	6,501
Discount and discount movement	(175)	382	207	(197)	291	94
Gross claims incurred discounted	7,861	(280)	7,581	6,628	(33)	6,595
Reinsurance and other recoveries						
Undiscounted	(1,789)	(142)	(1,931)	(1,221)	(92)	(1,313)
Discount and discount movement	33	(96)	(63)	31	(73)	(42)
Reinsurance and other recoveries	(1,756)	(238)	(1,994)	(1,190)	(165)	(1,355)
Net incurred claims	6,105	(518)	5,587	5,438	(198)	5,240

The $518 million decrease in prior year net provisions is primarily due to valuation releases arising from favourable claim experience. The sensitivity of net profit to changes in claims assumptions, experience and risk margins is set out in note 19.5.

8. SOURCES OF OPERATING PROFIT FROM LIFE INSURANCE AND OTHER CONTRACTS

CONSOLIDATED	2015			2014		
	Life insurance contracts $m	Other contracts $m	Total statutory funds $m	Life insurance contracts $m	Other contracts $m	Total statutory funds $m
Shareholder's operating profit after tax in the statutory funds						
Represented by:						
Investment earnings on shareholders' retained profits and capital	56	1	57	70	2	72
Emergence of shareholder's planned profits	66	-	66	72	-	72
Experience profit (loss)	11	-	11	(70)	-	(70)
Losses capitalised	(6)	-	(6)	(141)	-	(141)
Management services profit	-	11	11	-	2	2
	127	12	139	(69)	4	(65)
Policyowners' operating profit after tax in the statutory funds						
Represented by:						
Investment earnings on retained profits	16	-	16	25	-	25
Emergence of policyowner planned profits	62	-	62	62	-	62
Experience (loss) profit	(5)	-	(5)	4	-	4
	73	-	73	91	-	91

Total cumulative capitalised losses carried forward at 30 June 2015 was $179 million (30 June 2014: $162 million).

A policyowner is one who holds a policy with the Life companies (refer to definition in note 20.1). The shareholder represents the Life companies' interest in the statutory funds. A statutory fund is a fund of a life company that relates solely to the life insurance business of that life company as defined by the *Life Insurance Act 1995* (**Life Act**) or the *Insurance (Prudential Supervision) Act 2010* (**NZ Life Act**).

9. EMPLOYEE BENEFITS

Employee benefits expense

The following employee expenses have been included in the consolidated statement of comprehensive income under the line items: 'Claims expense and movement in policyowner liabilities'; 'Underwriting and policy maintenance expenses'; and 'Fees, overheads and other expenses'.

CONSOLIDATED	2015 $m	2014 $m
Wages, salaries, share-based payments and other staff costs[1]	1,564	1,583
Defined contribution superannuation expenses	107	103
Total employee expenses	1,671	1,686

Employee benefits liability

Included in 'Payables and other liabilities' in the consolidated statement of financial position are employee benefits and related on-cost liabilities of $347 million (2014: $354 million) and a net defined benefit liability of $15 million (2014: $13 million).

10. SHARE-BASED PAYMENTS

The Suncorp Group operates a number of employee equity plans. Shares required for the equity plans are acquired by a special purpose trustee and/or custodial companies in ordinary trading on the Australian Securities Exchange (**ASX**). Shares can only be granted or issued under the plans if the number to be granted or issued will not exceed 5% of the Company's total shares on issue when aggregated with the number of shares granted or issued during the previous five years for all share plans operated by the Company.

10.1. LONG-TERM INCENTIVES (PERFORMANCE RIGHTS)

Long-term incentives (**LTI**) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the Board's discretion. The Board determines the value of shares granted (offered) based on the executive's remuneration and individual performance. Vested shares carry full entitlement to dividends from the grant date (less any taxes paid by the Plan Trustee in respect of such dividends).

Vesting of LTI is subject to service conditions and a performance hurdle being met during the performance period. The performance hurdle is based on the Company's total shareholder returns (**TSR**) against the TSR of a peer comparator group, which is the top 50 industrial companies by market capitalisation in the S&P/ASX 100 (excluding mining companies and listed property trusts). Generally, the performance period commences on the grant date for a three year period. The percentage of performance rights that will vest is based on the LTI vesting schedule. No LTI will vest unless the Company achieves a relative TSR of 50th percentile (median) or above. Any performance rights not vested at the end of the performance period are forfeited. Further details on TSR and the vesting schedule and other terms and conditions can be found in section 2.6 of the Remuneration Report.

The fair value of services received in return for LTI granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte Carlo simulation pricing model and reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions but these are not taken into account in the grant date fair value measurement of the services received. The dividend yield is not considered in the measurement of fair value at grant date due to the dividend entitlements on vested shares as described above.

[1] Includes $20,008 thousand (2014: $21,480 thousand) relating to equity-settled share-based payment transactions.

10.1.
LONG-TERM INCENTIVES (PERFORMANCE RIGHTS) (CONTINUED)

Inputs into the model include expected volatility which is based on the historic volatility of the Company's share price and a risk-free interest rate based on Australian Government bonds. The inputs for measurement of grant date fair value and the number of unvested performance rights at the financial year end are as follows.

CONSOLIDATED						2015	2014
		Inputs for measurement of fair value at grant date					
Grant date	Fair value at grant date	Share price	Expected volatility	Vesting period	Risk-free interest rate	Number of shares unvested	Number of shares unvested
1 October 2009	$6.75	$8.82	47%	5 years	5.17%	-	300,000
1 October 2011	$5.27	$7.98	27%	3 years	3.62%	-	962,491
1 October 2012	$5.93	$9.20	26%	3 years	2.42%	779,640	923,583
25 October 2012	$6.41	$9.66	26%	3 years	2.66%	446,752	446,752
1 October 2013	$7.30	$12.94	23%	3 years	2.83%	813,386	925,458
24 October 2013	$7.13	$13.14	23%	3 years	2.92%	324,396	324,396
28 May 2014	$6.77	$13.40	23%	2.3 years	2.72%	83,756	83,756
1 October 2014	$8.19	$14.16	20%	3 years	2.71%	931,607	-
23 October 2014	$8.23	$14.23	20%	3 years	2.56%	276,839	-
						3,656,376	3,966,436

The number of performance rights granted during the financial year is 1,222,950 (2014: 1,418,600).

10.2.
OTHER EQUITY-SETTLED SHARE PLANS

The Suncorp Group operates other equity-settled share plans that are not subject to performance conditions. Key features are set out below.

EQUITY PLANS	RESTRICTED SHARES	SUNCORP EMPLOYEE SHARE PLAN (TAX EXEMPT)	SUNCORP EQUITY PARTICIPATION PLAN
Eligible plan participant	Employees in senior roles below executive level that satisfy the eligibility criteria.	Employees not eligible for LTI awards.	Employees and non-executive directors can elect to participate.
Basis of share grant / issue	Value of restricted shares granted (offered) is determined by the Board based on the employee's remuneration and individual performance.	Market value of shares up to $1,000 per employee per year may be granted by the Board based on the Suncorp Group's overall performance.	Employees to fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000.
Vesting	Subject to remaining in employment with the Suncorp Group until the vesting date and not having given notice of intention to resign.	Fully vested, not subject to forfeiture.	As the acquisition of shares is funded through the employee's or non-executive director's remuneration, the shares are fully vested at the date of acquisition.
Dividend entitlements	Full entitlement from when the shares are allocated to the participating employee and held in the Plan.	Full entitlement to dividend from when the shares are acquired and held in the Plan.	Full entitlement to dividend from when the shares are acquired and held in the Plan.
Fair value	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date.	Market value of the shares on the date they were acquired.	Market value of the shares on the date they were acquired.

149,814 restricted shares (2014: 142,055 shares) at fair value of $14.06 per share (2014: $12.86 per share) were granted during the financial year. A dividend yield of 7.0% (2014: 6.8%) is used in the calculation of the fair value per share.

The total number of shares acquired through the Suncorp Group Equity Participation Plan is 188,691 (2014: 267,591), with a fair value of $2,635 thousand (2014: $3,433 thousand).

The Board approved a grant to each eligible employee of ordinary shares of the Company to the value of $1,000 (2014: $1,000) under the Suncorp Group Employee Share Plan (tax exempt) for the financial year. These shares will be acquired on-market for allocation to employees by the share plan in October 2015 (2014: October 2014).

11. INCOME TAX

11.1. INCOME TAX EXPENSE

CONSOLIDATED	2015	2014
	$m	$m
Profit before tax	1,662	1,175
Income tax using the domestic corporation tax rate of 30% (2014: 30%)	499	353
Effect of tax rates in foreign jurisdictions	(5)	(3)
Increase in income tax expense due to:		
Effect of policyholder tax adjustment	25	25
Non-deductible expenses	16	17
Income tax offsets and credits	(12)	(15)
Intangible assets write-down	-	51
Other items	3	13
	526	441
Over-provision from prior financial years	(4)	(3)
Income tax expense on profit before tax	522	438
Income tax expense recognised in profit consists of:		
Current tax expense		
Current year	518	580
Adjustments for prior financial years	(6)	1
	512	581
Deferred tax expense		
Origination and reversal of temporary differences	10	(143)
Total income tax expense	522	438

Income tax of Life companies

Included in income tax expense is $76 million (2014: $2 million) attributable to the Life companies' statutory funds.

Australia

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

	2015	2014
	%	%
Applicable tax rates for classes of business		
Complying superannuation business[1]	15	15
Ordinary class of business	30	30
Shareholder funds	30	30

New Zealand

In New Zealand, a corporate tax rate of 28% (2014: 28%) applies for all classes of business.

[1] Includes Virtual Pooled Superannuation Trust

11.2.
CURRENT TAX LIABILITIES AND RECEIVABLES

CONSOLIDATED	2015	2014	2015	2014
	Current tax receivable[1]		Current tax liability	
	$m	$m	$m	$m
Current tax receivable and liability relating to:				
Australian tax consolidated group	-	-	275	370
Entities outside of the Australian tax consolidated group:				
New Zealand subsidiaries	6	-	-	8
Other	-	-	3	1
Balance at the end of the financial year	6	-	278	379

11.3.
DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following.

CONSOLIDATED	2015	2014	2015	2014	2015	2014
	Deferred tax assets		Deferred tax liabilities		Net	
	$m	$m	$m	$m	$m	$m
Investment securities	-	29	109	141	(109)	(112)
Property, plant and equipment	29	31	-	-	29	31
Intangible assets	2	3	53	65	(51)	(62)
Provision for impairment on loans and advances	164	204	-	-	164	204
Employee benefits	110	65	-	-	110	65
Gross policy liabilities	81	72	84	80	(3)	(8)
Other items	39	84	75	77	(36)	7
Deferred tax assets and liabilities	425	488	321	363	104	125
Set-off of tax	(228)	(305)	(228)	(305)	-	-
Net deferred tax assets	197	183	93	58	104	125

Movement in deferred tax balances during the financial year.

CONSOLIDATED	2015	2014	2015	2014
	Deferred tax assets		Deferred tax liabilities	
	$m	$m	$m	$m
Balance at the beginning of the financial year	488	406	363	389
Movement recognised in profit or loss	(22)	68	(12)	(75)
Movement recognised in other comprehensive income	(9)	(24)	-	7
Movement recognised in transactions with owners directly in equity	-	3	(1)	-
Movement recognised on gross policyowner liabilities	-	-	3	10
Reclassifications	(31)	31	(31)	31
Foreign currency exchange movement	(1)	4	(1)	1
Balance at the end of the financial year	425	488	321	363

There are no unrecognised deferred tax assets and liabilities.

[1] Current tax receivable is included in 'Other assets' in the consolidated statement of financial position.

12. TRADING AND INVESTMENT SECURITIES

CONSOLIDATED	2015 $m	2014 $m
Trading securities		
Interest-bearing securities:		
Bank bills, certificates of deposits and other negotiable securities – current	1,384	1,593
Investment securities		
Financial assets designated at fair value through profit or loss		
Interest-bearing securities	15,566	16,196
Equity securities	1,934	2,198
Unit trusts	2,385	2,021
	19,885	20,415
Available-for-sale financial assets		
Interest-bearing securities	2,603	2,542
Held-to-maturity investments		
Interest-bearing securities	3,642	3,958
Total investment securities	26,130	26,915
Current	20,794	20,430
Non-current	5,336	6,485
Total investment securities	26,130	26,915

13. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED	2015			2014		
	Notional value	Fair value		Notional value	Fair value	
		Asset	Liability		Asset	Liability
	$m	$m	$m	$m	$m	$m
Interest rate-related contracts						
Interest rate swaps	57,877	318	447	55,851	268	380
Interest rate futures	2,943	1	2	4,325	2	29
Forward rate agreements	200	-	-	-	-	-
Interest rate options	68	-	-	111	-	-
	61,088	319	449	60,287	270	409
Exchange rate-related contracts						
Forward foreign exchange contracts	3,686	57	10	3,573	2	89
Cross currency swaps	3,081	281	75	2,506	28	126
	6,767	338	85	6,079	30	215
Equity contracts						
Equity futures	384	2	2	170	1	1
Credit contracts						
Credit default swaps	22	-	-	-	-	-
Total derivative exposures	68,261	659	536	66,536	301	625

Derivatives are used in investments as well as hedging of fluctuations in interest rate and foreign exchange rates. 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. The investment mandates specifically prohibit the use of derivatives for leveraged trading. 'Leverage' here is defined as creating a portfolio which would have sensitivity to an underlying economic or financial variable which is greater than could be achieved using only physical securities.

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Investments

Derivatives are used within the investment portfolios where it is more efficient to use derivatives rather than physical securities. The use of derivatives is consistent with the objectives of the overall investment strategies and is one of the means by which these strategies are implemented.

Hedging of fluctuations in interest rates

The Suncorp Group seeks to minimise volatility in net interest income through the use of interest rate derivatives, primarily vanilla interest rate swaps. 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 issues.

Hedging of fluctuations in foreign exchange rates

The Suncorp Group ensures that the net exposures are kept to an acceptable level through participation in the spot and forward markets. All cross currency interest rate swaps entered into by the Suncorp 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 recognise its Euro Commercial Paper portfolio at fair value 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 foreign exchange contracts and the debt are recognised in profit or loss. 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 is $47 million (2014: $88 million).

During the financial year, the Group deferred to equity $6 million (2014: $ nil), and released $2 million (2014: $4 million) of foreign currency loss previously deferred to equity to profit or loss on derivatives held in qualifying cash flow hedging relationships.

Consolidated losses of $13 million (2014: losses of $15 million) on derivatives held in qualifying fair value hedging relationships, and gains of $13 million (2014: gains of $15 million) representing changes in the fair value of the hedged items attributable to the hedged risk are recognised in profit or loss.

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedging of fluctuations in foreign exchange rates (continued)

The following table details the derivatives used in the hedging of fluctuations in interest rates and foreign exchange rates.

CONSOLIDATED	2015		2014	
	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
Fair value:				
net receivable on interest rate swaps	1	173	-	66
net payable on interest rate swaps	(90)	(155)	(71)	(96)
	(89)	18	(71)	(30)

CONSOLIDATED	2015 Split approach $m	2014 Split approach $m
Hedging of fluctuations in foreign exchange rates		
Notional value of cross currency swaps designated as hedges	2,722	2,797
Fair value:		
net receivable on cross currency swaps	280	78
net payable on cross currency swaps	(40)	(126)
	240	(48)

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

CONSOLIDATED	Expected cash flows			
	0 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $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)

14. LOANS AND ADVANCES

CONSOLIDATED	NOTE	2015	2014
		$m	$m
Financial assets at amortised cost			
Housing loans		41,785	39,001
Consumer loans		380	431
Business loans		9,753	10,524
Other lending		25	51
		51,943	50,007
Provision for impairment	15	(208)	(226)
Total loans and advances		51,735	49,781
Current		11,563	11,464
Non-current		40,172	38,317
Total loans and advances		51,735	49,781

15. PROVISION FOR IMPAIRMENT ON LOANS AND ADVANCES

15.1. RECONCILIATION OF PROVISION FOR IMPAIRMENT ON LOANS AND ADVANCES

CONSOLIDATED	2015	2014
	$m	$m
Collective provision		
Balance at the beginning of the financial year	120	102
Charge against impairment losses	6	18
Balance at the end of the financial year	126	120
Specific provision		
Balance at the beginning of the financial year	106	198
Charge against impairment losses	46	104
Impaired assets written-off	(61)	(179)
Unwind of discount	(9)	(17)
Balance at the end of the financial year	82	106
Total provisions	208	226

15.2. IMPAIRMENT LOSS ON LOANS AND ADVANCES

CONSOLIDATED	2015	2014
	$m	$m
Increase in collective provision for impairment	6	18
Increase in specific provision for impairment	46	104
Bad debts written off	12	15
Bad debts recovered	(6)	(13)
Total impairment loss on loans and advances	58	124

16. GOODWILL AND OTHER INTANGIBLE ASSETS

CONSOLIDATED

	Goodwill $m	Brands $m	Customer contracts & other relationships $m	Outstanding claims liability intangible $m	Software $m	Total $m
2015						
Gross carrying amount	5,345	655	1,257	187	591	8,035
Accumulated amortisation and impairment losses	(424)	(224)	(1,112)	(155)	(337)	(2,252)
Balance at the end of the financial year	4,921	431	145	32	254	5,783
Movements in intangible assets						
Balance at the beginning of the financial year	4,906	454	180	37	143	5,720
Acquired from business combinations	25	-	9	-	2	36
Acquisitions	-	-	-	-	129	129
Disposal	-	-	-	-	(2)	(2)
Amortisation	-	(23)	(44)	(5)	(18)	(90)
Foreign currency exchange	(10)	-	-	-	-	(10)
Balance at the end of the financial year	4,921	431	145	32	254	5,783
Maximum remaining useful life	Indefinite	42 years	12 years	12 years	10 years	
2014						
Gross carrying amount	5,330	655	1,248	187	462	7,882
Accumulated amortisation and impairment losses	(424)	(201)	(1,068)	(150)	(319)	(2,162)
Balance at the end of the financial year	4,906	454	180	37	143	5,720
Movements in intangible assets						
Balance at the beginning of the financial year	5,043	492	462	44	127	6,168
Acquisitions	-	-	-	-	50	50
Disposal	-	-	-	-	(4)	(4)
Amortisation	-	(38)	(91)	(7)	(32)	(168)
Impairment loss	(156)	-	(191)	-	-	(347)
Foreign currency exchange	19	-	-	-	2	21
Balance at the end of the financial year	4,906	454	180	37	143	5,720
Maximum remaining useful life	Indefinite	43 years	13 years	13 years	10 years	

16. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

All intangible assets except goodwill have finite useful lives.

During the financial year ended 30 June 2014, the Suncorp Group reassessed the remaining useful lives of brands and distribution relationships intangible assets in the Life segment. Consequently a $36 million amortisation expense, included as part of 'Amortisation and depreciation expense' in the consolidated statement of comprehensive income was recognised in the 2014 financial year for this change in accounting estimate.

Additionally, following a review of claims and lapse assumptions to take into account the current life insurance industry trends and more recent experience, an impairment loss of $191 million on the customer contracts intangible asset in the Life segment and an impairment loss of $156 million on goodwill allocated to the Life cash-generating unit (defined in note 16.1 below) was recognised in the 2014 financial year.

The amortisation expense resulting from the reassessment of the remaining useful life and the impairment loss on goodwill and intangible assets are included as part of the Corporate segment profit or loss for the 2014 financial year in note 5.1.

16.1. IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

For the purpose of the annual impairment test, goodwill is allocated to significant cash-generating units (**CGUs**) which represent the Suncorp Group's operating segments (refer to note 5.1). The carrying amount of each CGU is then compared to its recoverable amount. The accounting policy relating to impairment testing for CGUs containing goodwill is included in note 39.10(b). The value of goodwill allocated to each CGU is disclosed in note 5.1.

Value in use for each General Insurance and Banking CGU

The recoverable amount of each CGU is based on its value in use. Value in use is determined by discounting the future cash flows generated from the continuing use of the units and was based on cash flows projected from the financial forecasts prepared by management covering a five-year period. A terminal growth rate of 2.8% (2014: 2.8%) is used to extrapolate cash flows beyond the five-year projections which does not exceed the long-term average growth rate for the industry.

For each General Insurance CGU, the weighted average cost of capital is used as the post-tax discount rate as shown below. For the Banking CGU, the cost of equity is used as the post-tax discount rate. The discount rates reflect a beta and a market risk premium sourced from observable market inputs.

16.1.
IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL (CONTINUED)

	2015		2014	
	Post-tax %	Pre-tax equivalent %	Post-tax %	Pre-tax equivalent %
Discount rates				
General Insurance				
Commercial Insurance	8.7	11.3	10.2	13.9
Personal Insurance	8.7	11.0	10.2	14.4
New Zealand	10.1	12.7	11.5	15.7
Banking	10.0	13.8	10.7	16.7

The cash flow projections and values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

Value in use for the Life CGU

The recoverable amount of the Life CGU has been determined by reference to an appraisal value which comprises the traditional embedded value of the Life segment portfolios and other relevant businesses and adds a component for the value of future new business. The embedded value of the Life companies and the value of one-year's new business were assessed using discounted cash flow techniques. The value of the businesses other than the Life companies within the Life CGU was also assessed using discounted cash flow techniques.

The key assumptions relating to the Life CGU are risk-adjusted discount rates for Australia of 7.2% and New Zealand of 7.5% (2014: Australia 7.6%; New Zealand: 8.5%), the multiple of seven (2014: seven) which has been applied to the value of one-year's sales, discontinuance rates, claims rates and expenses.

17. DEPOSITS AND SHORT-TERM BORROWINGS

CONSOLIDATED	2015	2014
	$m	$m
Financial liabilities at amortised cost		
Call deposits	16,001	13,458
Term deposits	17,592	19,337
Short-term securities issued	7,429	7,980
Offshore borrowings	101	93
Total financial liabilities at amortised cost	41,123	40,868
Financial liabilities designated at fair value through profit or loss		
Offshore borrowings	2,776	2,711
Total deposits and short-term borrowings	43,899	43,579

Interest expense of $12 million (2014: $17 million) on financial liabilities designated at fair value through profit or loss was recognised in the financial year.

The contractual amount payable on financial liabilities designated at fair value through profit or loss at maturity is $2,776 million (2014: $2,711 million).

Consolidated net losses of $nil million (2014: $2 million) on financial liabilities designated at fair value through profit or loss are recognised in profit or loss.

18. UNEARNED PREMIUM LIABILITIES

18.1. RECONCILIATION OF MOVEMENT

CONSOLIDATED	2015	2014
	$m	$m
Unearned premium liabilities relating to general insurance contracts		
Balance at the beginning of the financial year	4,659	4,524
Premiums written during the financial year	8,872	8,870
Premiums earned during the financial year	(8,875)	(8,786)
Acquired from business combinations during the financial year	63	-
Foreign currency exchange movement	(22)	51
Balance at the end of the financial year	4,697	4,659
Unearned premium liabilities relating to life insurance contracts	11	9
Total unearned premium liabilities	4,708	4,668
Current	4,655	4,651
Non-current	53	17
Total unearned premium liabilities	4,708	4,668

18.2. LIABILITY ADEQUACY TEST RELATING TO GENERAL INSURANCE CONTRACTS

CONSOLIDATED	2015	2014
	$m	$m
Central estimate of present value of expected future cash flows arising from future claims	3,410	3,318
Risk margin	74	71
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(184)	(166)
Expected present value of future cash flows for future claims including risk margin	3,300	3,223
	%	%
Risk margin	2.6	2.5
Probability of adequacy	57 – 64	57 – 64

The probability of adequacy adopted for the general insurance liability adequacy test (LAT) differs from the 90% probability of adequacy adopted in determining the outstanding claims liabilities (refer note 19.4). The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liabilities.

The process used to determine the risk margin is discussed in note 19.4.

As at 30 June 2015 and 30 June 2014, the LAT resulted in surpluses for all general insurance portfolios.

19. OUTSTANDING CLAIMS LIABILITIES

CONSOLIDATED	2015	2014
	$m	$m
General insurance contracts		
Gross central estimate – undiscounted	9,080	9,030
Risk margin	1,215	1,225
Claims handling expenses	322	350
	10,617	10,605
Discount to present value	(882)	(1,091)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	9,735	9,514
Gross outstanding claims liabilities relating to life insurance contracts – discounted	263	258
Total gross outstanding claims liabilities – discounted	9,998	9,772
	%	%
General insurance contracts		
Overall net risk margin applied	16.2	16.7
Probability of adequacy of the risk margin (approximately)	90	90

19.1. RECONCILIATION OF MOVEMENT IN DISCOUNTED OUTSTANDING CLAIMS LIABILITIES ON GENERAL INSURANCE CONTRACTS

CONSOLIDATED	2015 $m	2014 $m
Net outstanding claims liabilities relating to general insurance contracts at the beginning of the financial year	7,115	6,890
Prior periods		
Claims payments	(2,037)	(2,049)
Discount unwind	121	120
Margin release on prior periods	(274)	(259)
Incurred claims due to changes in assumptions and experience	(345)	(132)
Change in discount rate	133	73
Current period		
Incurred claims	6,105	5,438
Claims payments	(3,348)	(2,994)
Acquired from business combinations during the financial year	2	-
Net foreign exchange difference	(19)	28
Net outstanding claims liabilities relating to general insurance contracts at the end of the financial year	7,453	7,115
Reinsurance other recoveries on outstanding claims liabilities		
Expected undiscounted outstanding reinsurance and other recoveries	2,419	2,599
Discount to present value	(137)	(200)
	2,282	2,399
Gross outstanding claims liabilities (discounted) on general insurance contracts at the end of the financial year	9,735	9,514

The following table summarises the maturity profile of net discounted outstanding claims liabilities on general insurance contracts based on the estimated timing of discounted cash outflows.

CONSOLIDATED	Carrying amount $m	1 year or less $m	1 to 5 years $m	Over 5 years $m	Total cash flows $m
2015	7,453	2,730	3,431	1,292	7,453
2014	7,115	2,458	3,421	1,236	7,115

19.2. GENERAL INSURANCE CONTRACTS CLAIMS DEVELOPMENT TABLE

The following table shows the development of the estimated undiscounted outstanding claims liabilities on general insurance contracts relative to the ultimate expected claims for the ten most recent accident years.

CONSOLIDATED	ACCIDENT YEAR											2015
	Prior $m	2006 $m	2007 $m	2008 $m	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	Total $m
Estimate of ultimate claims cost:												
At end of accident year		1,211	1,249	1,293	1,298	1,334	1,460	1,327	1,398	1,414	1,431	
One year later		1,122	1,182	1,154	1,284	1,233	1,381	1,317	1,368	1,408		
Two years later		1,041	1,075	1,117	1,174	1,149	1,347	1,246	1,252			
Three years later		965	1,045	1,073	1,155	1,122	1,371	1,162				
Four years later		912	996	1,013	1,144	1,115	1,306					
Five years later		880	968	1,002	1,108	1,036						
Six years later		888	947	998	1,075							
Seven years later		877	948	943								
Eight years later		865	919									
Nine years later		869										
Current estimate of cumulative claims cost		869	919	943	1,075	1,036	1,306	1,162	1,252	1,408	1,431	
Cumulative payments		(816)	(866)	(853)	(960)	(839)	(951)	(693)	(514)	(301)	(87)	
Outstanding claims liabilities – undiscounted	740	53	53	90	115	197	355	469	738	1,107	1,344	5,261
Discount to present value	(205)	(5)	(4)	(8)	(9)	(16)	(34)	(32)	(49)	(78)	(102)	(542)
Outstanding claims – long-tail	535	48	49	82	106	181	321	437	689	1,029	1,242	4,719
Outstanding claims – short-tail												1,423
Claims handling expense												274
Risk margin												1,037
Total net outstanding claims liabilities relating to general insurance contracts												7,453
Reinsurance and other recoveries on outstanding claims liabilities relating to general insurance contracts												2,282
Total gross outstanding claims liabilities relating to general insurance contracts												9,735

The claims development table discloses amounts net of reinsurance and third party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

19.3. GENERAL INSURANCE OUTSTANDING CLAIMS LIABILITIES AND ASSETS ARISING FROM REINSURANCE CONTRACTS

The Suncorp Group's estimation of its claims liabilities includes the expected future cost of claims notified to the Suncorp Group as at reporting date as well as claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Projected payments are discounted to present value and an estimate of direct expenses expected to be incurred in settling these claims is determined.

The Suncorp Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures with estimates and judgments continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER is generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened. For this reason, long-tail classes of business will typically display greater variations between initial estimates and final outcomes.

Estimation of assets arising from reinsurance and other recoveries are also computed using the above methods. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk.

19.4. ACTUARIAL ASSUMPTIONS AND METHODS RELATING TO GENERAL INSURANCE CONTRACTS

The estimation of the outstanding claims liabilities is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Suncorp Group's specific data, relevant industry data and general economic data. Methods undertaken to determine claims liabilities will vary according to the class of business. The Suncorp Group divides its general insurance contracts into two classes of business: Personal and Commercial.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

19.4.
ACTUARIAL ASSUMPTIONS AND METHODS RELATING TO GENERAL INSURANCE CONTRACTS (CONTINUED)

The following key assumptions have been made in determining the outstanding claims liabilities on general insurance contract liabilities.

CONSOLIDATED	2015				2014			
	Personal		Commercial		Personal		Commercial	
	Aust	NZ	Aust	NZ	Aust	NZ	Aust	NZ
Weighted average term to settlement (years)	0.5	1.2	4.4	1.4	0.5	0.8	4.5	1.5
Economic inflation rate	4.0%	2.3%	4.0%	2.8%	4.0%	1.9%	4.0%	2.1%
Superimposed inflation rate	0.3%	0.0%	2.4%	2.0%	0.3%	0.0%	2.5%	1.6%
Discount rate	2.1%	3.0%	2.8%	3.0%	2.6%	3.1%	3.4%	4.0%
Claims handling expense ratio	5.8%	7.3%	4.2%	10.9%	7.0%	5.5%	4.4%	9.3%
Risk margin	8.6%	14.2%	18.4%	18.4%	9.5%	11.4%	18.3%	16.1%

Weighted average term to settlement – The weighted average term to settlement is calculated separately by class of business and is based on historic settlement patterns.

Economic and superimposed inflation – Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect past experience and future expectations.

Discount rate – Discount rates are derived from market yields on Commonwealth Government securities in Australia and the 10-year government stock rate in New Zealand at the reporting date.

Claims handling expense ratio – Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin – The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class of business are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of sufficiency of 90% across the Suncorp Group (2014: 90%).

19.5.
IMPACT OF CHANGES IN KEY VARIABLES RELATING TO GENERAL INSURANCE CONTRACTS

The Suncorp Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions.

A sensitivity analysis is conducted on each variable while holding all other variables constant.

The table below describes how a change in each assumption will affect the profit before tax. There is no impact to equity reserves.

CONSOLIDATED	Movement in variable	2015 Profit (loss) $m	2014 Profit (loss) $m
Weighted average term to settlement (years)	+ 0.5 years	(120)	(99)
	- 0.5 years	118	98
Inflation rate	+1%	(229)	(223)
	-1%	211	205
Discount rate	+1%	214	207
	-1%	(237)	(229)
Claims handling expense ratio	+1%	(58)	(55)
	-1%	58	55
Risk margin	+1%	(60)	(58)
	-1%	60	58

20. LIFE INSURANCE AND INVESTMENT CONTRACT LIABILITIES

The following table shows the movements in net life insurance and investment contract liabilities.

CONSOLIDATED

	Liability				Asset	
	Insurance contracts $m	Unvested policy-owner benefits $m	Invest-ment contracts $m	Gross policy liabilities $m	Gross policy liabilities ceded under RI $m	Net policy liabilities $m
Balance as at 30 June 2013	1,825	380	3,375	5,580	445	5,135
Movement recognised in profit or loss	603	(55)	388	936	67	869
Contributions and premiums recognised in policy liabilities	89	-	250	339	-	339
Withdrawals and claims expense recognised in policy liabilities	(179)	-	(573)	(752)	-	(752)
Deferred tax movement recognised in policy liabilities	(10)	-	-	(10)	-	(10)
Foreign currency exchange movement	(5)	1	18	14	-	14
Balance as at 30 June 2014	2,323	326	3,458	6,107	512	5,595
Movement recognised in profit or loss	1	(36)	321	286	(36)	322
Contributions and premiums recognised in policy liabilities	100	-	155	255	-	255
Withdrawals and claims expense recognised in policy liabilities	(200)	-	(508)	(708)	-	(708)
Deferred tax movement recognised in policy liabilities	(3)	-	-	(3)	-	(3)
Foreign currency exchange movement	(1)	(1)	(11)	(13)	-	(13)
Balance as at 30 June 2015	2,220	289	3,415	5,924	476	5,448

The following table summarises the maturity profile of net policy liabilities based on the estimated timing of discounted cash outflows

CONSOLIDATED

	Carrying amount $m	1 year or less $m	1 to 5 years $m	Over 5 years $m	No term $m	Invest-ment linked $m	Total cash flows $m
2015	5,448	134	546	1,090	289	3,389	5,448
2014	5,595	113	557	1,167	326	3,432	5,595

20.1.
LIFE POLICY LIABILITY ESTIMATION PROCESS

The Suncorp Group conducts its life insurance business in Australia through Suncorp Life & Superannuation Limited (SLSL) and in New Zealand through Asteron Life Limited (New Zealand) (ALLNZ). They are collectively referred to as the Life companies.

Policy liabilities in Australia have been calculated in accordance with APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* issued under section 230A(1) of the *Life Act.*

Policy liabilities in New Zealand have been calculated in accordance with Professional Standard Number 3, *Determination of Life Insurance Policy Liabilities* issued by the New Zealand Society of Actuaries.

The policy liability calculations are performed by actuarial personnel, using policy data, and are approved by the Appointed Actuary, Mr Joshua Corrigan (Fellow of the Actuaries Institute of Australia) for Australia and approved by the Appointed Actuary, Mr Daniel Wong (Fellow of the Actuaries Institute of Australia and Fellow of the New Zealand Society of Actuaries) for New Zealand.

The profit carriers for the major business types of life insurance contracts are as follows.

BUSINESS TYPE	PROFIT CARRIER
Conventional participating	Supportable bonuses
Participating and non-participating investment account and allocated pension	Interest credits
Lump sum risk and accident cash back	Expected premium payments
Disability income	Expected benefit/claims payments (SLSL) Expected premium payments (ALLNZ)
Other	Expected benefit/claim payments

20.2.
ACTUARIAL ASSUMPTIONS, JUDGMENTS AND ESTIMATES USED IN CALCULATING LIFE INSURANCE CONTRACT LIABILITIES

Experience for SLSL and ALLNZ is examined in detail on at least an annual basis, with assumptions set having regard to the Life companies' experience, observed trends and future outlook. The key factors affecting the determination of the policy liabilities and the critical assumptions and judgments made, as well as significant changes since 2014 (if applicable) are set out below:

- Investment earnings and discount rates: based on ten-year Australian and New Zealand Government bond yields. Adjustments made as necessary for participating contracts.
- Voluntary discontinuance: rates are based upon recent internal investigations. Allowance is also made for cash withdrawals.
- Mortality: individual risk products: rates are based upon recent internal investigations. Rates are expressed as a multiple of standard mortality tables developed by the local actuarial bodies.
- Mortality: annuitants: rates are based upon recent internal investigations. Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for assumed future age-related improvements. Table IM/IF80 were developed by the Institute and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.
- Morbidity: rates are based on recent internal investigations. For total and permanent disablement policies, rates are expressed as a multiple of industry and population experience. For trauma policies, assumed incidence rates are based on Australian and New Zealand population statistics with adjustments to reflect experience and policy conditions.

20.2.

ACTUARIAL ASSUMPTIONS, JUDGMENTS AND ESTIMATES USED IN CALCULATING LIFE INSURANCE CONTRACT LIABILITIES (CONTINUED)

The following table shows the ranges of the adjustments to the base industry tables, ranges of investment earnings and actual annual lapse rates for 2014 and 2015

	SLSL		ALLNZ	
	2015 %	2014 %	2015 %	2014 %
Investment earnings pre-tax for participating business	4.0 - 4.7	4.5 - 5.2	4.3	5.3
Risk free pre-tax discount rates for non-participating business	2.0 - 3.8	2.5 - 4.0	3.0 - 5.5	3.6 - 5.0
Annual lapse rate (voluntary discontinuance)	4 - 40	4 - 40	3 - 30	4 - 25
Mortality – individual risk products adjustment	50 - 121	50 - 121	65 - 120	65 - 110
Mortality – annuitants adjustment	60	60	66	66
Future improvements in mortality – annuitants adjustment	97.3	97.3	97.5	97.5

20.3.

LIFE INSURANCE CONTRACT POLICY LIABILITIES

CONSOLIDATED	NOTE	2015 $m	2014 $m
Best estimate liability			
Value of future policy benefits[1]		5,310	4,994
Value of future expenses		2,183	1,962
Value of unrecouped acquisition expenses		(1,197)	(1,102)
Balance of future premiums		(5,567)	(5,263)
		729	591
Value of future profits			
Policyowner bonuses[2]		417	575
Shareholder profit margins		490	503
		907	1,078
Total value of declared bonuses[3]		108	142
Total net life insurance policy liabilities		1,744	1,811
Gross policy liabilities ceded under reinsurance	20	476	512
Gross life insurance contract liabilities	20	2,220	2,323
Policy liabilities subject to capital guarantee		1,599	1,451

[1] Future policy benefits include bonuses credited to policyowners in prior periods but exclude current period bonuses and future bonuses. Where business is valued by other than projection techniques, future policy benefits include the account balance.
[2] Future bonuses exclude current period bonuses.
[3] Declared bonuses are valued in accordance with APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* issued under Section 230A(1) of the *Life Act*.

20.4. SENSITIVITY ANALYSIS ON LIFE INSURANCE CONTRACT LIABILITIES

The following table illustrates the impact in the current period of changes in key assumptions as at 30 June 2015 with all other variables remaining constant. The change in liability and profit (loss) after tax are shown net and gross of reinsurance (RI). There is no impact to equity reserves.

CONSOLIDATED		Change in life insurance contract liability		Profit (loss) after tax	
Variable	Change[1]	Net of RI $m	Gross of RI $m	Net of RI $m	Gross of RI $m
2015					
Maintenance expense	10% increase	13	16	(9)	(11)
Mortality and lump sum morbidity	10% increase	79	217	(55)	(152)
Morbidity – disability income	10% increase in incidence and decrease in recovery rates	88	262	(65)	(189)
Discontinuance rates	10% increase	98	95	(68)	(66)
2014					
Maintenance expense	10% increase	20	20	(14)	(14)
Mortality and lump sum morbidity	10% increase	96	200	(67)	(140)
Morbidity – disability income	10% increase in incidence and decrease in recovery rates	119	324	(87)	(232)
Discontinuance rates	10% increase	107	38	(75)	(27)

21. DEBT ISSUES

CONSOLIDATED	NOTE	2015 $m	2014 $m
Financial liabilities at amortised cost			
Offshore borrowings		2,836	1,900
Domestic borrowings		2,385	2,734
Total unsecured debt issues		5,221	4,634
Domestic covered bonds	28.4	2,648	2,197
Total secured debt issues		2,648	2,197
		7,869	6,831
Current		1,696	1,829
Non-current		6,173	5,002
Total debt issues		7,869	6,831

[1] Sensitivity changes are relative to current best estimate assumptions.

22. SUBORDINATED NOTES

CONSOLIDATED	2015 $m	2014 $m
Financial liabilities at amortised cost		
SUNPD floating rate notes	762	758
Other floating rate notes	149	201
Fixed rate notes	495	598
Total subordinated notes	1,406	1,557
Current	198	183
Non-current	1,208	1,374
Total subordinated notes	1,406	1,557

On 22 May 2013, the Company issued 7,700,000 subordinated notes (SUNPD) at $100 each. SUNPD will mandatorily convert into a variable number of the Company's ordinary shares on or after 22 November 2023 (subject to satisfaction of conversion tests), unless they are exchanged earlier. With prior written approval from APRA, the Company may elect to exchange SUNPD following the occurrence of certain events, or on the optional exchange date of 22 November 2018.

SUNPD are also converted or written off in certain circumstances as required by prudential regulatory requirements. In the event of the winding-up of the Company, the rights of the SUNPD holders will rank in priority to the rights of the ordinary and preference shareholders.

The other floating rate notes and fixed rate notes are issued by subsidiaries of the Company. Payments of principal and interest on the notes have priority over the issuing entity's dividend payments only. In the event of the winding-up of the issuing entity, the rights of the note holders will rank in preference only to the rights of its ordinary shareholders.

23. PREFERENCE SHARES

CONSOLIDATED	2015		2014	
	No. of shares	$m	No. of shares	$m
Convertible preference shares each fully paid				
SUNPC	5,600,000	554	5,600,000	551
SUNPE	4,000,000	393	4,000,000	392
Total preference shares – non-current	9,600,000	947	9,600,000	943

On 6 November 2012 and 8 May 2014, the Company issued convertible preference shares SUNPC and SUNPE respectively, at an issue price of $100 per share.

SUNPC and SUNPE are unsecured, fully paid, mandatorily convertible preference shares. Dividends on preference shares are discretionary, floating rate, noncumulative, payable quarterly and expected to be fully franked. They will pay, subject to the terms outlined in the Prospectus and at the Company's discretion, floating rate, quarterly, non-cumulative, and preferred dividends which are expected to be fully franked. If the Company does not pay a dividend in full on a dividend payment date (or within three business days of that date), then the Distribution Restriction applies to the Company in respect of the Suncorp Group's dividends on ordinary shares.

On 17 December 2019 (SUNPC) or 17 June 2022 (SUNPE), or on an earlier date under certain circumstances, the relevant preference shares will mandatorily convert into a variable number of the Company's ordinary shares (subject to satisfaction of conversion tests). With prior written approval from APRA, the Company also has the option to convert, redeem or resell SUNPC (on 17 December 2017) or SUNPE (on 17 June 2020), provided certain conditions are met. SUNPC and SUNPE are also converted or written off in certain circumstances as required by prudential regulatory requirements. In the event of the winding-up of the Company, the rights of the SUNPC and SUNPE holders will rank in priority to the rights of the ordinary shareholders.

24. SHARE CAPITAL

CONSOLIDATED	Issued capital $m	Share-based payments $m	Treasury shares $m	Total share capital $m
Balance as at 30 June 2013	12,717	70	(105)	12,682
Share-based payments	-	(20)	-	(20)
Treasury share movements	-	-	20	20
Balance as at 30 June 2014	12,717	50	(85)	12,682
Share-based payments	-	9	-	9
Treasury share movements	-	-	(7)	(7)
Balance as at 30 June 2015	12,717	59	(92)	12,684

Ordinary shares

The number of ordinary shares of the Company on issue is 1,286,600,980 (2014: 1,286,600,980).

The Company does not have authorised capital or par value 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 the winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

Dividend reinvestment plan

All eligible shareholders can elect to participate in the dividend reinvestment plan to reinvest all or part of their dividends, with no brokerage or transaction costs.

Under the dividend reinvestment plan, 3,374,978 ordinary shares were allotted on 1 April 2015 for the 2015 interim dividend; 8,173,876 ordinary shares were allotted on 1 October 2014 for the 2014 final and special dividends; 4,924,754 ordinary shares were allotted on 1 April 2014 for the 2014 interim dividend; and 6,732,163 ordinary shares were allotted on 1 October 2013 for the 2013 final and special dividends. Shares for these allotments were acquired on market for delivery to shareholders and resulted in no issue of new shares.

Share-based payments

Share-based payments represent the cumulative expense and other adjustments recognised in share capital relating to equity-settled share-based payment transactions.

25. RESERVES

CONSOLIDATED

	Equity reserve for credit losses $m	Hedging reserve $m	Assets available-for-sale reserve $m	Foreign currency translation reserve $m	Total reserves $m
Balance as at 30 June 2013	131	(65)	(4)	(22)	40
Transfer to retained profits	20	-	-	-	20
Amount recognised in equity	-	42	27	-	69
Amount transferred from equity to profit or loss	-	5	(4)	-	1
Income tax	-	(15)	(7)	-	(22)
Exchange differences on translation of foreign operations	-	-	-	98	98
Balance as at 30 June 2014	151	(33)	12	76	206
Transfer from retained profits	(5)	-	-	-	(5)
Amount recognised in equity	-	33	(4)	-	29
Amount transferred from equity to profit or loss	-	4	(4)	-	-
Income tax	-	(11)	2	-	(9)
Exchange differences on translation of foreign operations	-	-	-	(54)	(54)
Balance as at 30 June 2015	146	(7)	6	22	167

Equity reserve 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 financial assets until the asset is derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve consists of all foreign exchange differences arising from the translation of the financial statements of foreign operations that have a functional currency other than Australian dollars.

26. GROUP CAPITAL MANAGEMENT

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 Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand.

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 risk appetite, the business area regulatory framework and APRA's standards for the supervision of conglomerates. Details relating to classification of capital for regulatory purposes and the capital positions of key regulated entities at the reporting date are provided in section 8.4 of the Directors' Report.

APRA has released its standards for the supervision of conglomerate groups, although has not yet set an implementation date. The Suncorp Group has been operating under a non-operating holding company (NOHC) structure since 2011, with associated NOHC Conditions from APRA having much in common with the proposed Level 3 conglomerate standards. The Suncorp Group is well placed to implement the requirements and does not expect material changes to the ICAAP as a result. As the NOHC, the Company holds capital in respect of the corporate service companies and a portion of the Suncorp Group's target capital above that held within the insurance and banking businesses.

The NOHC Conditions include the following:

- the Suncorp Group is required to meet, at all times, the Level 3 Prudential Capital Requirement for Eligible Capital (and the Eligible Capital must satisfy certain requirements around the proportion of 'high quality' capital such as share capital and retained earnings)
- reductions in the Suncorp Group's capital base require APRA's written approval (for example, planned payment of dividends that exceed the prior 12 months earnings)
- the NOHC activities of the Company, and the Banking and Life group NOHC are limited and defined in scope
- compliance with certain APRA Prudential Standards; and
- the Company must ensure that where capital or funds are transferred within the Suncorp Group the original nature and quality of the capital or funds is maintained.

The Suncorp Group has established comprehensive policies and procedures to ensure compliance with the NOHC conditions.

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

CONSOLIDATED	2015	2014
	$m	$m
Common Equity Tier 1 Capital	6,629	7,182
Additional Tier 1 Capital	960	960
Tier 1 Capital	7,589	8,142
Tier 2 Capital	1,587	1,651
Total Capital	9,176	9,793
Excess to Common Equity Tier 1 Capital Target (ex dividend)	570	831
Excess Total Capital to target (ex dividend)	978	1,293

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

27.1. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

CONSOLIDATED	2015	2014
	$m	$m
Profit for the financial year	1,140	737
Non-cash items		
Impairment loss on loans and advances	58	124
Impairment loss on goodwill and other intangible assets	-	347
Amortisation and depreciation expense	155	245
Change in fair value relating to investing and financing activities	(401)	(530)
Other non-cash items	1	36
Change in operating assets and liabilities		
Net movement in insurance assets and liabilities	189	645
Net movement in tax assets and liabilities	(98)	249
Decrease in trading securities	209	1,854
Increase in loans and advances	(2,012)	(1,919)
Increase in other assets	(21)	(25)
Increase in deposits and short-term borrowings	320	32
Increase (decrease) in payables and other liabilities	19	(108)
Net cash (used in) from operating activities	(441)	1,687

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

CONSOLIDATED	2015	2014
	$m	$m
Cash and cash equivalents at the end of the financial year in the consolidated statement of cash flows is represented by the following line items in the consolidated statement of financial position:		
Cash and cash equivalents	1,216	895
Receivables due from other banks[1]	595	927
Payables due to other banks	(297)	(81)
	1,514	1,741

27.3. FINANCING ARRANGEMENTS

CONSOLIDATED	2015		2014	
	Program limit $m	Unused $m	Program limit $m	Unused $m
The Suncorp Group had the following debt programs available at the 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

[1] Includes $101 million (2014: $268 million) of collateral representing credit support to secure the Suncorp Group's derivative liability position, as part of the standard International Swaps and Derivatives Association agreement.

28. FINANCIAL INSTRUMENTS

28.1. 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:

- financial assets at fair value through profit or loss including trading securities
- available-for-sale financial assets
- short-term offshore borrowings designated as financial liabilities at fair value through profit or loss; and
- 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	Carrying value $m	Fair value Level 1 $m	Level 2 $m	Level 3 $m	Total $m
2015						
Financial assets						
Held-to-maturity investments	12	3,642	-	3,665	-	3,665
Loans and advances	14	51,735	-	-	53,260	53,260
Financial liabilities						
Deposits and short-term borrowings at amortised cost	17	41,123	-	40,730	-	40,730
Securitised liabilities	28.4	3,639	-	3,677	-	3,677
Debt issues	21	7,869	-	7,961	-	7,961
Subordinated notes	22	1,406	789	613	-	1,402
Preference shares	23	947	956	-	-	956
2014						
Financial assets						
Held-to-maturity investments	12	3,958	-	3,995	-	3,995
Loans and advances	14	49,781	-	-	50,142	50,142
Financial liabilities						
Deposits and short-term borrowings at amortised cost	17	40,868	-	40,636	-	40,636
Securitised liabilities	28.4	3,581	-	3,604	-	3,604
Debt issues	21	6,831	-	6,788	-	6,788
Subordinated notes	22	1,557	805	764	-	1,569
Preference shares	23	943	1,015	-	-	1,015

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 28.2.

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

Financial assets

Fair value of held-to-maturity investment securities are determined based on the quoted market price where available. Where quoted prices are not available, alternative valuation techniques are used. 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. 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. The discount rates applied are based on the rates offered by the Suncorp Group on current products with similar maturity dates.

Financial liabilities

The carrying value for non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months included in deposits and short-term borrowings is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits included in deposits and short-term borrowings based upon deposit type and related maturities.

The fair value of securitised liabilities, debt issues, subordinated notes and preference shares are calculated based on either the quoted market prices at reporting date or, where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument.

28.2. FAIR VALUE HIERARCHY

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

- 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.

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
Investment securities[1]	4,394	18,094	-	22,488	4,708	18,249	-	22,957
Derivatives	4	655	-	659	3	264	34	301
	4,398	20,133	-	24,531	4,711	20,106	34	24,851
Financial liabilities								
Deposits and short-term borrowings[2]	-	2,776	-	2,776	-	2,711	-	2,711
Derivatives	3	516	17	536	28	501	96	625
	3	3,292	17	3,312	28	3,212	96	3,336

[1] Only includes financial assets at fair value through profit or loss and available-for-sale financial assets.
[2] Only includes short-term offshore borrowings designated as financial liabilities at fair value through profit or loss.

28.2.
FAIR VALUE HIERARCHY (CONTINUED)

There have been no significant transfers between Level 1 and Level 2 during the 2015 and 2014 financial years.

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 in the fair value hierarchy is based on market data using observable quoted rates for actively traded tenor points. Where interpolation of market inputs is used to value an instrument for the correct time periods, observable inputs such as the bank bill swap rate (BBSW), yield curve and swap curve rates are used.

The Suncorp 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 Suncorp Group's results.

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
	Investment securities $m	Derivatives $m	Derivatives $m	Investment securities $m	Derivatives $m	Derivatives $m
Balance at the beginning of the financial year	-	34	96	3	41	109
Total gains or losses included in profit or loss[1]	-	-	(20)	-	4	(17)
Change in fair value recognised in other comprehensive income	-	-	-	-	-	8
Transfer out to Level 2	-	-	(27)	(2)	(11)	(1)
Issues	-	-	-	-	-	13
Settlements	-	(34)	(32)	(1)	-	(16)
Balance at the end of the financial year	-	-	17	-	34	96

28.3.
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 consolidated statement of financial position (SoFP), or are subject to enforceable master netting arrangements, irrespective of whether they are offset in the consolidated statement of financial position.

Derivative assets and liabilities

- Offsetting has been applied to derivatives in the consolidated statement of financial position where the Suncorp Group has a legally enforceable right to set-off and there is an intention to settle on a net basis.
- Certain derivatives are subject to the International Swaps and Derivatives Association (ISDA) Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Suncorp 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 consolidated statement 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 the financial year (i.e. unrealised).

28.3.
MASTER NETTING OR SIMILAR ARRANGEMENTS (CONTINUED)

Amounts due from and to reinsurers

- Some reinsurance treaties of the Suncorp Group require netting arrangements whereby the receivables from and payable to reinsurers are settled on a net basis. As such, the Suncorp Group has applied offsetting in the consolidated statement of financial position.
- The collateral received is subject to terms and conditions of the respective reinsurance treaties and provides regulatory capital relief on the Suncorp Group's credit exposures to reinsurers.

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	581	-	(276)	(261)	44	78	659
Amounts due from reinsurers[1]	123	(87)	-	-	36	114	150
Total	704	(87)	(276)	(261)	80	192	809
Financial liabilities							
Derivatives	521	-	(276)	(154)	91	15	536
Amounts due to reinsurers	113	(87)	-	-	26	681	707
Repurchase agreements	949	-	(949)	-	-	-	949
Total	1,583	(87)	(1,225)	(154)	117	696	2,192
2014							
Financial assets							
Derivatives	283	-	(175)	(32)	76	18	301
Amounts due from reinsurers[1]	65	(41)	-	(1)	23	27	51
Total	348	(41)	(175)	(33)	99	45	352
Financial liabilities							
Derivatives	575	-	(175)	(357)	43	50	625
Amounts due to reinsurers	85	(41)	-	-	44	618	662
Repurchase agreements	827	-	(827)	-	-	-	827
Total	1,487	(41)	(1,002)	(357)	87	668	2,114

[1] Included as part of 'Other assets' in the consolidated statement of financial position.

28.4. TRANSFERS OF FINANCIAL ASSETS

The Suncorp Group enters into repurchase agreements and conducts covered bond and securitisation programs. The Suncorp 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 Suncorp 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 ‘Investment securities' and the obligation to repurchase is included in ‘Deposits and short-term borrowings' or 'Payables and other liabilities'.

Covered bonds

Suncorp-Metway Limited (**SML**) 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 loans and advances. This cover pool of eligible loans and advances (**covered pool assets**) is sold by SML to a special purpose trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain events. In the event of default by SML the covered bond holders have claim against both the cover pool and SML. SML receives the residual income of the special purpose trust after all payments due to covered bond holders have been met. In the consolidated statement of financial position, the covered pool assets transferred are included in ‘Loans and advances’ and the covered bonds issued are included in ‘Debt issues’.

Securitisation liabilities

The Suncorp Group conducts a loan securitisation program whereby housing mortgage loans are packaged and sold to special purpose 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 Suncorp Group receives residual income from the Trusts after all payments to security holders and costs of the program have been met. The Suncorp 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 Suncorp Group cannot use these assets to settle the liabilities of the Suncorp Group. The Suncorp Group is not obliged to support any losses that may be suffered by investors and does not intend to provide such support. 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’.

28.4.
TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

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

CONSOLIDATED	2015			2014		
	Repurchase agreements $m	Covered bonds $m	Securiti-sation $m	Repurchase agreements $m	Covered bonds $m	Securiti-sation $m
Carrying amount of transferred financial assets	951	3,008	3,800	838	2,705	3,756
Carrying amount of associated financial liabilities	949	2,648	3,639	827	2,197	3,581
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	951	n/a	3,818	838	n/a	3,771
Fair value of associated financial liabilities	949	n/a	3,677	827	n/a	3,604
Net position	2		141	11		167

29. GROUP RISK MANAGEMENT

29.1.
GROUP RISK MANAGEMENT OBJECTIVES AND STRUCTURE

The Board and management recognise that effective risk management is critical to the achievement of the Suncorp Group's objectives. The Board Risk Committee (**Risk Committee**) has delegated authority from the Board to oversee 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.

Note: n/a = not applicable

29.1. 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 and related policies • Advise and partner with the business in the 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 Suncorp Group has in place a number of Management Committees, each with its own charter, to execute specific responsibilities within the risk framework. Management asset and liability committees are in place to provide effective governance over aspects of the risk framework designed to optimise the long-term returns achieved by asset portfolios within the risk appetite or parameters established by the Board.

APRA-regulated entities prepare Risk Management Strategies (RMS) approved by the Risk Committee and submit these to APRA annually. 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.

29.1. 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 Suncorp 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.
Insurance risk	The risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management or reinsurance management.
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 Suncorp 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 Suncorp Group's business model or strategy is not viable due to adverse changes in the business environment.

The Suncorp Group is exposed to 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.
Equity risk	The risk of loss of current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of the Suncorp Group's risk management practices are presented in the following sections:

- note 29.2 Group insurance risk management
- note 30 Group risk management for financial instruments: credit, liquidity and market risks; and
- note 13 Derivative financial instruments.

29.2.
GROUP INSURANCE RISK MANAGEMENT

(a) Policies and practices for mitigating insurance risk

Risk appetite statements are in place and controls are implemented to manage the following components of insurance risk:

- pricing, including pricing strategies, technical pricing and pricing adequacy reviews
- roles and responsibilities for pricing, the development and approval of new products and changes to existing products
- processes that identify and respond to changes in the internal and external environment impacting insurance products
- underwriting, including processes to consider aggregate exposures from a portfolio perspective to determine the actual exposure to particular risks or an event, monitoring of significant accumulation and concentration of risk, and guidelines around the utilisation of reinsurance in pricing and underwriting
- delegated authorities for the acceptance, assessment and settlement of claims including operational and ex-gratia authority limits
- procedures relating to the notification, assessment, evaluation, settlement and closure of claims, and processes to detect and reduce loss associated with claims risk; and
- reserving practices and procedures at individual claim and portfolio level.

The Board receives Australian General Insurance and Life Insurance Financial Condition Reports from the Appointed Actuaries who also provide advice in relation to premium, issuing of new policies and reinsurance arrangements in accordance with APRA Prudential Standards. The boards for the New Zealand general insurer and life company receive equivalent reports and advice in respect of obligations imposed by the Reserve Bank of New Zealand.

For both general insurance and life insurance contracts, concentration of insurance risk is mitigated through diversification over classes of insurance business, industry segments, geographical segments (Australia and New Zealand), the use of reinsurer coverage and ensuring there is an appropriate mix of business.

For general insurance contracts, catastrophe and facultative reinsurance contracts are purchased to ensure that any accumulation of losses from a single event is mitigated. For life insurance, concentration of insurance risk is managed by ensuring there is an appropriate mixture of individual and group insurance business split between mortality, morbidity and annuity benefit payments. Concentrations of risk by product type are managed through monitoring of the Suncorp Group's in-force life insurance business and the mix of new business written each year. Exposure to risk of large claims for individual lives is managed through the use of reinsurance arrangements whereby the Suncorp Group's maximum exposure to any individual life is capped.

(b) Terms and conditions of insurance contracts

i) General insurance contracts

The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiable. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the consolidated financial statements. There are no embedded derivatives that are separately recognised from a host insurance contract.

29.2. GROUP INSURANCE RISK MANAGEMENT (CONTINUED)

(b) Terms and conditions of insurance contracts (continued)

ii) Life insurance and investment contracts

The nature and terms of the insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend.

The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance and investment contracts issued by the Suncorp Group.

TYPE OF CONTRACT	DETAILS OF CONTRACT WORKINGS	NATURE OF COMPENSATION FOR CLAIMS	KEY VARIABLES AFFECTING THE TIMING AND UNCERTAINTY OF FUTURE CASH FLOWS
Long-term non-participating insurance contracts with fixed and guaranteed terms (Term Life and Disability)	Guaranteed benefits paid on death, ill health or maturity which are fixed and are not at the discretion of the issuer.	Benefits, defined by the insurance contract, are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, morbidity, lapses, expenses and market earning rates on the assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (Endowment and Whole of Life)	These policies combine life insurance and savings. The policyowner pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Operating profit arising from these contracts is allocated 80:20 between the policyowners and shareholders in accordance with the *Life Act*. The amount allocated to policyowners is held as an unvested policy liability until it is distributed to specific policyowners as bonuses.	Mortality, surrenders, expenses and market earning rates on the assets backing the liabilities.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance. Interest is credited regularly.	The payment of the account balance is guaranteed. Operating profit arising from these contracts is allocated between policyowners and shareholders in accordance with the *Life Act*. The amount allocated to policyowners is held as an unvested policy liability until it is distributed to specific policyowners as interest credits.	Surrenders, expenses and market earning rates on the assets backing the liabilities.

30. GROUP RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

30.1. CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS

Due to the nature of the banking business, credit risk exposure arising from Banking's financial assets is managed separately to other business areas of the Suncorp Group.

(a) Credit risk exposures

Banking is exposed to credit risk from traditional lending to customers and receivables 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 the 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 a 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 Banking's end-to-end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

The risk-graded portfolio includes business and agribusiness exposures. Within this portfolio, exposures are individually assessed and an internal risk grade is assigned depending on the 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 Banking 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.

Banking 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 ISDA Master Agreement and Credit Support Annex 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 consolidated statement of financial position represents the maximum amount of credit exposures as at the end of the financial year, except for derivatives and off-balance sheet commitments.

The fair value of derivatives recognised in the consolidated 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 13.

30.1.

CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk exposures (continued)

The table below details Banking'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 Banking 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 has been missed or received late. The amount included as past due is the entire contractual balance, not just the overdue portion.

BANKING

	Receivables due from other banks $m	Trading securities $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	111	21	4,024
Construction	-	-	-	489	155	-	644	15	-	629
Financial services	595	1,384	6,245	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 - Mortgages	-	-	-	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	1,384	6,245	52,169	2,719	356	63,468	218	399	62,851
Impairment provisions							(208)	(82)	(27)	(99)
							63,260	136	372	62,752

[1] Credit commitments and derivative instruments represent the credit equivalent amount of Banking'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.

30.1. CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk exposures (continued)

BANKING

	Receivables due from other banks $m	Trading securities $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
2014										
Agribusiness	-	-	-	4,269	172	-	4,441	197	8	4,236
Construction	-	-	-	606	142	-	748	36	4	708
Financial services	927	1,593	6,500	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 - Mortgages	-	-	-	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	1,593	6,500	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 Banking'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.

30.1. CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality

Credit quality of loans and advances are classified as follows:

- performing loans are loans that are not impaired and neither 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.

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.

BANKING	2015	2014
	$m	$m
Performing loans		
Loans and advances	51,551	49,376
Loans and advances with restructured terms	1	5
Collective provision for impairment	(99)	(86)
	51,453	49,295
Non-performing loans – not impaired		
Non-performing loans – not impaired	399	439
Collective provision for impairment	(27)	(34)
	372	405
Non-performing loans – impaired		
Individually impaired loans	218	333
Specific provision for impairment	(82)	(106)
	136	227
Total loans and advances	51,961	49,927

30.1. CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality (continued)

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

BANKING	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

(c) 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.

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

Banking 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 Banking's lending being consumer in nature and 99% (2014: 96%) of that lending secured by residential property, Banking's exposures are ultimately linked to factors impacting employment and residential property values.

In the event of customer default, Banking can take possession of security held as collateral against the outstanding claim. Any loan security may be held as mortgagee in possession while Banking seeks to realise its value through the sale of the property. Therefore, Banking does not hold any real estate or other assets acquired through the repossession of collateral. It is Banking's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. Collateral and other credit enhancements held by Banking mitigates the maximum exposure to credit risk.

30.1. CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(d) 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 Banking's corporate exposures (including direct and contingent exposures) which individually were greater than 5% of Banking's capital resources (Tier 1 and Tier 2 capital) are as follows.

BANKING	2015	2014
	Number	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.

(e) 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 Suncorp 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.

Suncorp Group's 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.

30.1. CREDIT RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(e) Provision for impairment – specific and collective provisions (continued)

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.

Loans with similar credit risk characteristics are grouped 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 Suncorp 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 Suncorp Group's historical experience, with adjustments 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.

30.2. CREDIT RISK FOR NON-BANKING-RELATED FINANCIAL INSTRUMENTS

Exposure to credit risk from other business areas of the Suncorp Group arises primarily from:

- premiums outstanding
- reinsurance recoveries and receivables; and
- investments in interest-bearing securities and derivatives.

The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at the end of the financial year.

30.2. CREDIT RISK FOR NON-BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(a) Premiums outstanding

Credit risk is managed by maintaining debtor control procedures including the monitoring of aged amounts to minimise overdue debts. Credit limits are set and enforced to limit credit exposures from business written through general insurance intermediaries. Where permissible by law, payment default will result in the termination of the insurance contract with the policyowner, eliminating both the credit risk and insurance risk for the unpaid balance. Collateral is not sought on these balances.

The aging analysis is as follows.

CONSOLIDATED	2015 $m	2014 $m
Neither past due nor impaired	2,401	2,439
Past due 0-3 months	61	78
Past due 3-12 months	16	21
Past due >12 months	10	9
Impaired	5	7
	2,493	2,554

(b) Reinsurance recoveries and receivables

Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with strong credit ratings. Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market. Collateral arrangements exist for non-regulated reinsurers.

The following table provides information regarding credit risk exposure of reinsurance and other recoveries and amounts due from reinsurers, classified according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

CONSOLIDATED	2015 $m	2014 $m
AAA	419	382
AA	721	719
A	446	682
Not rated	827	717
Total	2,413	2,500

The aging analysis is as follows.

CONSOLIDATED	2015 $m	2014 $m
Neither past due nor impaired	2,370	2,465
Past due 0-3 months	16	25
Past due 3-12 months	15	6
Past due >12 months	12	4
	2,413	2,500

30.2. CREDIT RISK FOR NON-BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(c) Investments in interest-bearing securities and derivatives

Interest-bearing securities are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.

Certain derivatives have signed ISDA Credit Support Annex documentation to facilitate derivative transactions and manage credit risk (refer to note 28.3).

For investment-linked business, the liability to policyowners is linked to the performance and value of the assets that back those liabilities. The Suncorp Group has no direct exposure to any credit risk in those assets.

The following table provides information regarding credit risk exposure, classified according to Standard & Poor's counterparty credit ratings and those related to investment-linked business. These assets are neither past due nor impaired.

	2015	2014	2015	2014
	Interest-bearing investment securities		Derivative asset	
	$m	$m	$m	$m
AAA	5,214	5,551	2	1
AA	5,765	5,374	25	16
A	3,509	4,187	-	11
BBB	649	420	-	-
Non-investment grade	21	-	-	-
Not rated	36	185	-	-
Investment-linked business	372	479	-	-
Total	15,566	16,196	27	28

30.3.
LIQUIDITY RISK

The key objective of the Group's liquidity and funding management is to ensure that it has sufficient available liquidity to meet the Suncorp Group's current and future obligations under both normal and stressed liquidity environments, and does not introduce an unacceptable level of funding risk. The following key facilities and arrangements are in place to mitigate non-banking related liquidity risks:

- investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations
- investment funds set aside within the investment portfolios can be realised to meet significant claims payment obligations
- in the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements
- mandated liquidity limits
- regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise; and
- flexibility in investment strategies implemented for investment management to provide sufficient liquidity to meet claim payments as they fall due, based on actuarial assumptions.

For banking activities, executive management of liquidity risk is delegated to the Bank Asset and Liability Committee, which reviews risk measures and limits, and 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 Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Market Risk division.

The banking activities have separate policies and processes to mitigate liquidity and funding risk which are approved by the 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 given to product, tenor, geography and customer concentrations and market trends.

(a) Maturity analysis

The following tables summarise the maturity profile of the Suncorp Group's financial liabilities based on the remaining undiscounted contractual obligations.

The contractual maturity information is not necessarily used in the liquidity management of the balance sheet. 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							
Payables due to other banks	297	297	-	-	-	-	297
Deposits and short-term borrowings	43,899	16,184	16,085	11,088	1,230	-	44,587
2014							
Payables due to other banks	81	81	-	-	-	-	81
Deposits and short-term borrowings	43,579	13,571	18,022	11,408	1,397	-	44,398

30.3.
LIQUIDITY RISK (CONTINUED)

(a) Maturity analysis (continued)

CONSOLIDATED

2015	Carrying amount $m	At call $m	1 year or less $m	1 to 5 years $m	Over 5 years $m	Total cash flows $m
Payables and other liabilities	1,232	-	1,232	-	-	1,232
Amounts due to reinsurers	707	-	649	58	-	707
Managed funds units on issue	233	233	-	-	-	233
Securitisation liabilities	3,639	-	1,300	2,097	761	4,158
Debt issues	7,869	-	1,836	6,528	-	8,364
Subordinated notes[1]	1,406	-	251	1,171	116	1,538
Preference shares	947	-	-	-	960	960
	16,033	233	5,268	9,854	1,837	17,192
Derivatives						
Contractual amounts receivable (gross settled)		-	(562)	(1,204)	(40)	(1,806)
Contractual amounts payable (gross and net settled)		-	787	1,555	101	2,443
	536	-	225	351	61	637
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	127	-	-	-	127
Commitments to provide loans and advances	-	8,091	-	-	-	8,091
	-	8,218	-	-	-	8,218
2014						
Payables and other liabilities	1,293	-	1,293	-	-	1,293
Amounts due to reinsurers	662	-	662	-	-	662
Managed funds units on issue	118	118	-	-	-	118
Securitisation liabilities	3,581	-	1,152	2,117	742	4,011
Debt issues	6,831	-	2,511	4,842	-	7,353
Subordinated notes[1]	1,557	-	262	1,474	124	1,860
Preference shares	943	-	-	-	960	960
	14,985	118	5,880	8,433	1,826	16,257
Derivatives						
Contractual amounts receivable (gross settled)		-	(397)	(490)	(62)	(949)
Contractual amounts payable (gross and net settled)		-	789	672	94	1,555
	625	-	392	182	32	606
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	141	-	-	-	141
Commitments to provide loans and advances	-	7,100	-	-	-	7,100
	-	7,241	-	-	-	7,241

[1] 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.

30.3.
LIQUIDITY RISK (CONTINUED)

(b) Concentration of deposits and borrowings for banking-related financial instruments

Details of the concentrations of financial liabilities used in banking activities to raise funds are as follows.

BANKING	2015	2014
	$m	$m
Australian funding sources		
Retail deposits	33,823	32,799
Wholesale funding	7,730	8,551
Covered bonds	2,648	2,197
Australian domestic program	3,134	3,484
Securitisation	3,512	3,327
	50,847	50,358
Overseas wholesale funding sources		
Foreign exchange 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 at amortised cost	44,431	44,154
Securitisation liabilities	3,651	3,598
Debt issues	7,876	6,839
Subordinated notes	742	742
	56,700	55,333

30.4.
MARKET RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS

Due to the nature of the Banking business, market risk exposure is managed separately to other business areas of the Suncorp Group.

Banking 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.

Banking 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. Banking's standard VaR approach for both traded and non-traded risk is based on a historical simulation which uses equally weighted market observation from the last two years.

30.4. MARKET RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(a) Traded market risk

Banking trades a range of on-balance sheet interest, foreign exchange 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.

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

BANKING	2015			2014		
	Interest rate risk $m	FX risk $m	Combined risk[1] $m	Interest rate risk $m	FX risk $m	Combined risk[1] $m
VaR at the end of the financial year	0.21	0.22	0.29	0.26	0.37	0.61

(b) 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 Banking. 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 Banking to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

- repricing risk: resulting from changes in the overall levels of interest rates and from different terms
- 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.

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

30.4. MARKET RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(b) Non-traded interest rate risk (continued)

(i) 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.

BANKING	2015	2014
	$m	$m
Exposure at the end of the financial year	(44)	(27)

(ii) 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.

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.

BANKING	2015	2014
	$m	$m
Exposure at the end of the financial year	(52)	(69)

(iii) 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.

BANKING	2015	2014
	$m	$m
Exposure at the end of the financial year	(23)	(21)

30.4. MARKET RISK FOR BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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 13).

30.5. MARKET RISK FOR NON-BANKING-RELATED FINANCIAL INSTRUMENTS

(a) Foreign exchange risk

The Suncorp Group non-banking business foreign exchange risk exposure mainly arises from investments in overseas assets, including foreign issued interest-bearing securities and global equities. The exposure is managed via the use of cross currency swaps, forward foreign exchange and futures contracts.

A sensitivity analysis showing the impact on profit or loss for changes in foreign exchange rates for exposure as at the balance date with all other variables including interest rates remaining constant is shown in the table below. There is no impact on equity reserves.

The movements in foreign exchange rates used in the sensitivity analysis for 2015 have been revised to reflect an updated assessment of the reasonable possible changes in foreign exchange rates over the next twelve months, given renewed observations and experience in the investment markets during the financial year.

	2015			2014		
	Exposure at 30 June $m	Change in FX rate %	Profit (loss) after tax $m	Exposure at 30 June $m	Change in FX rate %	Profit (loss) after tax $m
USD	334	+ 12	24	274	+ 10	9
		– 12	(29)		– 10	(10)
Other	260	+ 10	16	269	+ 10	9
		– 10	(18)		– 10	(10)

30.5. MARKET RISK FOR NON-BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities.

The investment portfolios which hold significant interest-bearing securities in support of corresponding outstanding insurance liabilities are invested in a manner consistent with the expected duration of claims payments. Interest rate risk is also managed by maintaining a diversified portfolio of investment securities and the controlled use of interest rate derivative instruments.

The sensitivity of profit and loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the balance date is shown in the table below. There is no impact on equity reserves. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the balance date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

Investment-linked business is excluded from the analysis as there is no residual interest rate exposure to the shareholder. The movements in interest rate used in the sensitivity analysis for 2015 have been revised to reflect an updated assessment of the reasonable possible changes in interest rates over the next twelve months, given renewed observations and experience in the investment markets during the financial year.

	2015			2014		
	Exposure at 30 June $m	Change in interest rate bp	Profit (loss) after tax $m	Exposure at 30 June $m	Change in interest rate bp	Profit (loss) after tax $m
Interest-bearing investment securities (including derivative financial instruments)	15,884	+ 100	(252)	14,450	+ 125	(258)
		– 50	132		– 25	54
Subordinated notes	1,222	+100	(9)	1,380	+ 125	(12)
		– 50	4		– 25	3
Preference shares	960	+ 100	(10)	960	+ 125	(8)
		– 50	5		– 25	2

30.5.
MARKET RISK FOR NON-BANKING-RELATED FINANCIAL INSTRUMENTS (CONTINUED)

(c) Equity risk

The Suncorp Group has exposure to equity risk through its investments in international and domestic equity trusts. Equity risk is managed by incorporating a diverse holding of Australian and overseas equities (whether direct or through unitised trusts) and through the controlled use of derivative financial instruments.

The table below presents a sensitivity analysis showing the impact on profit or loss for price movements for exposures as at the balance date with all other variables remaining constant. There is no impact on equity reserves.

The movements in equity prices used in the sensitivity analysis for 2015 have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next twelve months, given renewed observations and experience in the investment markets during the financial year.

	2015			2014		
	Exposure at 30 June $m	Change in equity prices %	Profit (loss) after tax $m	Exposure at 30 June $m	Change in equity prices %	Profit (loss) after tax $m
Listed Australian equities and unit trusts	1,534	+ 15	161	724	+ 15	76
		– 20	(215)		– 15	(76)
Listed international equities and unit trusts	1,041	+ 15	110	623	+ 15	62
		– 20	(147)		– 15	(62)

(d) Credit spread risk

The Suncorp Group is exposed to credit spread risk through its investments in non-Australian Government-issued bonds (and other interest-bearing securities). This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings, and managing to a credit risk diversity score limit.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the balance date. There is no impact on equity reserves.

The movements in credit spread used in the sensitivity analysis for 2015 have been revised to reflect an updated assessment of the reasonable possible changes in credit spread over the next twelve months, given renewed observations and experience in the investment markets during the financial year.

	2015			2014		
	Exposure at 30 June $m	Change in credit spread bp	Profit (loss) after tax $m	Exposure at 30 June $m	Change in credit spread bp	Profit (loss) after tax $m
Credit exposure (excluding semi-government)	7,561	+ 60	(61)	8,355	+ 75	(126)
		– 40	43		– 25	44
Credit exposure (semi-government)	4,295	+ 50	(95)	2,852	+ 50	(56)
		– 20	39		– 20	23

31. COMMITMENTS

31.1. 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 and are not recorded in the consolidated statement of financial position. The Suncorp Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA.

CONSOLIDATED	2015 $m	2014 $m
Notional amounts		
Guarantees entered into in the normal course of business	127	141
Commitments to provide loans and advances	8,091	7,100
	8,218	7,241
Credit equivalent amounts		
Guarantees entered into in the normal course of business	125	139
Commitments to provide loans and advances	2,438	1,737
	2,563	1,876

31.2. OPERATING LEASE EXPENDITURE COMMITMENTS

The Suncorp Group leases property under operating leases expiring from 1 to 9 years. Leases generally provide the Suncorp 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 other operating criteria.

CONSOLIDATED	2015 $m	2014 $m
Aggregate non-cancellable operating lease rentals payable but not provided in the financial statements:		
Less than one year	141	161
Between one and five years	246	309
More than five years	88	113
	475	583

31.3. CAPITAL AND EXPENDITURE COMMITMENTS

Expenditure for the acquisition of property, plant and equipment and other expenditure contracted for but not provided in the consolidated financial statements was $57 million (2014: $84 million).

32. PARENT ENTITY AND SUBSIDIARIES

32.1. ULTIMATE PARENT ENTITY

COMPANY	2015 $m	2014 $m
Results of the Company for the financial year:		
Revenue		
Dividend and interest income from subsidiaries	1,209	858
Interest and trust distribution income on financial assets at fair value through profit or loss	24	29
Other income	2	3
Total revenue	1,235	890
Expenses		
Impairment loss on investment in subsidiaries	-	(319)
Interest expense on financial liabilities at amortised cost	(93)	(79)
Operating expenses	(4)	(4)
Total expenses	(97)	(402)
Profit before income tax	1,138	488
Income tax expense	(6)	(5)
Profit for the financial year	1,132	483
Total comprehensive income for the financial year	1,132	483

COMPANY	2015 $m	2014 $m
Financial position of the Company as at the end of the financial year:		
Current assets		
Cash and cash equivalents	3	2
Financial assets designated at fair value through profit or loss	620	687
Due from subsidiaries	338	432
Other assets	5	20
Total current assets	966	1,141
Non-current assets		
Investment in subsidiaries	13,889	14,056
Due from subsidiaries	770	770
Deferred tax assets	6	5
Other assets	71	67
Total non-current assets	14,736	14,898
Total assets	15,702	16,039
Current liabilities		
Payables and other liabilities	9	8
Current tax liabilities	275	370
Due to subsidiaries	13	13
Total current liabilities	297	391
Non-current liabilities		
Subordinated notes	762	758
Preference shares	947	943
Total non-current liabilities	1,709	1,701
Total liabilities	2,006	2,092
Net assets	13,696	13,947
Equity		
Share capital	12,773	12,766
Reserves	-	987
Retained profits	923	194
Total equity	13,696	13,947

32.1.
ULTIMATE PARENT ENTITY (CONTINUED)

Capital and expenditure commitments

There are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the Company.

Contingent liabilities

The parent entity has provided a written undertaking to a wholly-owned subsidiary to provide financial support by way of injecting capital of up to $19 million (2014: $20 million) where necessary, subject to the financial condition of the subsidiary.

Parent entity guarantees

There are no parent entity guarantees in relation to the debts of its subsidiaries.

32.2.
MATERIAL SUBSIDIARIES OF SUNCORP GROUP LIMITED

CONSOLIDATED			2015	2014
	Class of	Country of	Equity holding	
Material subsidiaries of Suncorp Group Limited	shares	incorporation	%	%
Suncorp Insurance Holdings Limited	Ordinary	Australia	100	100
AAI Limited[1]	Ordinary	Australia	100	100
Australian Associated Motor Insurers Pty Limited	Ordinary	Australia	100	100
Suncorp Insurance Funding 2007 Limited	Ordinary	Australia	100	100
Suncorp Insurance Services Limited	Ordinary	Australia	100	100
Suncorp Insurance (General Overseas) Pty Ltd	Ordinary	Australia	100	100
Vero Insurance New Zealand Limited	Ordinary	New Zealand	100	100
SBGH Limited	Ordinary	Australia	100	100
Suncorp-Metway Limited	Ordinary	Australia	100	100
APOLLO Series Trusts (various)[2]	Units	Australia	100	100
Suncorp Covered Bond Trust	Units	Australia	100	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	100	100
SME Management Pty Limited	Ordinary	Australia	100	100
Suncorp Life Holdings Limited[3]	Ordinary	Australia	100	100
Guardian Financial Planning Pty Limited	Ordinary	Australia	100	100
Suncorp Insurance (Life Overseas) Pty Ltd	Ordinary	Australia	100	100
Asteron Life Limited	Ordinary	New Zealand	100	100
Suncorp Mortgage Company NZ Limited	Ordinary	New Zealand	100	100
Suncorp Group Investment Trusts (various)[3]	Units	Australia	100	100
Suncorp Life & Superannuation Limited[3]	Ordinary	Australia	100	100
Suncorp Portfolio Services Limited	Ordinary	Australia	100	100
Suncorp Staff Pty Ltd	Ordinary	Australia	100	100
Suncorp Corporate Services Pty Ltd	Ordinary	Australia	100	100
Suncorp Group Employee Share Plan Trust[4]	Units	Australia	100	100
Suncorp Group Employee Incentive Plan Trust[4]	Units	Australia	100	100

[1] Also registered as an overseas company in New Zealand.
[2] These trusts are structured entities created as part of the Suncorp Group's loan securitisation program. As at 30 June 2015, the Suncorp Group held interests in ten trusts (2014: ten). Refer to note 39.1 for the basis of consolidation.
[3] The Suncorp Group has ten (2014: nine) wholly-owned unregistered managed investment schemes. They are consolidated by the Suncorp Group's subsidiary which has control of the managed investment scheme (when the controlling subsidiary is assessed as a separate entity). On consolidation, the non-controlling interest recognised by the controlling subsidiary is eliminated against other subsidiaries' holdings in the managed investment schemes.
[4] These trusts are structured entities established to operate the Suncorp Group's employee share plans (refer note 10). These trusts are controlled by the Company.

33. UNCONSOLIDATED STRUCTURED ENTITIES

The Suncorp Group conducts fiduciary activities as trustee or custodian for various investment funds and trusts, approved deposit funds, superannuation funds, and wholesale and retail unit trusts.

The trusts are governed by the terms under which they were created, as set out in their trust deeds. Suncorp Group is deemed a sponsor of these entities through normal terms and conditions and by the association of its brand names. Compensation received by the Suncorp Group from sponsored entities for the financial year ended 30 June 2015 related to fees from trust fiduciary activities of $62 million (2014: $69 million).

Suncorp Group does not have any other interests in these entities. Arrangements are in place to ensure activities relating to asset management and trusteeship and mortgage investments are managed separately from the operations of the Suncorp Group. The assets and liabilities of these trusts are not the property of the Suncorp Group and are not included in the consolidated financial statements as the Suncorp Group does not control these entities.

The funds under administration by trustee companies are listed in the table below.

TRUSTEE/FUND MANAGER	2015 $m	2014 $m
Asteron Life Limited (New Zealand), Asteron Retirement Investment Limited & Asteron Trust Services Limited[1]	299	295
Suncorp Funds Pty Ltd[2]	762	359
Suncorp Portfolio Services Limited[3]	7,173	6,873

Where Suncorp Group acting either as responsible entities or trustees, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. As these assets are sufficient to cover liabilities, and it is not probable that the subsidiaries will be required to settle them, the liabilities are not included in the consolidated financial statements.

34. CHANGES IN THE COMPOSITION OF THE SUNCORP GROUP

The Suncorp Group did not acquire or dispose of any material subsidiaries, associates or joint venture entities during the current or prior financial year.

[1] Trustee and manager for a number of wholesale, superannuation and investment funds. The assets and liabilities of these trusts and funds are not consolidated in the financial statements as the Suncorp Group does not control these entities.
[2] Trustee for various investment unit trusts.
[3] Trustee for various internal and external superannuation funds.

35. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Information regarding KMP remuneration, loans and equity instruments disclosures are included in the Remuneration Report section of the Directors' Report.

The KMP compensation included in 'Employee benefit expenses' (refer note 9) is as follows.

CONSOLIDATED	2015 $000	2014 $000
Short-term employee benefits	20,499	20,389
Long-term employee benefits	5,025	5,248
Post-employment benefits	435	416
Share-based payments	5,628	4,719
Termination benefits	-	767
	31,587	31,539

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the 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 the Suncorp Group to KMP and their related parties, and the number of individuals in each group, are as follows.

CONSOLIDATED	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

36. OTHER RELATED PARTY DISCLOSURES

36.1. IDENTITY OF RELATED PARTIES

The Suncorp Group has a related party relationship with its associates and joint venture entities, joint venture operations and its KMP.

36.2. RELATED PARTY TRANSACTIONS WITH ASSOCIATES, JOINT VENTURE ENTITIES AND OTHER RELATED PARTIES

Transactions between the Suncorp Group and associates and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

CONSOLIDATED	2015	2014
	$000	$000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Associates	215	205
Joint ventures	4,880	4,577
Other expenses paid or due and payable:		
Joint ventures	9,354	7,747
Aggregate amounts receivable from, and payable to, each class of related parties at balance date:		
Receivables:		
Associates	600	1,243
Joint ventures	50	79
Payables:		
Joint ventures	3	8

37. AUDITORS' REMUNERATION

CONSOLIDATED	2015	2014	2015	2014
	KPMG Australia		Overseas KPMG firms	
	$000	$000	$000	$000
Audit and review services				
Audit and review of financial reports	4,263	4,371	1,485	1,444
Other regulatory audits	1,264	1,184	11	12
	5,527	5,555	1,496	1,456
Other services				
In relation to other assurance, actuarial, taxation and other non-audit services	3,335	2,110	272	408
Total auditors' remuneration	8,862	7,665	1,768	1,864

38. CONTINGENT ASSETS AND LIABILITIES

38.1. CONTINGENT ASSETS

There are claims and possible claims made by the Suncorp Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Suncorp 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.

38.2. CONTINGENT LIABILITIES

There are outstanding court proceedings, potential fines, claims and possible claims against the Suncorp Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Suncorp 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 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 Suncorp Group has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 31 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.
- In the ordinary course of business the Suncorp Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.
- Certain subsidiaries are potentially exposed to the Buyer of Last Resort (**BOLR**) clauses in certain advisor contracts. For the BOLR to be exercised, the following key conditions should be met by the adviser: (i) must retire from the industry, (ii) must have good compliance histories and reasonable systems and processes relative to business scale to get a full multiple, and (iii) must have tried to sell externally for a period of six months or more. The maximum potential commitments (all BOLR exercised at once) would be $47 million (2014: $46 million).

39. SIGNIFICANT ACCOUNTING POLICIES

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

39.1. BASIS OF CONSOLIDATION

The Suncorp 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.

(a) Subsidiaries

Subsidiaries are entities controlled by the Suncorp Group which includes companies, managed funds and trusts. The Suncorp 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 Suncorp 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 Suncorp 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 Suncorp Group. A SE is consolidated if the Suncorp 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 Suncorp Group are securitisation trusts and covered bond trusts. The securitisation trusts and the covered bond trusts are controlled by the Suncorp Group and are consolidated in the consolidated financial statements.

(b) Business combination of entities under common control

In a business combination arising from transfers of interests in entities that are under the control of the ultimate parent entity, the assets and liabilities are acquired at the carrying amounts recognised previously in the Suncorp Group's consolidated financial statements.

39.2. FOREIGN CURRENCY

(a) 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 39.8.

(b) Financial reports of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve.

39.3. REVENUE AND EXPENSE RECOGNITION

(a) Premium revenue

(i) General insurance

Premium revenue comprises amounts charged to policyowners and includes applicable levies and charges such as fire service levies but excludes stamp duty and taxes collected on behalf of third parties such as GST. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the consolidated financial statements.

(ii) Life insurance

Premium recorded as revenue relates to risk-bearing life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as a movement in policy liabilities.

Life insurance premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised on an accruals basis.

39.3. REVENUE AND EXPENSE RECOGNITION (CONTINUED)

(b) Claims expenses and movements in policy liabilities

(i) General insurance

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

(ii) Life insurance

Insurance claims are recognised in profit or loss when the liability to the policyowner under the policy contract has been established or upon notification of the insured event, depending on the type of claim.

The component of a life insurance contract claim that relates to the bearing of risks is treated as a claim expense. Other life insurance claims amounts and all life investment contract amounts paid to policyowners are in the nature of withdrawals and are recognised as a decrease in policy liabilities.

The change in policy liabilities is recognised in profit or loss and incorporated in claims expenses and movements in policy liabilities.

(c) Reinsurance

Outwards reinsurance expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

Reinsurance and other recoveries receivable

(i) General insurance

Reinsurance and other recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liabilities.

(ii) Life insurance

Policy claims recoverable from reinsurers recognise the amount for credit risk as appropriate. Given the short-term nature of these receivables, the recoverable amount approximates fair value.

(d) 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.

(e) Dividends and distribution income

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

(f) Other income

Banking 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.

39.4.
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 when it is probable that future taxable profits will be available against which the temporary differences can be utilised. Provisions for taxation require the Suncorp Group to take into account the impact of uncertain tax positions. For such uncertainties, the Suncorp Group relies on estimates and assumptions about future events.

AASB 1038 *Life Insurance Contracts* requires shareholder and policyowner tax to be included in income tax expense in the profit or loss. The majority of life insurance tax is allocated to policy liabilities and does not affect profit attributable to owners of the Company.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries. Consequently, all members of the tax-consolidated group are taxed as a single entity.

The members 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 Company also recognises the entire tax-consolidated group's current tax liability. Any differences between the current tax liability and any tax funding arrangement amounts (see below) are recognised by the Company as an equity contribution to, or distribution from, the subsidiary.

The members of the tax-consolidated group have entered into a tax sharing agreement and a tax funding agreement. Under the tax funding agreement, the wholly-owned entities fully compensate the Company 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.

39.5.
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.

39.6. NON-DERIVATIVE FINANCIAL ASSETS

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

Financial assets at fair value through profit or loss are classified as either held for trading or are designated as such upon initial recognition as a result of the following:

- if the Suncorp Group manages such investments, evaluates the performance and makes purchase and sale decisions based on their fair value in accordance with the Suncorp Group's documented risk management or investment strategy; or
- it eliminates or significantly reduces a measurement or recognition inconsistency.

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.

The Suncorp Group's financial assets at fair value through profit or loss include trading securities and investment securities (including those investment securities backing general insurance, life insurance and life investment policy liabilities).

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Suncorp 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.

(c) 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.

(d) 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.

(e) 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 Suncorp Group has transferred substantially all risk and rewards of ownership.

(f) Repurchase agreements

When the Suncorp 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.

39.7.
DERIVATIVE FINANCIAL INSTRUMENTS

The Suncorp Group holds derivative financial instruments to hedge the Suncorp Group's assets and liabilities or as part of the Suncorp 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. Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss (note 39.6 (a)) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 39.8).

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.

39.8.
HEDGE ACCOUNTING

The Suncorp 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.

(a) Cash flow hedges

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.

(b) Fair value hedges

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.

39.9.
INTANGIBLE ASSETS

(a) Initial recognition and measurement

Intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at acquisition date.

Goodwill is recognised at cost from business combinations and is subsequently measured at cost less accumulated impairment loss.

Internally generated intangible assets

Internally generated intangible assets such as software are recognised at cost, which comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management.

All other expenditure, including expenditure on software maintenance, research costs and brands is recognised as an expense as incurred.

(b) Amortisation

Intangible assets with finite lives are amortised over the estimated useful lives from the date the asset is available for use. The useful lives as outlined in note 16, are reviewed annually.

Intangible assets deemed to have an indefinite useful life are not amortised but are tested for impairment at least annually.

39.10. IMPAIRMENT

(a) 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.

Loans and receivables

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.

(b) 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)) which 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 the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognised for goodwill is not reversed.

39.11.
NON-DERIVATIVE FINANCIAL LIABILITIES

(a) 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 Suncorp Group designates certain short-term offshore borrowings at fair value through profit or loss when they are managed on a fair value basis.

(b) 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 Suncorp Group's financial liabilities at amortised cost includes Deposits and short-term borrowings, Debt issues, Subordinated notes and Preference shares.

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.

(c) Derecognition of financial liabilities

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

39.12.
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.

39.13.
EMPLOYEE ENTITLEMENTS

(a) Short-term employee benefits
Liabilities for short-term employee benefits are those expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services. They are measured at the amounts expected to be paid when the liabilities are settled. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(b) Long service leave and annual leave
The liability for long service leave and annual leave are those not expected to be settled wholly before twelve months after the end of the reporting period. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian and New Zealand Government bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(c) Share-based payments
The fair value of share-based payments is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated on grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. share price-related performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

39.14.
TREASURY SHARES

Treasury shares are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.

39.15.
CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognised but are disclosed in the consolidated 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 consolidated 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.

39.16.
DEFERRED ACQUISITION COSTS (DAC)

General insurance contracts
Acquisition costs are deferred and recognised as an asset when they can be reliably measured and when it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

Deferred acquisition costs (DAC) are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the DAC asset is written down and if insufficient, an unexpired risk liability is recognised.

The carrying value of unearned premium liabilities is assessed at each reporting date by carrying out a liability adequacy test (LAT). This test assesses whether the net unearned premium liabilities less any DAC is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and include a risk margin to reflect the inherent uncertainty in the central estimate. The assessment is carried out on each portfolio of contracts subject to broadly similar risks and managed together as a single portfolio. If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write-down of the related DAC asset. Any remaining balance is recognised as an unexpired risk liability on the consolidated statement of financial position.

Life insurance and investment contracts
DAC related to life insurance contracts represent the fixed and variable costs of acquiring new business and include commissions, certain advertising and underwriting costs. DAC related to life insurance contracts are implicitly deferred through Margin on Services (MoS). The deferred amounts are recognised in the consolidated statement of financial position as a reduction in life insurance policy liabilities. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

DAC related to life investment contracts include the variable costs of acquiring new business and include commission costs. The deferred amounts are amortised in accordance with the expected earning pattern of the associated revenue. All other acquisition costs are expensed as incurred.

39.17.
UNEARNED PREMIUM LIABILITIES

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities.

39.18.
INSURANCE LIABILITIES

(a) General insurance contracts
The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty of the central estimate. Standard actuarial methods are applied to determine the net central estimate of outstanding claims liabilities. The details of actuarial assumptions and the process for determining the risk margins are set out in note 19.4.

39.18.
INSURANCE LIABILITIES (CONTINUED)

(b) Life insurance contracts

Life insurance contract liabilities are calculated using the MoS methodology. Under MoS, the excess of premium received over expected claims and expenses is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyowner. The profit release is controlled by a profit carrier.

The projection method is generally used to determine life insurance contract liabilities. The net present value of projected cash flows is calculated using best estimate assumptions about the future. When the benefits under the life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Otherwise, a risk-free discount rate is used.

An accumulation method has been used for some risk business, where the liability is based on an unearned premium reserve, less an explicit allowance for DAC, and a reserve for incurred but not reported claims.

Participating policies are entitled to share in the profits that arise from participating business. This profit-sharing is governed by the *Life Act* and the Life companies' constitutions. The participating policyowner profit-sharing entitlement is treated as an expense in the profit or loss.

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyowners by applying the MoS principles in accordance with the *Life Act* and the New Zealand Society of Actuaries Professional Standard Number 3 *Determination of Life Insurance Policy Liabilities.*

Profit allocated to participating policyowners is recognised as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyowners (i.e. unvested) and that which has been allocated to specific policyowners by way of bonus distributions (i.e. vested) are included within life insurance contract liabilities.

(c) Life investment contracts

A life investment contract involves both the origination of a financial instrument and the provision of investment management services. Policy liabilities are measured at the fair value of the financial instrument component of the contract (designated as fair value through profit or loss) plus the liability in respect of the management services element. The management services element, including the associated acquisition costs, is recognised as revenue as services are performed.

For investment-linked products, the life investment contract liability is directly linked to the performance and value of the assets that back them and is determined as the fair value of those assets after tax. For fixed income products, the liability is determined as the net present value of expected cash flows, subject to a minimum of the current surrender value.

39.19. OTHER SIGNIFICANT ACCOUNTING POLICIES SPECIFICALLY APPLICABLE TO LIFE INSURANCE CONTRACTS

Under the *Life Act*, the business activities of the Australian Life company is conducted within one or more separate statutory funds, which are distinguished from each other and from the shareholder funds. The financial report of the Australian Life company, which is lodged with the relevant Australian regulators, is prepared in accordance with AASB 1038 *Life Insurance Contracts*. It shows all major components of the financial statements disaggregated between the various life insurance statutory funds and its shareholder funds, as well as between investment-linked business and non-investment-linked business.

The assets of Life companies are allocated between the policyowners and shareholder funds with all assets, liabilities, revenues and expenses recognised in the financial statements, irrespective of whether they are policyowner or shareholder owned.

The shareholder's entitlement to monies held in the statutory funds is subject to the distribution and transfer restrictions and other requirements of the *Life Act* and the relevant Life company's constitution. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund, or as distributions.

Basis of expense apportionment

Life insurance expenditure has been apportioned to the different classes of business in accordance with Division 2 of Part 6 of the *Life Act*. The expense apportionment basis is in line with the principles set out in APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* and the New Zealand Society of Actuaries Professional Standard Number 3 *Determination of Life Insurance Policy Liabilities*.

Expenses excluding investment management fees, which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses.

Expenses directly attributable to an individual policy or product are allocated directly to the statutory fund within the class of business of that policy or product. All indirect expenses charged to profit or loss are equitably apportioned to each class of business.

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

39.20. CHANGES TO COMPARATIVES

The presentation of the consolidated statement of financial position and consolidated statement of comprehensive income was changed in this financial report. The changes are made to improve the quality of disclosures by placing emphasis on disclosing relevant information and reduce over-disclosure of immaterial information that may obscure relevant information. As such, the 2014 comparatives in the consolidated statement of financial position and the consolidated statement of comprehensive income have been restated and outlined below. The change in presentation resulted in no impact to profit before or after tax, total assets, total liabilities or equity to the 2014 comparatives.

39.20.

CHANGES TO COMPARATIVES (CONTINUED)

Reclassified consolidated statement of comprehensive income (extract)

CONSOLIDATED	Previously reported 2014 $m	Reclass-ification $m	Restated 2014 $m
Revenue			
Banking interest income	2,972	(2,972)	-
Investment revenue	1,569	(1,569)	-
Interest income on			
- financial assets not at fair value through profit or loss	-	2,910	2,910
- financial assets at fair value through profit or loss	-	934	934
Net gains on financial assets and liabilities at fair value through profit or loss	-	537	537
Dividend and trust distribution income		160	160
Other income	545	(545)	-
Fees and other income	-	545	545
Total revenue items which have been restated	5,086	-	5,086
Total revenue items not restated	11,284	-	11,284
Total revenue	16,370	-	16,370
Expenses			
General Insurance claims expense	(6,595)	6,595	-
Life insurance claims expense and movement in policyowner liabilities	(1,450)	1,450	-
Claims expense and movement in policyowner liabilities	-	(8,045)	(8,045)
Interest expense	(2,029)	2,029	-
Interest expense on			
- financial liabilities not at fair value through profit or loss	-	(1,900)	(1,900)
- financial liabilities at fair value through profit or loss	-	(129)	(129)
Fees and commissions expense	(756)	756	-
Operating expenses	(2,757)	2,757	-
Fees, overheads and other expenses	-	(838)	(838)
Underwriting and policy maintenance expenses	-	(2,430)	(2,430)
Amortisation and depreciation expense	-	(245)	(245)
Impairment loss on loans and advances	(137)	13	(124)
Net losses on financial assets and liabilities not at fair value through profit or loss	-	(13)	(13)
Total expense items which have been restated	(13,724)	-	(13,724)
Total expense items not restated	(1,471)	-	(1,471)
Total expenses	(15,195)	-	(15,195)
Profit before tax	1,175	-	1,175
Income tax expense	(438)	-	(438)
Profit for the financial year attributed to owners of the Company	737	-	737
Total comprehensive income for the financial year attributed to owners of the Company	905	-	905

39.20. CHANGES TO COMPARATIVES (CONTINUED)

Reclassified consolidated statement of financial position (extract)

CONSOLIDATED	Previously reported $m	Reclass-ification $m	Restated 2014 $m
Assets			
General Insurance assets	6,603	(6,603)	-
Premiums outstanding	-	2,554	2,554
Reinsurance and other recoveries	-	2,500	2,500
Deferred reinsurance assets	-	774	774
Deferred acquisition costs	-	619	619
Life assets	862	(862)	-
Gross policy liabilities ceded under reinsurance	-	512	512
Other assets	444	506	950
Total assets items which have been restated	7,909	-	7,909
Total assets items not restated	86,520	-	86,520
Total assets	94,429	-	94,429
Liabilities			
Payables and other liabilities	2,331	(662)	1,669
Amounts due to reinsurers	-	662	662
General Insurance liabilities	14,173	(14,173)	-
Unearned premium liabilities	-	4,668	4,668
Outstanding claims liabilities	-	9,772	9,772
Life liabilities	6,374	(6,374)	-
Gross policy liabilities	-	6,107	6,107
Total liabilities which have been restated	22,878	-	22,878
Total liabilities items not restated	57,752	-	57,752
Total liabilities	80,630	-	80,630
Net assets	13,799	-	13,799

39.21. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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 Suncorp Group's 30 June 2019 financial statements. The potential effects on adoption of the standard are currently being assessed. It is available for early adoption but has not been applied by the Suncorp Group in this financial report.

40. 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 Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

Directors' declaration

1. In the opinion of the directors of Suncorp Group Limited (the Company):
   a. the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report set out on pages 23 to 50, are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2015 and of its 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 the 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 R Snowball
Managing Director and Group CEO

4 August 2015

Independent auditor's report to the members of Suncorp Group Limited

Report on the financial report

We have audited the accompanying financial report of Suncorp Group Limited (**the Company**), which comprises the Consolidated statement of financial position as at 30 June 2015, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the financial year ended on that date, notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Suncorp 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 Suncorp 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 Suncorp Group's financial position and of its performance.

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

Independent auditor's report to the members of Suncorp Group 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 Group is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2015 and of its 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 on pages 27 to 50 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 Group Limited for the financial year ended 30 June 2015, that is described as audited, complies with section 300A of the *Corporations Act 2001.*

KPMG

Chris Hall
Partner
Brisbane

4 August 2015

Financial calendar and shareholder information

Suncorp Group Limited is incorporated in Australia, listed on the Australian Securities Exchange (ASX) and trades under the ASX code 'SUN'.

LISTED SECURITIES

Suncorp securities listed on the ASX (and their codes) are:

- **SUNCORP GROUP LIMITED**
  Ordinary Shares (SUN)
  Convertible Preference Shares (SUNPC, SUNPE)
  Subordinated Notes (SUNPD)
- **SUNCORP-METWAY LIMITED**
  Floating Rate Capital Notes (SBKHB)

VOTING RIGHTS

Fully paid ordinary shareholders are entitled to vote at any meeting of members of the Company and their voting rights are:

- on a show of hands – one vote per shareholder
- on a poll – one vote per fully paid ordinary share.

SHARE REGISTRY MAILING ADDRESS

PO Box A50
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NSW 1235
Australia

AUDITORS

KPMG
Level 16, Riparian Plaza,
71 Eagle Street,
Brisbane Qld 4000
Australia

CHANGING SHAREHOLDER DETAILS[1]

The Company's share registrar is Link Market Services Limited (Link). Shareholders can go to either Link's website or the Suncorp Group website to:

- view details of their holdings
- change their details
- view notices of shareholder meetings, financial reports and other communications
- register an email address for dividend advices
- obtain and complete forms to have dividends paid directly to their bank, building society or credit union account.

This Directors' Report and Financial Statements is part of Suncorp Group's 2014/15 annual reporting suite which also includes the 2014/15 Annual Review.

To give feedback on any of these reports, please contact investor.relations@suncorp.com.au. To change an election regarding how you receive your shareholder reports, or to receive communications electronically, please contact Link at linkmarketservices.com.au.

[1] Shareholders will need their securityholder reference number or holder identification number to change their details. Issuer-sponsored holders can change their address via Link's website (some conditions apply) or by notifying Link. Shareholders who are sponsored by a broker (CHESS) should advise their broker of their change of address.

SUMMARY STATISTICS

30 JUNE		2015	2014	2013	2012	2011
Ordinary share price at end of year	($)	13.43	13.54	11.92	8.09	8.14
No. ordinary shares at end of period[1]	(million)	1,287	1,287	1,287	1,287	1,287
Market capitalisation	($million)	17,279	17,421	15,336	10,409	10,473
Dividend per ordinary share, fully franked	(cents)	88	105	75	55	35
Interim		38	35	25	20	15
Final		38	40	30	20	20
Special		12	30	20	15	

DIVIDENDS

The Company encourages shareholders to have cash dividends credited directly to their bank/building society/credit union account. This is more cost-effective, convenient and secure.

DIVIDEND REINVESTMENT PLAN

Suncorp Group has a dividend reinvestment plan for shareholders to reinvest all or part of their dividends in the Company's shares, with no brokerage or transaction costs. Shareholders who have already elected to join this plan will automatically have their dividends paid to them in this form. Shareholders wishing to join the dividend reinvestment plan for future dividends should advise Link by 5pm on one business day after the record date of each dividend payment. Shareholders may vary their participation or withdraw from the dividend reinvestment plan at any time. Further information is available on the Suncorp Group website or by contacting Link.

SECURITIES INFORMATION

The Company's securities listed on the ASX as at 30 June 2015 were:

CLASS OF SECURITY	ASX CODE	NUMBER
Ordinary shares	SUN	1,286,600,980
Convertible Preference Shares 2	SUNPC	5,600,000
Convertible Preference Shares 3	SUNPE	4,000,000
Subordinated Notes	SUNPD	7,700,000

SUBSTANTIAL SHAREHOLDERS

As at 20 July 2015 the following substantial shareholdings were recorded in the Company's register of substantial shareholdings:

- The Capital Group of Companies Inc. 64,435,153 shares
- Blackrock Investment Management (Australia) Limited 64,401,263 shares

The table below showing the top 20 ordinary shareholders includes shareholders that may hold shares for the benefit of third parties.

[1] Following a restructure in January 2011, Suncorp Group Limited replaced Suncorp-Metway Limited as the Suncorp Group's listed holding company.

SHAREHOLDER ANALYSIS

ORDINARY SHARES

Top 20 shareholders (SUN) (as at 30 June 2015)

NAME	TOTAL UNITS	%ISSUED CAPITAL
JP Morgan Nominees Australia Limited	276,874,058	21.52
HSBC Custody Nominees (Australia) Limited	253,006,228	19.66
National Nominees Limited	101,108,276	7.86
Citicorp Nominees Pty Limited	83,379,107	6.48
BNP Paribas Noms Pty Ltd <DRP>	29,773,921	2.31
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	25,555,291	1.99
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	12,456,102	0.97
AMP Life Limited	10,862,484	0.84
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	6,692,237	0.52
Pacific Custodians Pty Limited <Employee Share Plan Tst A/C>	4,482,767	0.35
QIC Limited	4,401,640	0.34
ARGO Investments Limited	4,260,838	0.33
RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	3,648,789	0.28
Milton Corporation Limited	3,074,732	0.24
Pacific Custodians Pty Limited <EIP Tst A/C>	2,759,107	0.21
UBS Nominees Pty Ltd	2,673,618	0.21
SBN Nominees Pty Limited <10004 Account>	2,510,000	0.20
Pacific Custodians Pty Limited <EPS Ctrl A/C>	2,374,915	0.18
Questor Financial Services Limited <TPS RF A/C>	2,365,700	0.18
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	1,985,770	0.15

Distribution/analysis by range of holdings of ordinary shares as at 30 June 2015

RANGES	INVESTORS	NO OF SECURITIES	%ISSUED CAPITAL
1 to 1,000	95,197	46,714,010	3.63
1,001 to 5,000	72,187	157,143,570	12.21
5,001 to 10,000	10,693	75,536,827	5.87
10,001 to 100,000	5,935	122,849,591	9.55
100,001 and over	188	884,356,982	68.74
Total	**184,200**	**1,286,600,980**	**100**

The number of security investors holding less than a marketable parcel of 38 securities ($13.43 on 30 June 2015) is 3,725 and they hold 61,072 securities.

CONVERTIBLE PREFERENCE SHARES 2

Top 20 shareholders (SUNPC) as at 30 June 2015

NAME	TOTAL UNITS	%ISSUED CAPITAL
UBS Wealth Management Australia Nominees Pty Ltd	318,688	5.69
J P Morgan Nominees Australia Limited	185,476	3.31
National Nominees Limited	155,621	2.78
Questor Financial Services Limited <TPS RF A/C>	106,212	1.90
Navigator Australia Ltd <MLC Investment SETT A/C>	86,414	1.54
Eastcote Pty Ltd <Van Lieshout Family A/C>	80,000	1.43
HSBC Custody Nominees (Australia) Limited	74,537	1.33
Dimbulu Pty Ltd	60,000	1.07
Nulis Nominees (Australia) Limited <Navigator Mast Plan SETT A/C>	55,595	0.99
Bond Street Custodians Limited <MPPMIM - V16636 A/C>	53,730	0.96
BNP Paribas Noms Pty Ltd <DRP>	47,049	0.84
Australian Executor Trustees Limited <No 1 Account>	24,805	0.44
RBC Investor Services Australia Nominees Pty Limited <PISELECT>	20,000	0.36
The Walter and Eliza Hall Institute of Medical Research	20,000	0.36
Mr Walter Lawton	19,535	0.35
Netwealth Investments Limited <Wrap Services A/C>	19,016	0.34
Jaswel Pty Ltd <Jaswel Family A/C>	18,100	0.32
The Trust Company Superannuation Limited <GPMSF2 - Future Super A/C>	17,745	0.32
Citicorp Nominees Pty Limited	17,732	0.32
Mr John Harrison Valder + Mrs Kay Ormonde Valder <Jayvee No 3 Superfund A/C>	15,000	0.27

Distribution/analysis of holdings of Convertible Preference Shares 2 (SUNPC) as at 30 June 2015

RANGES	INVESTORS	NO OF SECURITIES	%ISSUED CAPITAL
1 to 1,000	8,591	2,609,893	46.61
1,001 to 5,000	616	1,296,041	23.14
5,001 to 10,000	32	242,765	4.34
10,001 to 100,000	21	685,304	12.24
100,001 and over	4	765,997	13.68
Total	9,264	5,600,000	100

The number of security investors holding less than a marketable parcel of 5 securities ($101.70 on 30 June 2015) is 1 and they hold 2 securities.

CONVERTIBLE PREFERENCE SHARES 3

Top 20 shareholders (SUNPE) as at 30 June 2015

NAME	TOTAL UNITS	%ISSUED CAPITAL
UBS Wealth Management Australia Nominees Pty Ltd	730,791	18.27
HSBC Custody Nominees (Australia) Limited	220,935	5.52
National Nominees Limited	108,733	2.72
JP Morgan Nominees Australia Limited	79,537	1.99
Navigator Australia Ltd <MLC Investment SETT A/C>	55,068	1.38
Willimbury Pty Ltd	50,000	1.25
Eastcote Pty Ltd <Van Lieshout Family A/C>	39,000	0.98
UBS Nominees Pty Ltd	32,669	0.82
Australian Executor Trustees Limited <No 1 Account>	30,698	0.77
Sandhurst Trustees Ltd <DMP Asset Management A/C>	29,303	0.73
Fopar Nominees Pty Ltd	25,000	0.63
RBC Investor Services Australia Nominees Pty Limited <PISELECT>	23,000	0.58
GCF Investments Pty Ltd	20,000	0.50
Nulis Nominees (Australia) Limited <Navigator Mast Plan SETT A/C>	19,799	0.49
GCF Investments Pty Ltd	19,500	0.49
Citicorp Nominees Pty Limited <DPSL A/C>	17,415	0.44
Mrs Frances Claire Fox <Thomas J Beresford Will A/C>	15,000	0.38
Lord Mayor's Charitable Fund	14,029	0.35
Netwealth Investments Limited <Wrap Services A/C>	11,570	0.29
Johnson's Hardware Pty Ltd	10,400	0.26

Distribution/analysis of holdings of Convertible Preference Shares 3 (SUNPE) as at 30 June 2015

RANGES	INVESTORS	NO OF SECURITIES	%ISSUED CAPITAL
1 to 1,000	4,868	1,453,893	36.35
1,001 to 5,000	351	754,742	18.87
5,001 to 10,000	30	228,680	5.72
10,001 to 100,000	18	502,226	12.56
100,001 and over	3	1,060,459	26.51
Total	**5,270**	**4,000,000**	**100**

The number of security investors holding less than a marketable parcel of 6 securities ($96.58 on 30 June 2015) is 1 and they hold 5 securities.

Financial calendar and key dividend dates[1]

11 AUG 2015	Ex-dividend date for final ordinary dividend
13 AUG 2015	Record date for final ordinary dividend
22 SEP 2015	Payment date for final ordinary dividend
24 SEP 2015	Annual General Meeting; 2.30pm, Sofitel Brisbane Central, 249 Turbot Street, Brisbane
10 FEB 2016	Half year results announcement
17 FEB 2016	Ex-dividend date for interim ordinary dividend
1 APR 2016	Payment date for interim ordinary dividend

[1] THE FINANCIAL CALENDAR MAY BE UPDATED FROM TIME TO TIME THROUGHOUT THE YEAR. PLEASE REFER TO SUNCORPGROUP.COM.AU FOR UP-TO-DATE DETAILS. DATES FOR DIVIDENDS MAY BE SUBJECT TO CHANGE.

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THE SUNCORP GROUP 2014/15 DIRECTORS' REPORT AND FINANCIAL STATEMENTS FORM PART OF THE SUNCORP GROUP 2014/15 ANNUAL REPORTING SUITE.

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INVESTOR RELATIONS TABLET APP

Search 'Suncorp IR' or scan the code for Suncorp Group news, updates and share price movements.

One Company Many Brands

SUNCORP GROUP

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