Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

Directors' report & consolidated financial report

for the financial year ended 30 June 2014

One Company
Many Brands

SUNCORP GROUP

Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

Directors' Report

30 June 2014

The directors present their report together with the financial report of **Suncorp-Metway Limited** (**the Company**) and of **the Group**, being the Company and its subsidiaries, for the financial year ended 30 June 2014 and the auditor's report thereon.

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Directors' Report

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, FTSE

Age 66

Non-executive Chairman

Ex officio member Audit, Risk and Remuneration Committees

Chairman since October 2011 and director since September 2005

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 both 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Oil Search Limited	22.11.10	
Suncorp Group Limited	22.12.10	
Tabcorp Holdings Limited	02.10.06	
Lynas Corporation Ltd	01.02.11	20.08.13

Patrick J R Snowball

MA, Hon. LL.D

Age 64

Managing Director and Group Chief Executive Officer (**Group CEO**)

Managing Director since joining the Group on 1 September 2009

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 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Suncorp Group Limited	22.12.10	

Ilana R Atlas

BJuris (Hons), LLB (Hons), LLM

Age 59

Non-executive director

Chairman Remuneration Committee and Member Risk Committee

Director since January 2011

Ms Atlas is a director of Coca-Cola Amatil Limited, Westfield Corporation Limited, New South Wales Treasury Corporation, Jawun Pty Ltd, the Human Rights Law Centre and Oakridge Wines Pty Ltd. She is also Chairman of Bell Shakespeare.

Ms Atlas is an experienced financial services and legal executive and has most recently held senior management positions at Westpac Banking Corporation (**Westpac**) ranging from Group Secretary and General Counsel to her most recent position as Group Executive People. Prior to joining Westpac, Ms Atlas was a partner at Mallesons Stephen Jaques, practising as a corporate lawyer, holding a number of managerial roles in the firm including Managing Partner and Executive Partner, People and Information.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Coca-Cola Amatil Limited	24.02.11	
Suncorp Group Limited	01.01.11	
Westfield Corporation Limited	08.04.14	
Westfield Holdings Limited	25.05.11	30.06.14

William J Bartlett

FCA, CPA, FCMA, CA (SA)

Age 65

Non-executive director

Member Audit, Risk and Remuneration Committees

Director since July 2003

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).

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Abacus Property Group	14.02.07	
GWA International Limited	21.02.07	
Reinsurance Group of America Inc. (NYSE)	26.05.04	
Suncorp Group Limited	22.12.10	

1. Directors' profiles (continued)

Michael A Cameron
FCPA, FCA, FAICD

Age 54

Non-executive director

Member Remuneration Committee

Director since April 2012

Mr Cameron has been Chief Executive Officer and Managing Director of The GPT Group since May 2009. He has over 30 years' experience in finance and business. Mr Cameron is a fellow of each of the Australian Institute of Chartered Accountants, 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
GPT Management Holding Limited (The GPT Group)	01.05.09	
Suncorp Group Limited	16.04.12	

Audette E Exel AO
BA, LLB (Hons)

Age 51

Non-executive director

Member Risk Committee

Director since June 2012

Ms Exel is a founder of the ISIS Group and Chief Executive Officer of its Australian company, ISIS (Asia Pacific) Pty Limited. She is also co-founder and Chair of The ISIS Foundation and is Vice Chairman of the Board of The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited.

Ms Exel has recently been awarded an honorary Order of Australia for her work with women and children living in extreme poverty in Nepal and Uganda through The Isis Foundation.

Before establishing ISIS, 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Suncorp Group Limited	27.06.12	

Ewoud J Kulk
BEcon, FAICD

Age 68

Non-executive director

Chairman Risk Committee and Member Remuneration Committee

Director since March 2007

Mr Kulk is Chairman of AA Insurance Limited (NZ), 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Suncorp Group Limited	22.12.10	

Dr Douglas F McTaggart
BEcon (Hons), MA, PhD, DUniv

Age 61

Non-executive director

Chairman Audit Committee

Director since April 2012

Dr McTaggart is currently a director of UGL Limited, and a member of the Queensland Council, Australian Institute of Company Directors and the Australian National University Council. In March 2012 he was appointed to the Queensland Government Independent Commission of Audit and Chairman of the Public Service Commission. He has also served in other advisory roles to government as well as holding positions on, including chairing, various industry representative bodies.

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. 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Suncorp Group Limited	16.04.12	
UGL Limited	04.09.12	
Telesso Technologies Limited	01.11.07	09.10.12

1. Directors' profiles (continued)

Geoffrey T Ricketts, CNZM

LLB (Hons)

Age 68

Non-executive director

Member Audit Committee, Chairman of Vero Insurance New Zealand Limited

Director since March 2007

Mr Ricketts is Chairman of Todd Corporation Limited (NZ), and a director of Shopping Centres Australasia Property Group Trustee NZ Limited, Heartland New Zealand Limited and Heartland Bank Limited (NZ). He is also a director of 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.

Listed company directorships held since 1 July 2011

Company name	Appointed	Resigned
Heartland New Zealand Limited (NZX)	05.01.11	
Suncorp Group Limited	22.12.10	
Spotless Group Limited	08.07.96	16.08.12

2. Directors' meetings

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

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2014 were:

	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	12	12	4	4	5	5	5	5	1	1
P J R Snowball [1]	12	12	4	4	5	5	5	5	-	-
I R Atlas	12	12	-	-	5	5	5	5	1	1
W J Bartlett	12	12	4	4	5	5	5	5	1	1
M A Cameron	12	12	-	-	-	-	5	5	1	1
A E Exel AO	12	12	-	-	5	5	-	-	1	1
E J Kulk	12	12	-	-	5	5	5	4	1	1
Dr D F McTaggart	12	11	4	4	-	-	-	-	1	1
G T Ricketts CNZM	12	11	4	4	-	-	-	-	1	1

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 Suncorp Group CEO attends Audit Committee, Risk Committee and Remuneration Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any board committee.

3. Directors' interests

No director holds any interest in the Company as at 30 June 2014.

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

	Fully paid ordinary shares (SUN)	Convertible preference shares
Dr Z E Switkowski AO	281,599	-
P J R Snowball [1]	1,546,481	-
I R Atlas	19,155	-
W J Bartlett	26,968	323 SUNPE
M A Cameron	5,000	-
A E Exel AO	5,189	-
E J Kulk	20,173	3,000 SUNPC
Dr D F McTaggart	11,754	-
G T Ricketts CNZM	28,157	-

Note

1. Includes 1,071,148 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.

4. Company secretary

Group Executive Group General Counsel and Company Secretary, Anna C Lenahan BA (Hons), MA (Psych) (Hons), LLB (Hons) was appointed to the position of 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 joint Company Secretary in March 2010. Mr Solomon has more than 20 years' legal and company secretarial experience within banking and financial services.

5. Remuneration Report

The Remuneration Report is set out on page 14 and forms part of the Directors' Report for the financial year ended 30 June 2014.

6. Principal activities

The Company is an authorised deposit-taking institution (**ADI**). The principal activities of the Group during the course of the year were the provision of banking and related services to the retail, corporate and commercial sectors in Australia. The Group conducts the Banking operations of the Suncorp Group.

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

6.1. Group's objectives

The Suncorp Group continues to focus on building its 'One Company. Many Brands' 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 excel in their respective markets and to create value by leveraging Suncorp Group's strategic assets:

- Capital – demonstrating a diversification benefit through improved Risk-Based Capital (**RBC**) modelling
- Cost – lowering the unit cost of procurement by leveraging Suncorp Group's scale, buying power and supplier relationships
- 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. One Team' and positioning Suncorp as 'the' place to work in Australia and New Zealand.

The strategic priorities of the Suncorp Group are to:

- Simplify – continue to simply the business and extract value from past and current programs
- Differentiate – invest capacity created by Simplification programs to deliver differentiated outcomes for customers and stakeholders.

The objectives of the Company are to deliver to these objectives in the context of the Company's activities as an ADI.

7. Dividends

There were no ordinary dividends paid by the Group during the year.

A final ordinary dividend of $56 million (21 cents per share) has been declared by the directors.

A quarterly dividend on capital notes of $6 million (130 cents per note) has also been declared by directors.

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

Details of dividends paid on capital notes are set out in note 24.1 to the consolidated financial statements.

8. Operating and financial review

The principal activities and objectives of the Group are outlined in section 6 of the Directors' Report.

Information on the Group's operating segments is included in note 4 of the consolidated financial statements.

8.1. Overview of the Group

The Group recorded a profit after tax from continuing operations of $228 million (2013: $349 million loss).

The 2014 financial year was one of transition for Suncorp Bank. The Group consolidated operations and addressed legacy funding and cost positions related to the former "Non-core" portfolio, laying the foundations for sustainable, profitable growth.

The Group continues to strengthen risk management in line with the Basel II Advanced Accreditation agenda. Improving the credit quality and diversification of lending assets remains a key focus, supported by enhanced risk culture and improved underwriting standards.

The Group's funding position is strengthened by an 'A+/A1' credit rating and access to a wide range of wholesale funding markets. This provides the Group with substantial funding diversification and flexibility, supporting capacity for future growth.

8.2. Review of principal businesses

Growth across the retail and business lending portfolios reflects a considered approach to lending in an intensely competitive mortgage environment and challenging agribusiness trading conditions.

Total lending receivables, including securitised assets, grew 3.6% year on year. The result includes $607 million run-off from the corporate and property portfolio. Excluding the residual corporate and property run-off, lending growth was 5.0%.

8.2. Review of principal businesses (continued)

The home lending portfolio grew 5.0% to $39 billion in a low credit growth environment characterised by intense price competition and heightened consumer refinancing. Growth at 0.9 times system is consistent with the Group's focus on improving portfolio credit quality by targeting the sub 80% LVR segment in both Queensland and interstate markets.

The intermediated channel remains integral to the Group's customer acquisition and portfolio diversification strategy. As at 30 June 2014, 42% of the home lending portfolio was originated outside of Queensland.

The commercial (SME) portfolio grew 4.4% to $5.8 billion in an economy shaped by low business confidence, a high Australian dollar and record low interest rates. Portfolio growth largely reflected industry sensitivity to these macro trends. Construction and property development has responded to accommodative interest rates while manufacturing, mining and hospitality face challenges from the high dollar.

The agribusiness portfolio grew 7.3% to $4.6 billion in an environment affected by ongoing drought and intense price competition. The Group is taking a measured approach to risk selection in the current environment.

The Group manages the retail deposits portfolio to support lending, margin and customer acquisition objectives. The retail deposit to lending ratio of 65.8% is comparable to peers.

A focus on acquisition of stable and diversified retail deposits underpinned 24% growth in transaction and 21% growth in investment deposits in the year ended 30 June 2014. The Group is well advanced in meeting the new requirements of APS 210 which commence on 1 January 2015.

The Group is displaying momentum in net interest income, with growth of 2.5% for the year to 30 June 2014. Net interest margin for the year ended 30 June 2014 is 1.72%, an improvement of 8 basis points on the 30 June 2013 result.

Operating expenses have been held broadly flat year on year, supporting a 1.8% improvement in the cost to income ratio to 57.4%. The Group maintains a strategic approach to cost management and is committed to investment into brand, capability and capacity.

Impairment losses were $124 million in the year to 30 June 2014. The result reflects appropriate provisioning for heightened stress across the agribusiness segment from ongoing drought conditions and a subdued rural property market. Credit impairment losses are 25bps of gross loans and advances. Impairment losses across the retail and commercial portfolios are consistent with recent experience.

8.3. Review of financial position

Total assets decreased by $1,877 million or 3.0% compared with 30 June 2013

Cash and cash equivalents decreased by $442 million predominantly due to the decrease in funds held in short-term call and notice accounts due to lower excess liquidity at 30 June 2014, largely as a result of the repayment of the residual funding following the resolution of the non-core portfolio.

Receivables due from other banks decreased by $533 million driven by the settlement of the $769 million receivable (net of deposit) from Goldman Sachs for the non-core loan portfolio sale in June 2013, as well as a $261 million decrease in collateral pledged for the Group's derivative liability positions given the maturity of several large cross currency swaps used for hedging purposes. This was partially offset by a $500 million increase in funds held with the Reserve Bank of Australia through Open Repurchase Agreements.

Trading securities decreased by $1,869 million due to the use of proceeds from matured debt securities held in the Trading book to buy-back, or fund maturing, long-term debt issues, rather than being reinvested, as well as a strategic decision to reduce excess liquidity.

Derivative assets decreased by $333 million reflective of lower volumes of forward foreign exchange contracts used in the hedging of offshore commercial paper and previously used to hedge the Bank's Government guarantee fees, before all outstanding Government guaranteed debt was bought back or matured during the year.

Investment securities decreased by $140 million due to a decrease in held-to-maturity investments as the result of accelerated repayment of mortgage-backed securities and maturity of floating rate notes. A strategic rebalancing from floating rate securities to semi-government bonds also contributed to the decrease.

Loans, advances and other receivables increased by $1,562 million due to growth in home, agribusiness and Commercial SME portfolios. This was partially offset by $607 million run-off in the corporate and property portfolio during the year.

8.3. Review of financial position (continued)

Total liabilities decreased by $2,242 million or 3.8% compared to 30 June 2013

Deposits and short-term borrowings increased by $293 million due to continued growth in household and business transaction and investment deposits which exceeded a decrease in lower margin retail term deposits.

Derivative liabilities decreased by $459 million mainly due to the maturity of several large cross currency swaps which were hedging long-term offshore debt issues which were bought back or matured during the year.

Securitisation liabilities decreased by $1,204 million due to the repayment of debt which is contractually linked to the run-off in existing securitised loans. There were no new issuances during the year.

Debt issues decreased by $474 million mainly due to the decrease in offshore funding by $359 million during the year, mostly the result of the repayment of two large foreign currency denominated borrowings totalling $1,667 million. These were partly replaced by new offshore funding totalling $1,341 million, including the Group's 144A funding programme established in March 2014 which raised USD$750 million. Onshore funding decreased by $116 million, due to the maturity or buy-back of $1,416 million of domestic long-term debt. This was partially offset by the issuance of $1,300 million of floating rate notes during the year.

Subordinated notes decreased by $98 million driven by the Company's partial buy-back of $98 million of unsecured, perpetual subordinated notes in June 2014.

Preference shares decreased by $30 million following the buy-back of the outstanding Reset Preference Shares in September 2013.

Total equity increased by $365 million or 11.6% compared to 30 June 2013

Share capital increased by $113 million due to capital injections received from SBGH Limited during the year.

Reserves increased by $67 million mostly due to increases in the value cash flow hedges and the Group's Equity Reserve for Credit Losses (**ERCL**).

Retained profits increased by $185 million due to the current year profit of $228 million, less dividends paid to SGL on the capital notes and transfers to the ERCL.

8.4. Review of capital structure

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

Over the financial year, the Group's capital requirements have increased predominantly due to the organic growth in the Group's retail lending, particularly the growth in housing loans.

Key capital initiatives during the year included:

- redemption of $30 million of reset preference shares in September 2013
- raising $40 million in share capital in September 2013 via the issue of 4 million ordinary shares at $10 per share
- buy-back of $98 million of tier 2 subordinated notes in June 2014
- raising $73 million in share capital in June 2014 via the issue of 7.3 million ordinary shares at $10 per share

The capital adequacy ratio of the Group calculated strictly in accordance with the Australian Prudential Regulation Authority's (**APRA**) Prudential standards as at 30 June 2014 was 13.14% (2013: 12.52%).

The Group satisfied all externally imposed capital requirements which it is subject to during the current and prior financial years.

8.5. Significant changes in the state of affairs

Suncorp Group's financial performance demonstrates it is now reaping the rewards of its transformation strategy under the 'One Company. Many Brands' business model. The convergence of technology, culture and innovation has underpinned the delivery of smart environments to better enable the workforce and is redefining how Suncorp Group interacts with customers, shareholders and the broader community. Suncorp Group has significantly de-risked the business through Simplification and continues to focus on building a simple, low-risk financial services group through operational efficiencies and cost control across all business lines.

The Simplification program of work is delivering greater flexibility, efficiency and agility across the organisation, its processes and tools. The program has been extended to the New Zealand business as part of its transformation program, leveraging the work already applied in the Australian businesses. Simplification initiatives will continue to deliver benefits and are expected to deliver the Suncorp Group $225 million in annualised cost savings in the 2015 financial year and $265 million in the 2016 financial year.

A Business Intelligence Centre of Expertise has been established as a significant enabler for unlocking customer value. The Suncorp Group is investing in business intelligence as a basis for differentiating the customer experience using the Suncorp Group's brands, its nine million customer base and breadth of customer information.

As part of the Business Technology Transformation strategy, Suncorp Group is moving its infrastructure requirements by using Cloud technology. This will enable the Group to reduce costs, reduce risk and increase agility in the way it works.

Following the resolution of the Non-Core Bank portfolio, Suncorp Bank has entered a transition period as it consolidates operations, continues to de-risk the balance sheet and unwinds legacy funding and expense costs. This has reduced the risk for Suncorp Bank and the Suncorp Group, enabling a greater focus on the core business, particularly in Queensland. With the foundations now laid, Suncorp Bank is looking forward to a period of sustainable and profitable growth. Delivery of Project Ignite, the core banking systems replacement project, is proceeding with a staged implementation through to June 2016. The new platform will enable delivery of better, faster and more cost effective services to Suncorp Bank customers.

A number of Executive leadership changes were announced across the Suncorp Group over the 2014 financial year. John Nesbitt, former Suncorp Group Chief Financial Officer, was appointed Chief Executive Officer of the Suncorp Bank following the departure of David Foster. Former Suncorp Group Deputy Chief Financial Officer, Steve Johnston, was appointed Suncorp Group Chief Financial Officer in December 2013 and Mr Mark Reinke was appointed Suncorp Group Executive Marketing. More recently, Matt Pancino was announced as Chief Executive Officer for Suncorp Business Services, following the resignation of Jeff Smith.

9. Events subsequent to reporting date

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

10. Likely developments

The Suncorp Group will continue to focus on building the foundations for future differentiation through leveraging its strategic assets (Capital, Cost, Customer and Culture) and building stronger points of difference in each of its business units.

Simplification will continue to provide the foundation for delivering the key market commitments of:

- Suncorp Group growth of 4% to 6% per annum through to the 2015 financial year
- Suncorp Group return on equity (**ROE**) of at least 10% in the 2015 financial year
- a Suncorp Group ordinary dividend payout ratio of 60% to 80% of cash earnings
- Suncorp Group continuing to return surplus capital to shareholders.

10. Likely developments (continued)

The Group will continue to target profitable lending growth in key segments. The Group will invest heavily in business capability through Project Ignite and Basel II Advanced Accreditation programs which will enhance the Group's ability to meet the changing needs of customers within a robust risk management framework. In particular, Project Ignite will deliver material efficiency benefits through simplification and automation.

Over the coming year there will be an increased focus on unlocking the value in the Group's customer base. Developing the Group's Customer Strategy will be an integral component of delivering sustainable profit growth for Suncorp Group. A sharper focus on customer needs and experience will support the next phase of Suncorp's journey towards Differentiation.

Other than as disclosed elsewhere in this Report, at the date of signing the directors can make no further comment on any likely developments in the Group's operations in future financial years or the expected results of those operations.

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 2013/14 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 on business strategies and financial prospects include:

- shifts in competitor dynamics and markets, and associated technological advancement. This is being mitigated by our own 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 core banking system replacement, Business Intelligence program and Basel II Advanced Accreditation program. These initiatives are well resourced, leverage the Group's agile way of working and have established change management programs.
- risks relating to the use of service providers, including risks associated with offshoring, country and political risks, and contingent workforce. Governance processes, as well as contract and service management processes, are in place to mitigate this risk.
- 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, which includes regular engagement with regulators and ratings agencies.

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

12. Impact of legislation and other external requirements

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

The United States enacted the *Foreign Account Tax Compliance Act* (**FATCA**) in 2010. From 1 July 2014, FATCA imposes substantial reporting obligations on non-American financial institutions in relation to certain transactions and accounts relating to, or held by, American citizens. A significant penalty regime in the form of a 30% withholding levy on certain payments can apply to non-compliant financial institutions. Both the Australian and New Zealand Governments have entered into inter-governmental agreements regarding FATCA. It is anticipated the impact will be felt most strongly by Suncorp Bank and will increase compliance costs across the Suncorp Group.

12. Impact of legislation and other external requirements (continued)

Privacy and credit reporting

Reforms to Australia's privacy and credit reporting laws came into effect in March 2014. All of the Australian entities within Suncorp Group have reviewed their processes to comply with the privacy reforms.

The reforms to credit reporting will allow credit providers, including Suncorp-Metway Limited, access to additional data about customer payment histories from credit reporting agencies. The amendments should allow for a more complete understanding of customer credit history and consequently more informed lending decisions.

Future of Financial Advice Reforms

The Federal Government has introduced to Parliament the *Corporations Amendment (Streamlining of Future of Financial Advice) Bill 2014.* If enacted, the Bill will 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. The Bill also broadens the exemptions to the ban on conflicted remuneration provisions in relation to life risk insurance where it is offered inside of superannuation. It is anticipated the Bill will lessen the impact of some of the regulatory burdens imposed on the Suncorp Group by the initial reforms. On 30 June 2014, the Federal Government registered the *Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014* which gives effect, as an interim measure, to some of the changes proposed by the Bill. There currently is an unresolved Motion to Disallow before the Senate in respect of the Regulation.

Federal Government Financial System Inquiry

The Federal Government's Financial System Inquiry is the financial services industry's biggest inquiry in the 18 years since the 'Wallis Inquiry' in 1996. This 'root and branch' inquiry into Australia's financial system will determine how the system might be best positioned to meet Australia's evolving needs and support economic growth. A final report is due in November 2014. Like the Wallis Inquiry, the recommendations of the current inquiry have the potential to influence and drive future regulation in the financial services sectors in which the Suncorp Group operates.

Australian Prudential Regulation Authority Level 3 Framework

The Australian Prudential Regulation Authority (**APRA**) is finalising the drafting of its proposals and prudential standards for the supervision of Level 3 conglomerate groups such as Suncorp Group (the **Level 3 framework**). The Level 3 framework is intended to implement group-wide requirements in relation to governance, exposure management, risk management and capital adequacy. APRA intends for the Level 3 framework to take effect from 1 January 2015. The Suncorp Group is well placed to implement the requirements and does not expect material changes to capital targets as a result.

Anti-Money Laundering

The Australian Federal Government is currently reviewing the *Anti-Money Laundering and Counter Terrorism Financing Act* 2006 (**AML-CTF Act**), and the associated rules and regulations. The review may not be completed until 2015. As the AML-CTF Act imposes obligations on certain companies in the Suncorp Group in relation to customer identification and verification, any resulting changes are likely to affect the regulatory burden imposed on the Suncorp Group. Separate to the review of the AML-CTF Act, in May 2014 the Australian Transaction Reports and Analysis Centre amended the rules, promulgated under the AML-CTF Act, to increase the regulatory requirements in relation to identifying customers, particularly beneficial owners. Those changes became effective 1 June 2014.

National Disability Insurance Scheme (NDIS)

The Federal Government continues to pursue the establishment of the national disability insurance scheme which will provide insurance cover for all Australians in the event of significant disability, except for disabilities caused by catastrophic injury which are proposed to be covered under a new and separate no fault national catastrophic injury insurance scheme.

Basel III Reforms

APRA continues to implement the prudential framework applicable to Australian banks in relation to the Basel III capital reforms. APRA has indicated it proposes to implement the Basel III liquidity reforms in respect of: (a) the liquidity coverage ratio to address an acute stress scenario from 1 January 2015 and (b) the net stable funding ratio to encourage longer term funding resilience from 1 January 2018. The Basel III reforms impose higher regulatory capital requirements for Suncorp Bank than existed under previous regulatory regimes.

12. Impact of legislation and other external requirements (continued)

Over-the-counter Derivatives

Australian regulators continue to consult with industry and monitor stakeholder responses to finalise proposed clearing requirements for certain over-the-counter (**OTC**) derivatives. The Australian Securities and Investments Commission has finalised its reporting requirements for certain OTC derivatives.

Australian Prudential Standard (APS) 910 – Financial Claims Scheme

A revised APS 910 commenced on 1 July 2013 and sets out APRA's requirements for Australian authorised deposit-taking institutions to ensure they are operationally ready to meet payment, reporting and communication requirements should they be declared under the Financial Claims Scheme. Suncorp Bank is implementing the requirements in accordance with required timeframes.

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 its Constitution, the Company's ultimate parent entity, SGL, 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. SGL's Constitution stipulates that it will meet the full amount of such liabilities, including costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

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

During the financial year ended 30 June 2014, SGL paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been a director or executive officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

15. Non-audit services

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

The Board has considered the non-audit services provided during the year by the auditor and, having received 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 year are set out below:

	2014 $'000	2013 $'000
Services other than statutory audit		
Audit-related fees (regulatory)		
APRA reporting	**285**	455
Australian Financial Services Licences	**11**	11
Other regulatory compliance services	**7**	22
	303	488
Audit-related fees (non-regulatory)		
Other assurance services	**756**	606
	756	606
Non-audit related		
Other services	**-**	-
Tax fees		
Tax compliance	**10**	10
	1,069	1,104

16. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 45 and forms part of the directors' report for the financial year ended 30 June 2014.

17. Rounding off

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

2014 Remuneration Report

The Board presents the Suncorp-Metway Limited Remuneration Report for the financial year ended 30 June 2014.

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

This Remuneration Report forms part of the Directors' Report and explains how Suncorp Group's performance for the 2014 financial year (**2014**) has driven remuneration outcomes for the executives who are the Group's key management personnel (**KMP**). KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Group, as listed in the following table.

Non-executive directors[1]
Dr Zygmunt Switkowski AO (Chairman)
Ms Ilana Atlas
Mr William Bartlett
Mr Michael Cameron
Ms Audette Exel AO
Mr Ewoud Kulk
Dr Douglas McTaggart
Mr Geoffrey Ricketts CNZM

Executive director		
Mr Patrick Snowball	Group CEO	
Senior Executives		**Changes during 2014**
Mr Anthony Day	CEO Commercial Insurance	
Mr Gary Dransfield	CEO Vero New Zealand	
Mr Clayton Herbert	Group Chief Risk Officer	
Ms Anna Lenahan	Group Executive, Group General Counsel and Company Secretary	
Mr Mark Milliner	CEO Personal Insurance	
Mr John Nesbitt	CEO Suncorp Bank	Appointed 9 December 2013 (previously Group Chief Financial Officer)
Ms Amanda Revis	Group Executive Human Resources	
Mr Jeff Smith	CEO Suncorp Business Services	Resigned (employment due to cease 5 September 2014)
Mr Geoff Summerhayes	CEO Suncorp Life	
Senior Executives appointed during 2014		
Mr Steve Johnston	Group Chief Financial Officer	Appointed 9 December 2013
Mr Mark Reinke	Group Executive Marketing	Appointed 9 December 2013
Mr Matt Pancino	CEO Suncorp Business Services	Appointed 16 June 2014
Former Senior Executives in 2014		
Mr David Foster	CEO Suncorp Bank	Employment ceased 28 February 2014

This Remuneration Report has four sections:

1. an overview of the remuneration framework and developments for the financial year ended 30 June 2014 (**2014**)
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, a new requirement for 2014.

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. Remuneration overview – unaudited

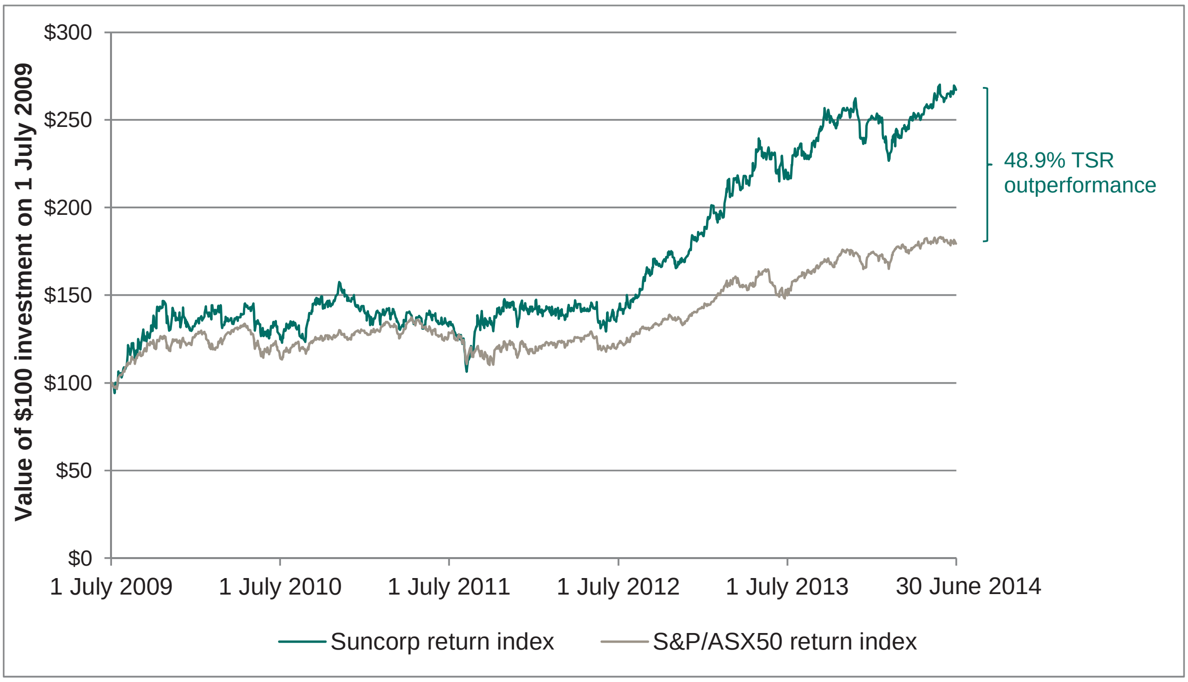
Suncorp Group's Remuneration Policy is designed to align the interests of the executives with those of its stakeholders by establishing a clear link between performance and remuneration. Primary objectives are to encourage the achievement of ambitious targets and the creation of long-term value using clear, balanced and challenging performance criteria.

Senior Executive remuneration includes a focus on the variable or performance-based reward which represents a significant portion of the total remuneration. This is designed to align Senior Executive remuneration more directly with the interests of all stakeholders, while encouraging performance on a Suncorp Group, business unit and individual level over the short and long term.

Summary of 2014 performance and remuneration

Focus	Description	Further Information
Key financial highlights	• The share price of SGL has risen 13.6% in the last 12 months, compared with the benchmark S&P/ASX50 price index 12% rise • Total Shareholder Return (**TSR**) of SGL measured over the last three to five years has outperformed the S&P/ASX50 Index and has been strong in relation to the Group's Long-Term Incentive (**LTI**) Peer Comparator Group • Profit after tax from the Suncorp Group's core businesses of General Insurance, Suncorp Bank and Suncorp Life is $1,330 million. The Suncorp Group's reported net profit after tax before non-controlling interests increased 49% to $737 million • Total dividends have increased by 40% in 2014; SGL shareholders received a 35¢-per-share interim dividend and for the full year dividend, shareholders will receive a 40¢-per-share ordinary dividend and a 30¢-per-share special dividend • Suncorp Group Return on Equity increased by 1.8% to 5.3% due to an increase in earnings.	Section 2.8 and the Financial Statements (within the Financial Report)
Strengthening the alignment of executives' and directors' interests with those of shareholders	Minimum shareholding requirement introduced for KMP by 31 October 2017 to hold SGL securities to the value of: • 100% of fixed remuneration for the Group CEO and Senior Executives; and • 100% of base fees for non-executive directors.	Section 2.4
Restraint in fixed remuneration for executives and fees for non-executive directors	Current levels of remuneration are considered appropriate: • Group CEO's fixed remuneration remains unchanged since September 2011 • Senior Executives' remuneration was reviewed against the competitive market, consistent with annual practice, resulting in an average fixed remuneration increase of 3.2% effective October 2013 • non-executive directors' fees remain unchanged.	Sections 2.3, 2.5 and 3.1
2014 Short-Term Incentive (**STI**) reflects performance	Assessed against the balanced scorecard, the 2014 remuneration outcomes were influenced by: • Relative to the Suncorp Group's ambitious targets, strong profit performance of businesses in general insurance, offset by weaker than expected outcomes from the Bank and Life businesses • Improvement in return on equity demonstrating progress toward the Suncorp Group's 2015 market commitment of 10% • Continued Simplification benefits providing additional cost benefits • Effective risk management and adherence to risk appetite • A focus on capital management that resulted in a 40% increase in dividends to shareholders • Positive results in people measures with outperformance in employee engagement • Significant improvement in customer satisfaction metrics • Substantive delivery in strategic initiatives across the Suncorp Group, including: – Business intelligence providing customer insights from a single data warehouse – Suncorp Group's risk-based capital modelling; and – Innovation in technology, particularly cloud-based initiatives. The Board considered STI awards for Senior Executives in the range of 85% to 97% of target appropriately recognised achievement against challenging performance objectives. The Group CEO outcome was 97% of target STI.	Section 2.8
Release of 2011 STI deferral	The Board considered the deferred 2011 STI for executives against clawback criteria and confirming that no circumstances warranted application of clawback, approved the release in full.	Section 2.4
Positive TSR performance led to LTI vesting	Strong TSR outperformance relative to the Peer Comparator Group over the performance periods resulted in LTI awards vesting for the 2008 and 2010 plans at 72% and 100% respectively. Tranche 2 of the Group CEO's 2009 Grant vested in full.	Section 2.8
Market alignment of Senior Executive target LTI	The Senior Executive 2014 target LTI increased as a percentage of fixed remuneration as a result of independent remuneration evaluation. The increase resulted in the remuneration mix for 2014 being weighted more towards long-term variable reward and further strengthening the alignment with shareholders' interests.	Section 2.3

The graph below shows the value over time of a $100 investment made on 1 July 2009, with SGL[1] ordinary shares return index outperforming the S&P/ASX50 total return (accumulation) index by 48.9% over the five years to 30 June 2014.



1.1. 2014 executive remuneration outcomes

The following unaudited table is a voluntary disclosure summarising remuneration the Group CEO and Senior Executives received during 2014 and represents:

- fixed remuneration received
- value of incentives received as a result of 2014 performance
- value of any deferred STI and LTI that vested during the year.

[1] SGL completed a restructure on 7 January 2011. TSR prior to 2011 relates to Suncorp-Metway Limited, the ultimate parent company prior to the restructure.

The unaudited information presented below differs to the audited remuneration disclosures presented in section 2.9, which show accounting expensed amounts in accordance with Australian Accounting Standards (**AASBs**) and the *Corporations Act 2001*.

Remuneration of executives in 2014

EXECUTIVES		REMUNERATION PAID IN RESPECT OF 2014[1] FIXED $000	OTHER $000	2014 INCENTIVES $000	PAST 'AT-RISK' REMUNERATION PAID IN 2014[2] DEFERRED INCENTIVES (CASH) VESTED IN 2014 $000	% VESTING	LTI (EQUITY) VESTED IN 2014[3] $000	% VESTING 2008	% VESTING 2010[4]	ACTUAL REMUN-ERATION RECEIVED IN 2014 $000	FUTURE 'AT-RISK' REMUNERATION AWARDED IN 2014[5] 2014 INCENTIVES (DEFERRED AS CASH) $000	LTI (EQUITY) GRANTED IN 2014 $000
Executive director												
Patrick Snowball	Group CEO	2,550	-	1,545	1,106	100	3,921		100	9,122	1,545	4,000
Senior Executives												
Anthony Day	CEO Commercial Insurance	787	-	632	273	100	1,066	72	100	2,758	341	750
Gary Dransfield	CEO Vero New Zealand	702	-	537	74 [6]	100	248 [6]		100	1,561	289	700
Clayton Herbert	Group Chief Risk Officer	655	-	517	92 [6]	100	408 [6]	72	100	1,672	278	600
Anna Lenahan	Group Executive Group General Counsel and Company Secretary	501	-	395	25 [6]	100	148 [6]		100	1,069	212	500
Mark Milliner	CEO Personal Insurance	821	-	652	333	100	1,731	72	100	3,537	351	807
John Nesbitt	CEO Suncorp Bank	902	-	703	366	100	1,152		100	3,123	379	900
Amanda Revis	Group Executive Human Resources	622	-	490	232	100	770		100	2,114	264	600
Jeff Smith[7]	CEO Suncorp Business Services	782	-	668	368	100	1,777	72	100	3,595	359	780
Geoff Summerhayes	CEO Suncorp Life	743	-	532	273	100	1,481	72	100	3,029	287	720
Senior Executives appointed during 2014												
Steve Johnston[8]	Group Chief Financial Officer	378	-	291	-	-	-		-	669	156	378
Mark Reinke[8]	Group Executive Marketing	306	-	238	-	-	-		-	544	128	308
Matt Pancino[9]	CEO Suncorp Business Services											
Former Senior Executives												
David Foster[10]	CEO Suncorp Bank	532	767	370	302	100	1,612	72	100	3,583	199	105

1. 'Remuneration paid in respect of 2014' comprises:
   - fixed remuneration (actual fixed remuneration received, including salary sacrificed benefits and employer superannuation)
   - other one-off or transitory elements in relation to termination.
   - incentives which relate to 2014 that are not deferred. This represents 50% of the total 2014 STI for the Group CEO and 65% of the total 2014 STI for Senior Executives.
2. 'Past 'at-risk' remuneration paid in 2014' comprises LTI and deferred STI awarded in previous years that vested during 2014.
3. 'LTI (equity) vested in 2014' represents the total number of performance rights vested during 2014 multiplied by the closing share price at 30 September 2013.
4. For Mr Patrick Snowball, % vesting represents Tranche 2 of the 2009 Grant.
5. 'Future 'at-risk' remuneration awarded in 2014' is not guaranteed and comprises:
   - the deferred portion of 2014 STI (excluding the value of any future interest payable on vesting), which is subject to potential clawback during the deferral period
   - face value of LTI performance rights granted during 2014 that may conditionally vest in future years.
6. 'Past 'at-risk' remuneration paid in 2014' for Mr Gary Dransfield, Mr Clayton Herbert and Ms Anna Lenahan relate to the vesting of deferred STI and LTI which were awarded prior to their appointments as Senior Executives.
7. Following his resignation, Mr Jeff Smith will cease employment on 5 September 2014. 'LTI (equity) granted in 2014' represents the value of the grant made in October 2013 which will be forfeited following the termination of his employment (along with 100% forfeiture of all other unvested LTI).
8. Mr Steve Johnston was appointed Group Chief Financial Officer and Mr Mark Reinke was appointed Group Executive Marketing effective 9 December 2013. Amounts included are pro-rated for the proportion of the year they were Senior Executives. No deferred STI or LTI vested in 2014 while they were Senior Executives.
9. Mr Matt Pancino was appointed CEO Suncorp Business Services effective 16 June 2014. Remuneration details are provided in the statutory table in section 2.9, but excluded from the table above as it relates to two weeks of remuneration. Mr Pancino was not granted any LTI in 2014 while he was a Senior Executive. No STI was awarded to Mr Pancino tor 2014 in relation to his role as a Senior Executive.
10. Mr David Foster ceased employment effective 28 February 2014. Other remuneration reflects termination amounts paid in line with contractual provisions (see section 2.10) and legislative restrictions. In line with Board approval and plan rules for Senior Executives, the number of performance rights awarded in October 2013 were pro-rated based on length of service within the performance period up to termination (reflected in 'LTI (equity) granted in 2014') and remain on-foot to the end of the original performance period. The residual number of performance rights were forfeited following termination.

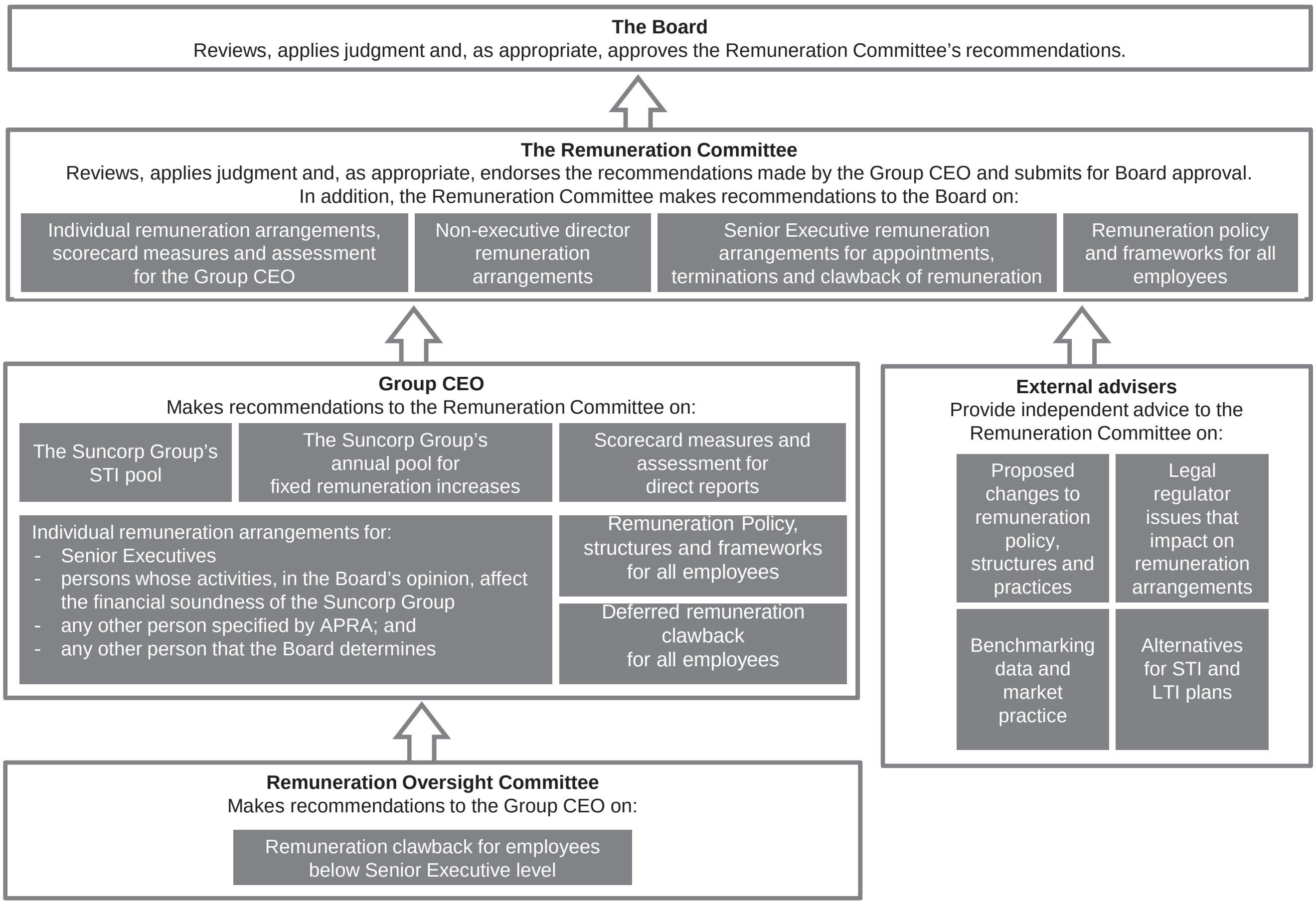
2. Executive remuneration – audited

2.1. Remuneration governance framework

Remuneration Committee

The Remuneration Committee leads remuneration matters at Suncorp Group. The Committee, which operates under its own charter and reports to the Board, is chaired by Ms Ilana Atlas who is a highly experienced professional with over 20 years' legal, human resources and remuneration-related experience. The other members of the Remuneration Committee are all accomplished and experienced non-executive directors of Suncorp Group with backgrounds in business, accounting or law.

Suncorp Group's remuneration governance framework meets the standards expected by the ASX Corporate Governance Council and a summary is set out below.



More information on Suncorp Group's remuneration governance can be found in the 2014 Corporate Governance Statement on the website at suncorpgroup.com.au/About us/Governance.

Remuneration Committee membership

Chairman:	Ms Ilana Atlas
Members:	Mr William Bartlett Mr Michael Cameron Mr Ewoud Kulk
Ex officio member:	Dr Zygmunt Switkowski AO

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

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 2014 and fully discharged its responsibilities in accordance with its charter.

The Remuneration Committee Charter, which the Board reviews at least annually for appropriateness, was confirmed in November 2013 and is available on the website at suncorpgroup.com.au/About us/Governance.

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

External remuneration advisers' services
Where appropriate, the Board and the Remuneration Committee consult external remuneration advisers who report directly to the Remuneration Committee.

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.

For 2014 the Remuneration Committee appointed PricewaterhouseCoopers (**PwC**) as the lead external remuneration adviser. However, PwC did not provide remuneration recommendations and was not a 'remuneration consultant' as defined in the *Corporations Act 2001*, during 2014.

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 2014. These advisers did not provide any remuneration recommendations and they were not 'remuneration consultants' to Suncorp Group as defined in the *Corporations Act 2001.*

Services relating to remuneration matters	External advisers providing this service to Suncorp Group in 2014
Benchmarking remuneration of the Group CEO and Senior Executives and fees for non-executive directors, against comparable roles in relevant comparator groups	Mercer Consulting (Australia) Godfrey Remuneration Group
TSR performance analysis for LTI awards	Mercer Consulting (Australia) Ernst & Young
Provision of information to determine the impact of New Zealand legislative tax changes	Ernst & Young
Attendance at and perspectives provided on matters discussed at Remuneration Committee meetings	PwC

2.2. Executive remuneration philosophy, strategy and policy

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

Remuneration strategy
The reward philosophy and objective is to offer rewards that are sufficiently competitive to motivate directors and executives to deliver superior and sustainable returns to shareholders.

The reward strategy, derived from linking the reward philosophy with business strategy and risk tolerance, is that the principles that determine remuneration are focused on driving the performance and behaviours consistent with achieving this objective.

There are six reward principles which together aim to create and protect shareholder value:

1. align reward with sustainable performance
2. align effective risk management with reward
3. balance stakeholder interests
4. deliver a competitive advantage
5. ensure gender pay equality
6. support Suncorp Group's culture and **values** (honesty, courage, fairness, respect, caring and trust).

2.3. Remuneration framework

The Board considers that a significant portion of executives' remuneration should be 'at risk' in order to strengthen the alignment of executive reward with the interests of shareholders. Within this framework, the Board considers it essential to have remuneration arrangements that are structured to reward executives for performance at both a Suncorp Group level and also at a business unit level.

The 'at-risk' remuneration components (STI and LTI) must satisfy performance and risk-related requirements, and are subject to clawback under certain conditions.

Each year independent external benchmarking ensures the Suncorp Group's fixed remuneration levels, STI and LTI targets and the total combined reward opportunity, align with the competitive market, taking into consideration the skills, expertise and experience of executives.

The table below provides a summary of the remuneration components and their link to strategic priorities.

	Component	Delivery	Performance and risk alignment	Strategic Priority
'At risk' remuneration	***Long-term incentives***	Performance rights granted that vest subject to performance hurdles being met and potential clawback[3].	• Rewards executives for their contribution to the creation of long-term shareholder value via exposure to equity in Suncorp Group Limited. • Focuses executives on achievement of TSR through the use of an external, objective, relative TSR measure to determine outcomes. • The remuneration governance framework allows the Board to exercise its judgment to reduce LTI if, in the Board's judgment, such an adjustment should occur. • Executives cannot hedge equity instruments that are unvested or subject to restrictions.	Motivate superior performance and link remuneration to long-term business performance. Align remuneration with shareholders' interests.
'At risk' remuneration	***Short-term incentives (including deferral)***	**STI cash** For the Group CEO 50%, and for Senior Executives 65% of STI is typically paid in cash.[2] **STI deferral** For the Group CEO 50%, and for Senior Executives 35% of the STI is deferred as cash for two years and is subject to potential clawback at any time during the deferral period.	• Rewards executives for their contribution to Suncorp Group and business unit outcome, and for their individual contribution. • Deferral and potential 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. • The remuneration governance framework allows the Board to exercise its judgment to reduce STI and deferred STI, if, in the Board's judgment, such an adjustment should occur.	Motivate superior performance and link remuneration to annual business performance. Deferral encourages longer term focus, risk management and alignment with shareholders' interests.
Fixed remuneration	***Fixed remuneration*** *Base remuneration (base salary, salary sacrificed benefits, and other benefits) plus superannuation*	Base remuneration is paid in cash. Superannuation is paid at a rate of 9.25% of base remuneration or the maximum contribution base[1], whichever is the lesser.	• Reward commensurate with the size and complexity of the role, individual responsibilities, individual performance, experience and skills. Aligned to market. • Increases reflect individual performance and contribution to Suncorp Group taking into consideration market competitiveness. • Superannuation contributions paid according to statutory requirements.	Attract and retain highly engaged and enabled talent.

1. Employer contributions of 9.25% of ordinary time earnings are paid up to the maximum contribution base, which for the financial year ending 30 June 2014 was $48,040 per quarter. There is an exemption from Superannuation Guarantee Contributions for the Group CEO.
2. STI is paid in cash, unless the individual nominates to have all or part of their award paid into superannuation or Suncorp Group Limited shares (subject to relevant limits).
3. Clawback of LTI is applicable from the October 2010 Grant onwards.

Remuneration positioning policy and comparator groups

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.

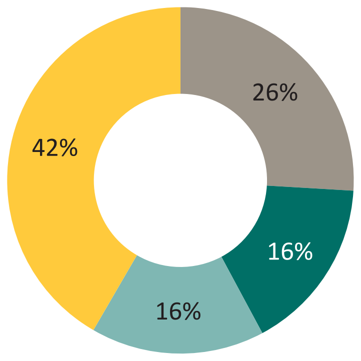
Fixed remuneration is broadly targeted at the market median for financial services companies.

The 'at-risk' component is intended to provide the opportunity for executives' total remuneration levels to reach the upper end of the market for delivering outstanding performance. This encourages executives to strive to deliver superior performance for shareholders.

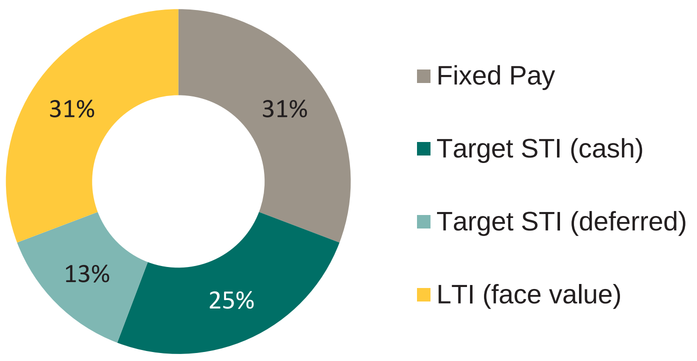
Remuneration mix

The mix of fixed and 'at-risk' components for the executives disclosed in the Remuneration Report, as a percentage of total target annual remuneration for the 2014 financial year, is shown below. The majority of total remuneration for Senior Executives is at risk (69%), with the Group CEO's remuneration mix more heavily focused on longer term performance.

GCEO 2014 Pay Mix



Senior Executives 2014 Pay Mix[1]



1. Excluding Mr Jeff Smith, CEO Suncorp Business Services, who has a different target STI than other Senior Executives. Mr Smith's pay mix is 29.5% fixed pay, 27% target STI (cash), 14% target STI (deferred) and 29.5% LTI (face value)

2.4. Remuneration aligns with risk management

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

- a separately weighted risk measure in the Suncorp Group scorecard
- an assessment based on behavioural and cultural measures, which consider adherence to the risk management framework.

Compliance with the Suncorp Group Risk Appetite Statement is a significant consideration of overall performance to deliver an organisation-wide focus on prudent management of the risks the Suncorp Group faces.

Risk management practices are governed by an integrated framework incorporating Suncorp Group policies (including the Remuneration Policy). The Group Chief Risk Officer (**Group CRO**) reviews the performance of each business unit and measures this with reference to how risk is managed. Individual adherence to risk management policies is also considered.

The Remuneration Committee's starting point when considering STI outcomes is the Suncorp Group scorecard outcome, and it then considers additional factors, such as capital returns to shareholders and the long-term financial soundness of outcomes, before the Board makes its final determination of the overall STI pool.

Risk is embedded throughout the Suncorp Group's remuneration framework. Specifically, the following risk arrangements apply to remuneration governance:

- **Deferral of STI**
  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. At the end of the deferral period, the deferred portion may be reduced or forfeited (a process referred to as 'clawback') in the event significant adverse outcomes are caused by executives' decisions, or actions taken, which the Board judges to be contrary to Suncorp Group interests.

  Interest accrues during the deferral period and is payable upon vesting.

  In the event of resignation, redundancy or retirement, the deferred incentive portion remains 'on foot' after the termination date until the end of the original deferral period.

  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.

- **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.

  The Board may exercise its judgment in relation to STI or LTI outcomes:

  - **STI (including deferred STI):** at the end of the financial year when assessing performance against scorecard objectives to determine the STI pool and payments, or at the end of the two-year deferral period, when determining if there are any matters impacting the initial performance assessment.
  - **LTI:** at any time prior to, or at, the final vesting date of the performance rights and will take account of factors such as any material misstatements of financial results or individual instances of non-compliance with Suncorp Group policies.

Deferred STI for the Group CEO

The Board consider the following clawback provisions when determining if any clawback should apply to the Group CEO's deferred STI:

- whether there was any failure to comply with Suncorp Group risk management policies and practices during the performance year for which the STI was awarded, which has now become apparent
- whether the Group CEO was aware of that failure, or should reasonably have been aware of that failure, when the STI was awarded; and
- whether the matters – had they been known to the Board at the time – would have resulted in the Board applying different assumptions when determining the STI to be awarded.

The Group CRO and Group Chief Financial Officer (**Group CFO**) together produce the Risk Issues report, which details any relevant business matters in relation to these clawback provisions. The Chairmen of the Remuneration, Risk and Audit Committees discuss and verify the report which is used to determine the recommendation on the release or clawback of deferred STI for the Group CEO. The recommendation is submitted to the Board for approval.

Deferred STI for Senior Executives

When determining if clawback should apply to deferred STI for Senior Executives, the Board considers the following in accordance with its policies and procedures:

- 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 the business was written, or when a deterioration should have been recognised and provided for)
  - 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 Suncorp Group or business unit financial misstatements
- significant legal, regulatory, and/or policy non-compliance
- significant issues that impact the Suncorp Group's standing with regulators to conduct business
- any individual act deemed to have been significantly harmful to the Suncorp Group and/or its reputation, employees or customers (e.g. ethical misconduct).

In relation to exercising a decision whether to claw back deferred STI, the Group CEO and each of the Remuneration, Risk and Audit Committees make recommendations to the Board.

To support monitoring performance over the deferral period and the recommendations to be made:

- the Chairman of each of the Risk and Audit Committees summarises events during the deferral period and their impact on deferred incentives
- the Group CEO, based on the above information from the Chairman of the Risk and Audit Committees, makes a recommendation to the Board regarding the impact on deferred incentives for Senior Executives.

The review process represents a rigorous, ongoing focus on adherence to Suncorp Group and business unit risk appetites and policies, intended to reinforce a culture of prudent risk management.

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

Senior Executives and directors 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.

Senior Executives and directors 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 2 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.

Certain executives currently hold sufficient shares to meet these requirements.

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 2014, 60% of the scorecard for the Group CRO was based on Group Risk measures.

2.5. Fixed remuneration is reviewed in line with market practice

The Remuneration Committee assesses management's recommendations based on market practice to ensure fixed remuneration is competitive. Fixed remuneration is reviewed each year in line with the Remuneration Policy, the external market and other business and role-critical factors.

Senior Executives' remuneration was reviewed against the competitive market prior to the start of 2014, resulting in an average fixed remuneration increase of 3.2% effective October 2013.

The Group CEO's fixed remuneration was unchanged.

2.6. STI targets designed to stretch

The annual STI program rewards executives for achieving Suncorp Group, specific business unit and individual performance relative to stretch performance targets, designed to ensure executives create sustainable value for all stakeholders.

STI awards depend on scorecard results
Performance against a scorecard of financial and non-financial performance objectives establishes STI awards.

In assessing the actual STI outcome for each individual executive, the Board exercises its discretion up or down based on value judgments on the quality of earnings and other non-financial results.

STI funding pool
When recommending the size of the STI pool to the Board, the Remuneration Committee considers Suncorp Group performance against key financial and non-financial 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 Suncorp Group outcome. Consideration is placed on factors such as long-term financial soundness and the current economic environment. In 2014, profits and shareholder returns both increased. The Suncorp Group continued to simplify business processes and reduce costs, delivering benefits for both customers and shareholders.

Performance assessment

The following diagram sets out the structure of the 2014 Suncorp Group scorecard measures and their link to strategy.

Measure	Weighting	Link to Strategy
Profit and Financials	**60%**	
Suncorp Group profit after tax (underlying) Aligned to strategic plans approved by the Board consistent with the Board's expressed risk appetite Return on Equity (underlying)	60%	Disciplined financial choices Operational efficiency Improve shareholder returns
Risk	**10%**	
Manage risk within agreed parameters in satisfaction of the Suncorp Group Risk Appetite Statement	10%	Sustained performance requires prudent risk taking and effective risk management
People	**10%**	
Suncorp Group engagement score Workplace health and safety outcome	10%	Maintain a high achieving and engaged team Integrate safety and wellbeing into all that we do
Customer / stakeholders	**10%**	
Customer satisfaction	10%	Enhancing the value of 9 million customer connections and 13 valuable brands
Strategic Initiatives	**10%**	
Key transformation programs	10%	Value creation through the implementation of strategic initiatives

The Board and management:

- encourage a strong commitment to a values-based culture
- focus on high performance, carrying out business legally, ethically, and with integrity and respect
- promote the Suncorp Group values.

The Suncorp Group values 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.

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.

Underlying profit after tax

The Board considers underlying profit after tax to be an appropriate reflection of the SGL's performance relative to its targets and an effective measure for STI for the reason 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 long-run 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. The 2014 underlying profit after tax has been determined on a consistent basis to that in the years ended 30 June 2013 and 30 June 2012.

2.7. LTI based on performance hurdles

LTI is offered to executives, as the behaviour and performance of these individuals have a direct impact on the Suncorp 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 – LTI (Performance Rights) 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.

Performance rights explained
A performance right entitles a participant to one fully paid ordinary share in SGL (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in SGL) at no cost.

Performance rights vest at a set future point in time, provided specific performance hurdles are met.

Dividends
If performance rights vest and shares are allocated, a payment equal to the dividends earned on those shares during the performance period is paid (less applicable taxes paid by the trustee with respect to the dividends).

The allocation of performance rights
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.

LTI performance hurdle – TSR
The performance of SGL's share price over the long term determines the extent to which LTI performance rights vest. This is measured by ranking SGL's TSR against the returns of the Peer Comparator Group.

TSR (expressed as a percentage):

- is a method of calculating the return shareholders would earn if they held a notional number of shares over a defined period of time
- measures the change in a company's share price, together with the value of dividends 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.

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).

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 allocation of LTI and has concluded relative TSR is the most appropriate. Measures for LTI are reviewed on a regular basis to ensure they remain appropriate.

TSR performance is externally monitored

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.

Vesting schedule

Executives will only derive value from the LTI if SGL's TSR performance is greater than the median of the Peer Comparator Group.

Performance rights vest in accordance with the LTI vesting schedule represented in the table below:

Relative TSR performance outcome	Percentage of LTI award that will vest
Below the 50th percentile (below median performance)	0%
At the 50th percentile (median performance)	50%
Between the 50th and 75th percentiles	50% plus 2% for each full 1% increase in SGL's ranking against the Peer Comparator Group
At or above the 75th percentile	100%

Three-year performance period

The performance period begins on the date the LTI award is made and extends for 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.

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 Snowball's maximum LTI entitlement for the 2010, 2011 and 2012 financial years.

The performance rights vest in three equal tranches, subject to the performance conditions outlined above, at 300,000 shares per tranche.

Group CEO October 2009 Grant	Number of performance rights granted	Initial vesting date	Maximum vesting date	Minimum performance period	Maximum performance period
Tranche 1	300,000	30 September 2012	30 September 2014	3 years	5 years
Tranche 2	300,000	30 September 2013	30 September 2014	4 years	5 years
Tranche 3	300,000	-	30 September 2014	5 years	5 years

Hedging prohibition

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

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

While performance rights remain unvested, executives do not have an entitlement to the underlying shares held in the name of the trustee nor may they access the underlying shares.

Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. More detail can be found in the 2014 Corporate Governance Statement on the Suncorp Group's website at www.suncorpgroup.com.au/about-us/governance.

2.8. Executive remuneration outcomes for 2014

This section outlines how the 2014 incentive outcomes reflect performance outcomes and how these are measured against stretch targets.

- Suncorp Group – the executive reward framework reflects the alignment to strategy by placing a significant weighting on the overall Suncorp Group performance outcome.
- Business unit – differentiation is achieved through the assessment of individual business unit performance.
- Behaviour – adherence to the Suncorp Group's values and expected behaviours can also influence the executive's final performance outcome.

STI performance outcomes for the Group CEO in 2014

The following table shows the 2014 Suncorp Group Scorecard outcome used to determine the STI outcome for the Group CEO:

Performance Category	Measure	2014 Achievements
Suncorp Group Profit & Financials	Suncorp Group profit after tax (underlying) Return on Equity (underlying)	• The Suncorp Group's profit after tax result represents strong growth year on year, and a particularly strong profit performance of businesses in general insurance. However Suncorp Group scorecard outcomes for 2014 Profit and Financials were both slightly below the Suncorp Group's challenging internal targets. • The Suncorp Group's underlying profit after tax and underlying Return on Equity for 2014 were impacted by industry trends impacting Suncorp Life's lapse and claims experience, and drought conditions impacting the Bank's Agribusiness.
Risk	Compliance with Risk Appetite	• Complied with Suncorp Group Risk Appetite Statement. • Enhancement of risk management with the implementation of the Risk Maturity Model within all operating business units. • Maintained sound capital, funding and liquidity positions. • Adherence to risk appetite across the Suncorp Group and strong risk culture. • Reduction of the Suncorp Group's risk profile through initiatives to enhance Operational Risk management, IT security and Privacy compliance and the delivery of key Simplification projects. • Revision of Suncorp Life reinsurance arrangement in 2014 resulting in reduced risk, profit volatility and capital requirements.
People	Suncorp Group Engagement score (from the independent externally managed Hay Group survey) Workplace Health and Safety performance	• Increase in the engagement result by three points to 73, exceeding both the Australia & New Zealand Norm (66) and the Suncorp Group 2014 target. This equals the Global High Performing Norm. The response rate of 93.2% was the highest Hay Group has received globally in the last twelve months for an organisation the size of Suncorp. • Progress was made on the Health & Safety strategy across the Suncorp Group, although the challenging 2014 target was not met. • Strong progress made on diversity initiatives, exceeding gender diversity targets for the Suncorp Group.
Customer / Stakeholder	Achievement of target customer satisfaction	Strong results across all measures, with maintained or improved customer satisfaction scores from last year across all key brands: • All measures at or above target • One critical portfolio achieved an above target outcome and is now ahead of key competitors • One key brand achieved an all-time high performance, resulting in an outcome 50% above the target for 2014
Strategic Initiatives	Delivery of Key Suncorp Group Strategic Priorities	Key milestones achieved including advancement of the Legacy Simplification Programs. • Successful implementation in 2014 within Personal Insurance for the Suncorp, GIO and AAMI brands. • From a Commercial Insurance perspective, GIO and AAMI CTP were also delivered during the year, with Suncorp QLD CTP delivered in July 2014.

The actual STI outcome for 2014 for the Group CEO is represented in the table below.

	ACTUAL STI AWARDED[1] $'000	TARGET STI[2] $'000	STI AWARD AS % OF TARGET STI	MAX STI[3] $'000	STI AWARD AS % OF MAXIMUM STI	% OF MAXIMUM STI AWARD FORFEITED	AMOUNT DEFERRED $'000
Executive director							
Patrick Snowball	3,090	3,188	97%	3,825	81%	19%	1,545

1. The value of STI awarded for 2014 represented is before any deferral.
2. Target STI is set at 125% of fixed remuneration.
3. Maximum STI is set at 150% of fixed remuneration.

STI performance outcomes for Senior Executives in 2014

The Suncorp 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 Suncorp Group performance in scorecards. This is purposeful, as it is aligned to Suncorp Group's strategy of 'One Company. Many Brands.'.

Actual STI outcomes for 2014 for Senior Executives are represented in the table below.

	ACTUAL STI AWARDED[1] $'000	TARGET STI[2] $'000	STI AWARD AS % OF TARGET STI	MAX STI[3] $'000	STI AWARD AS % OF MAXIMUM STI	% OF MAXIMUM STI AWARD FORFEITED	AMOUNT DEFERRED $'000
Senior Executives							
Anthony Day	973	1,000	97%	1,500	65%	35%	341
Gary Dransfield	826	877	94%	1,316	63%	37%	289
Clayton Herbert	795	844	94%	1,266	63%	37%	278
Steve Johnston[4]	447	475	94%	712	63%	37%	156
Anna Lenahan	607	626	97%	939	65%	35%	212
Mark Milliner	1,003	1,031	97%	1,547	65%	35%	351
John Nesbitt	1,082	1,128	96%	1,692	64%	36%	379
Matt Pancino[5]	-	-	-	-	-	-	-
Mark Reinke[4]	366	382	96%	574	64%	36%	128
Amanda Revis	754	794	95%	1,191	63%	37%	264
Jeff Smith	1,027	1,081	95%	1,466	70%	30%	359
Geoff Summerhayes	819	938	87%	1,407	58%	42%	287
Former Senior Executives							
David Foster[6]	569	666	85%	999	57%	43%	199

1. The value of STI awarded for 2014 represented is before any deferral.
2. Target STI is set at 125% of fixed remuneration for all Senior Executives excluding Mr Jeff Smith, CEO Suncorp Business Services, who has a target STI contractually set at 138.3%.
3. Maximum STI for all Senior Executives is set at 187.5% of fixed remuneration, including Mr Jeff Smith.
4. Mr Steve Johnston, Group CFO, and Mr Mark Reinke, Group Executive Marketing, were appointed KMP effective 9 December 2013. Details reflect their STI for the period they were KMP only.
5. Mr Matt Pancino, CEO Suncorp Business Services, was appointed a KMP effective 16 June 2014. No STI was awarded for 2014 in relation to his role as a KMP. STI awarded to Mr Pancino in relation to his role as Chief Information Officer, Business Technology in 2014 is not included in this table.
6. Mr David Foster ceased employment on 28 February 2014. Details reflect pro-rated STI for 2014 based on service during the performance year.

Suncorp Group performance and LTI 2014 outcomes

Suncorp Group performance

The table below provides an overall view of Suncorp Group's[1] performance over the five financial years to 30 June 2014.

YEAR ENDED 30 JUNE	PROFIT FOR THE YEAR[1] $m	CLOSING SHARE PRICE[2] $	DIVIDEND P/SHARE cents
2014	737	13.54	105
2013	496	11.92	75
2012	728	8.09	55
2011	457	8.14	35
2010	789	8.04	35

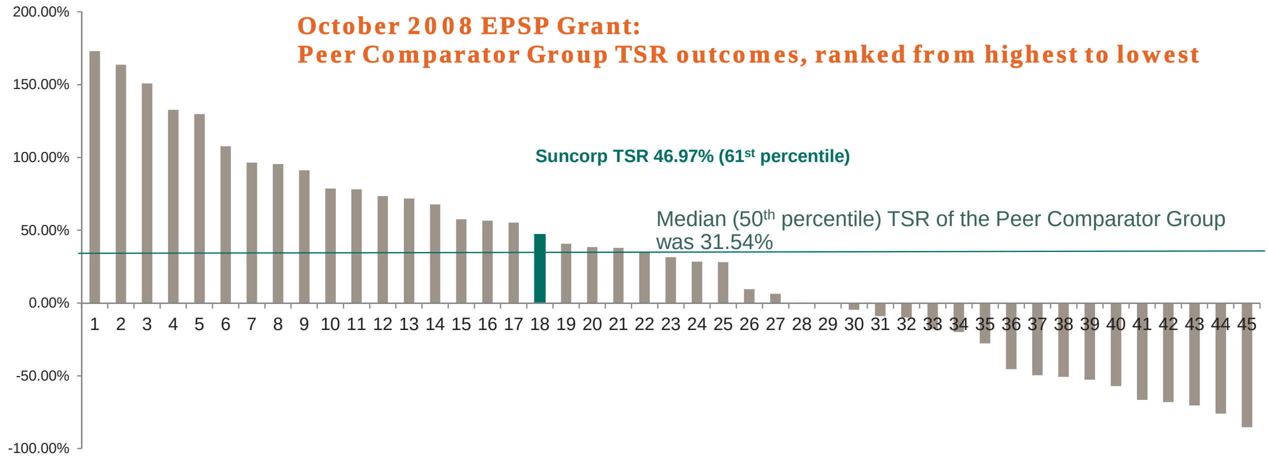
1. Suncorp Group completed a restructure on 7 January 2011 (implementation of the Non-Operating Holding Company). Amounts prior to this restructure relate to Suncorp-Metway Limited, the ultimate parent company prior to the restructure. Note that the profit figure in the table is not the same as the underlying profit calculation used for STI purposes. Refer to section 2.6 for more information on underlying profit after tax used for STI purposes.
2. Closing share price at 30 June.

LTI performance outcomes

LTI vesting is based on relative TSR performance against the Peer Comparator Group, 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.)

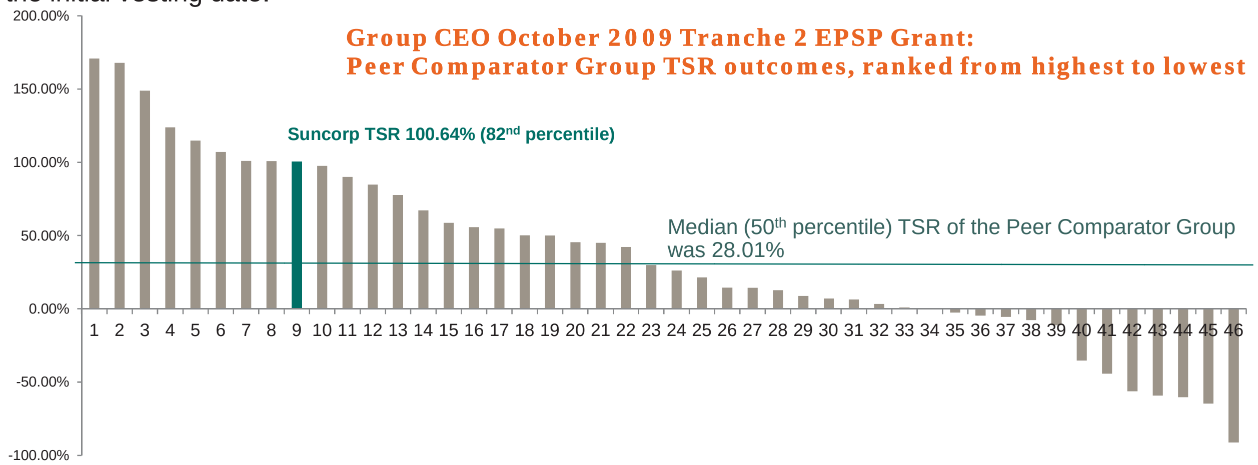
2008 Grant

The LTI performance hurdle for the October 2008 Grant, with a final vesting date in 2014, achieved a successful result with the grant vesting at 72%. Participants extended the performance period from the initial vesting date of 30 September 2011 for a further two years, during which twice-yearly retesting occurred. All participants accepted the vesting outcome at the final vesting point, which was the highest result of all testing points.



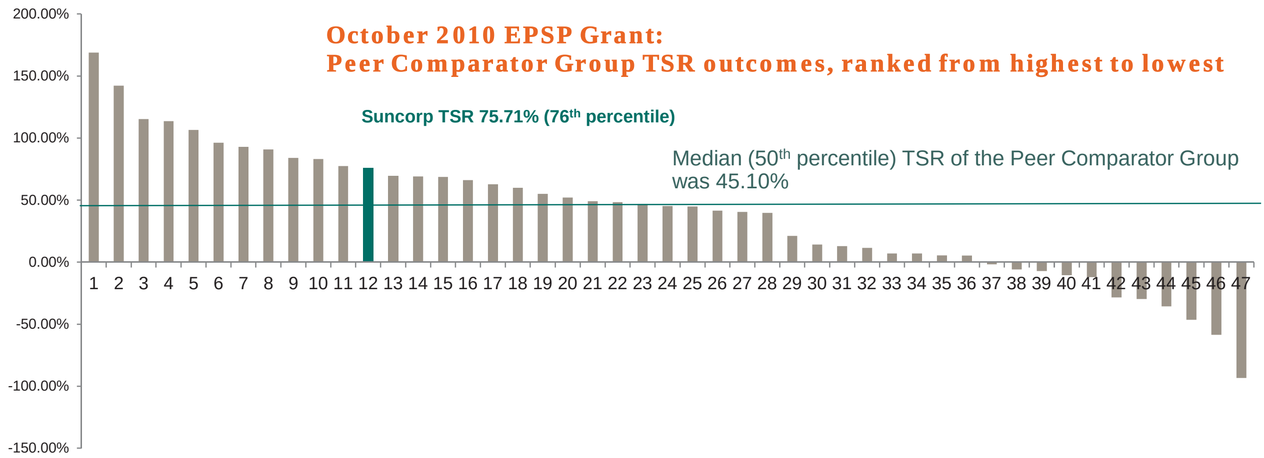
Group CEO's 2009 Grant

The LTI performance hurdle for Tranche 2 of the Group CEO's Initial Grant, with an initial vesting date in 2014, achieved a successful result with Tranche 2 vesting at 100%. While the Group CEO was eligible to extend the performance period for a further year when retesting would occur, Mr Snowball accepted the vesting outcome at the initial vesting date.



2010 Grant

The LTI performance hurdle for the October 2010 Grant, with a final vesting date in 2014, achieved a successful vesting result at 100%. Participants were not eligible to extend the performance period.



The table below outlines the vesting outcome for awards tested in 2014.

GRANT	START OF PERFORMANCE PERIOD	KMP PARTICIPANTS	PERFORMANCE PERIOD	AWARDS TESTED IN 2014	
				SUNCORP GROUP RANKING TSR OUTCOME	VESTING OUTCOME
2008 Grant	1 October 2008	Anthony Day[1] David Foster Clayton Herbert[1] Steve Johnston[2] Mark Milliner Mark Reinke[2] Jeff Smith Geoff Summerhayes	Extended five-year period to 30 September 2013	61st percentile	72%
2009 Grant	1 October 2009	Patrick Snowball	Tranche 2 initial three-year period to 30 September 2013	82nd percentile	100%
2010 Grant	1 October 2010	Anthony Day Gary Dransfield[1] David Foster Clayton Herbert[1] Steve Johnston[2] Anna Lenahan[1] Mark Milliner John Nesbitt Matt Pancino[2] Mark Reinke[2] Amanda Revis Jeff Smith Geoff Summerhayes	Three-year period to 30 September 2013	76th percentile	100%

1. The participant was not a KMP at the time the grant was made, but was a KMP at the time the grant vested.
2. The participant was not a KMP at the time the grant was made, or at the time the grant vested.

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

The movement of performance rights during 2014 and executives' current LTI grants as at 30 June 2014 are outlined in the table below.

	PERFORMANCE RIGHTS GRANTED			FAIR VALUE YET TO VEST		MARKET VALUE		VESTED IN YEAR	FORFEITED IN YEAR	VESTED IN YEAR
	NUMBER OF ORDINARY SHARES	GRANT DATE	FINANCIAL YEAR IN WHICH GRANT MAY FIRST VEST	MIN [1] $	MAX [2] $	AT DATE OF GRANT [3] $	AS AT 30 JUNE 2014 [4] $	%	%	NUMBER OF ORDINARY SHARES
Executive director										
Patrick Snowball	300,000	1 October 2009	30 June 2014	-	-	-	-	100%	-	300,000
	300,000	1 October 2009	30 June 2015	-	2,025,000	2,646,000	4,062,000	-	-	-
	446,752	25 October 2012	30 June 2016	-	2,863,680	4,315,624	6,049,022	-	-	-
	324,396	24 October 2013	30 June 2017	-	2,312,943	4,262,563	4,392,322	-	-	-
Senior Executives										
Anthony Day	13,843	1 October 2008	30 June 2012 [5]	-	-	-	-	72%	28%	9,966
	71,585	1 October 2010	30 June 2014	-	-	-	-	100%	-	71,585
	47,161	1 October 2011	30 June 2015	-	248,538	376,345	638,560	-	-	-
	40,507	1 October 2012	30 June 2016	-	240,207	372,664	548,465	-	-	-
	57,006	1 October 2013	30 June 2017	-	416,144	737,658	771,861	-	-	-
Gary Dransfield	18,942	1 October 2010	30 June 2014	-	-	-	-	100%	-	18,942
	31,441	1 October 2011	30 June 2015	-	165,694	250,899	425,711	-	-	-
	29,705	1 October 2012	30 June 2016	-	176,151	273,286	402,206	-	-	-
	53,206	1 October 2013	30 June 2017	-	388,404	688,486	720,409	-	-	-
David Foster	64,272	1 October 2008	30 June 2012 [5]	-	-	-	-	72%	28%	46,275
	77,092	1 October 2010	30 June 2014	-	-	-	-	100%	-	77,092
	47,161	1 October 2011	30 June 2015 [6]	-	199,965	302,793	513,762	-	20%	-
	41,587	1 October 2012	30 June 2016 [6]	-	116,092	180,108	265,073	-	53%	-
	58,526	1 October 2013	30 June 2017 [6]	-	58,524	103,740	108,550	-	86%	-
Clayton Herbert	15,820	1 October 2008	30 June 2012 [5]	-	-	-	-	72%	28%	11,390
	19,823	1 October 2010	30 June 2014	-	-	-	-	100%	-	19,823
	11,318	1 October 2011	30 June 2015	-	59,646	90,318	153,246	-	-	-
	32,405	1 October 2012	30 June 2016	-	192,162	298,126	438,764	-	-	-
	45,605	1 October 2013	30 June 2017	-	332,917	590,129	617,492	-	-	-
Steve Johnston	22,637	1 October 2011	30 June 2015	-	119,297	180,643	306,505	-	-	-
	23,224	1 October 2012	30 June 2016	-	137,718	213,661	314,453	-	-	-
	16,341	1 October 2013	30 June 2017	-	119,289	211,453	221,257	-	-	-
	36,284	28 May 2014	30 June 2017	-	245,643	486,206	491,285	-	-	-
Anna Lenahan	11,347	8 June 2011	30 June 2014	-	-	-	-	100%	-	11,347
	11,318	1 October 2011	30 June 2015	-	59,646	90,318	153,246	-	-	-
	14,582	1 October 2012	30 June 2016	-	86,471	134,154	197,440	-	-	-
	38,004	1 October 2013	30 June 2017	-	277,429	491,772	514,574	-	-	-
Mark Milliner	69,216	1 October 2008	30 June 2012 [5]	-	-	-	-	72%	28%	49,835
	82,599	1 October 2010	30 June 2014	-	-	-	-	100%	-	82,599
	49,047	1 October 2011	30 June 2015	-	258,478	391,395	664,096	-	-	-
	43,585	1 October 2012	30 June 2016	-	258,459	400,982	590,141	-	-	-
	61,338	1 October 2013	30 June 2017	-	447,767	793,714	830,517	-	-	-
John Nesbitt	88,105	1 October 2010	30 June 2014	-	-	-	-	100%	-	88,105
	52,317	1 October 2011	30 June 2015	-	275,711	417,490	708,372	-	-	-
	48,608	1 October 2012	30 June 2016	-	288,245	447,194	658,152	-	-	-
	68,407	1 October 2013	30 June 2017	-	499,371	885,187	926,231	-	-	-
Matt Pancino	12,073	1 October 2011	30 June 2015	-	63,625	96,343	163,468	-	-	-
	10,693	1 October 2012	30 June 2016	-	63,409	98,376	144,783	-	-	-
	7,524	1 October 2013	30 June 2017	-	54,925	97,361	101,875	-	-	-
Mark Reinke	9,055	1 October 2011	30 June 2015	-	47,720	72,259	122,605	-	-	-
	14,582	1 October 2012	30 June 2016	-	86,471	134,154	197,440	-	-	-
	17,101	1 October 2013	30 June 2017	-	124,837	221,287	231,548	-	-	-
	25,635	28 May 2014	30 June 2017	-	173,549	343,509	347,098	-	-	-
Amanda Revis	58,920	1 October 2010	30 June 2014	-	-	-	-	100%	-	58,920
	33,641	1 October 2011	30 June 2015	-	177,288	268,455	455,499	-	-	-
	32,405	1 October 2012	30 June 2016	-	192,162	298,126	438,764	-	-	-
	45,605	1 October 2013	30 June 2017	-	332,917	590,129	617,492	-	-	-
Jeff Smith	74,160	1 October 2008	30 June 2012 [5]	-	-	-	-	72%	28%	53,395
	82,599	1 October 2010	30 June 2014	-	-	-	-	100%	-	82,599
	49,047	1 October 2011	30 June 2015	-	258,478	391,395	664,096	-	-	-
	42,127	1 October 2012	30 June 2016	-	249,813	387,568	570,400	-	-	-
	59,286	1 October 2013	30 June 2017	-	432,788	767,161	802,732	-	-	-
Geoff Summerhayes	61,800	1 October 2008	30 June 2012 [5]	-	-	-	-	72%	28%	44,496
	68,832	1 October 2010	30 June 2014	-	-	-	-	100%	-	68,832
	43,262	1 October 2011	30 June 2015	-	227,991	345,231	585,767	-	-	-
	38,886	1 October 2012	30 June 2016	-	230,594	357,751	526,516	-	-	-
	54,726	1 October 2013	30 June 2017	-	399,500	708,154	740,990	-	-	-

1. 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.
2. 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.
3. 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.
4. Market value as at 30 June 2014 is calculated as the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2014.
5. Executives elected to extend the performance period by a further two years.
6. The original number of unvested performance rights awarded to Mr David Foster were pro-rated for time served in the three-year performance period up to termination. The pro-rated rights remain on foot until the end of the performance period. Residual rights were forfeited following termination.

Group CEO proposed 2015 LTI Grant

It is proposed to make a new LTI grant to the Group CEO in October 2014 (which would be Mr Snowball's maximum LTI entitlement for the 2015 financial year).

The vesting date for this grant will be 30 September 2017. There will be no option to extend the performance period beyond this date.

On the advice of the Remuneration Committee, the Board has endorsed an award of performance rights with a face value of $4,000,000. This value takes into account the appropriate level of total remuneration, as assessed by reference to a number of factors, including the extent to which the total remuneration is market competitive. The performance rights will be granted following the 2014 Annual General Meeting if SGL shareholders approve the proposal.

The actual number of shares linked to the performance rights to be granted will depend on the share price over the five trading days up to 1 September 2014. These performance rights will be subject to the performance hurdle, vesting schedule and potential clawback described earlier.

The Board will determine future LTI allocations annually, which will remain subject to shareholder approval.

2.9. Executive remuneration – statutory disclosures

This section provides full details of total remuneration for executives for 2014 and 2013, as required under the *Corporations Act 2001*.

The following table includes LTI amounts during 2014 and 2013 which are 'share-based payment' amounts that reflect the amount required to be expensed in accordance with the 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 in subsequent years may differ to the accounting expense reported below, depending on the extent to which the performance hurdles are met.

Executive remuneration for the years ended 30 June 2014 and 30 June 2013

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS					
	SALARY AND FEES	CASH INCENTIVES	NON-MONETARY BENEFITS [1]	OTHER [2]	SUPER-ANNUATION BENEFITS	DEFERRED INCENTIVES [3]	OTHER [4]	TERMI-NATION BENEFITS [5]	SHARE-BASED PAYMENTS [6]	TOTAL REMUN-ERATION	PERFOR-MANCE RELATED
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Executive director											
Patrick Snowball											
2014	**2,550**	**1,545**	**38**	**-**	**-**	**1,692**	**-**	**-**	**2,061**	**7,886**	**67.2**
2013	2,550	1,750	67	(13)	-	1,879	-	-	1,771	8,004	67.5
Senior Executives											
Anthony Day											
2014	**769**	**632**	**6**	**(6)**	**18**	**369**	**17**	**-**	**299**	**2,104**	**61.8**
2013	734	696	6	(6)	16	399	65	-	286	2,196	62.9
Gary Dransfield											
2014	**684**	**537**	**74**	**(29)**	**18**	**308**	**-**	**-**	**219**	**1,811**	**58.8**
2013	608	559	5	26	16	313	-	-	143	1,670	60.8
Clayton Herbert (appointed 1 July 2012)											
2014	**637**	**517**	**7**	**15**	**18**	**292**	**28**	**-**	**176**	**1,689**	**58.3**
2013	584	530	6	17	16	293	39	-	136	1,621	59.2
Steve Johnston (appointed 9 December 2013)											
2014	**369**	**291**	-	**(3)**	**9**	**162**	**17**	**-**	**79**	**923**	**57.6**
Anna Lenahan (appointed 1 June 2013)											
2014	**483**	**395**	**7**	**2**	**18**	**221**	**-**	**-**	**123**	**1,248**	**59.2**
2013	37	37	1	4	1	20	-	-	6	106	59.4
Mark Milliner											
2014	**803**	**652**	**6**	**(27)**	**18**	**381**	**(28)**	**-**	**321**	**2,126**	**63.7**
2013	791	728	5	(20)	16	420	13	-	366	2,319	65.3
John Nesbitt											
2014	**960**	**703**	**15**	**-**	**18**	**412**	**-**	**-**	**352**	**2,460**	**59.6**
2013	884	813	9	17	16	468	-	-	836	3,043	69.6
Matt Pancino (appointed 16 June 2014)[7]											
2014	**26**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**3**	**30**	**8.4**
Mark Reinke (appointed 9 December 2013)											
2014	**297**	**238**	**2**	**(12)**	**9**	**133**	**5**	**-**	**55**	**726**	**58.6**
Amanda Revis											
2014	**604**	**490**	**6**	**-**	**18**	**286**	**-**	**-**	**232**	**1,637**	**61.6**
2013	584	540	5	9	16	311	-	-	211	1,676	63.4
Jeff Smith											
2014	**764**	**668**	**6**	**41**	**18**	**392**	**13**	**-**	**314**	**2,216**	**62.0**
2013	764	767	6	6	16	444	13	-	369	2,385	66.2
Geoff Summerhayes											
2014	**725**	**532**	**11**	**13**	**18**	**313**	**15**	**-**	**283**	**1,910**	**59.1**
2013	704	618	10	14	16	356	60	-	294	2,072	61.2
Former Senior Executives											
David Foster (ceased employment 28 February 2014)											
2014	**519**	**370**	**3**	**-**	**13**	**221**	**-**	**767**	**202**	**2,095**	**37.8**
2013	754	910	3	-	16	516	12	-	348	2,559	69.3

1. Non-monetary benefits represent costs met by Suncorp Group for airfares, insurances and relocation-related items.
2. Other short-term benefits represent annual leave accrued during the year.
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.
5. Termination benefits are paid in accordance with contractual commitments. See section 2.10.
6. 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. 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 12 to the SGL financial statements
7. For Mr Matt Pancino, employer superannuation contributions for quarter four of 2014 reached the maximum prior to his appointment as a Senior Executive. Mr Pancino was not awarded any STI for 2014 in relation to his role as a Senior Executive.

2. Executive remuneration – audited (continued)

2.10. Employment agreements – summary

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

SSPL may make a payment in lieu of notice of 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 SGL 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:

Employment agreement	Agreement duration	Notice period/ termination payment	Long-term incentive (LTI)	Short-term incentive (STI)	Treatment of STI on termination	Treatment of LTI on termination
Group CEO, Mr Patrick Snowball	Unlimited duration	**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	Proposed October 2014 award of performance rights equivalent to $4,000,000 maximum value, subject to performance against hurdle over a three-year vesting period.	• Target: 125% of fixed remuneration • Maximum: 150% of fixed remuneration • Deferral: 50% of total STI awarded Included in contractual terms is a specific clause in relation to clawback of deferred STI.	**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.	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 Grant 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; and • the Initial Grant and the pro-rated number of rights under the 2012 Grant will continue until the relevant vesting dates, subject to the performance measures.

Employment agreement	Agreement duration	Notice period/ termination payment	Long-term incentive (LTI)	Short-term incentive (STI)	Treatment of STI on termination	Treatment of LTI on termination
Senior Executives	Unlimited duration	**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	Maximum face value grant: 100% of annual fixed remuneration	• Target: 125% of fixed remuneration[2] • Maximum: 187.5% of fixed remuneration • Deferral: 35% of total STI awarded .	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	**Qualifying reason**[3] 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, except that any allocation made will be pro-rated to reflect the proportion of the performance period actually worked, unless otherwise determined by the Board. **Non-qualifying reason** All unvested awards are forfeited

1. Exception: Mr Geoff Summerhayes, CEO Suncorp Life: greater of 12 months or total benefit under the redundancy policy (maximum 75 weeks including notice)
2. Exception: Mr Jeff Smith, CEO Suncorp Business Services: STI target contractually set at 138.3% of fixed remuneration
3. Qualifying reasons include death, total and permanent disablement, retirement, redundancy as a result of a Suncorp Group restructure, or any other reason as determined by the Board

3. Non-executive director arrangements – audited

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.

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

SGL pays the SGC 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 since 1 July 2011.

The approved non-executive director fee structure for 2014 and 2013 is set out in the table below.

	2013 AND 2014 FEE P.A.[1] $'000					
COMMITTEE	BOARD	AUDIT	RISK	REMUNERATION	OTHER[2]	Total annual fee at 30 June 2014
CHAIRMAN FEES[3] (C)	570	50	50	40	50	
MEMBER FEES (✓)	207	25	25	20		
Dr Zygmunt Switkowski AO	C	Ex Officio[4]	Ex Officio[4]	Ex Officio[4]		570
Ilana Atlas	✓		✓	C		272
William Bartlett[5]	✓	✓	✓	✓		277
Michael Cameron	✓			✓		227
Audette Exel AO	✓		✓			232
Ewoud Kulk	✓		C	✓	C	327
Dr Douglas McTaggart[6]	✓	C				257
Geoffrey Ricketts CNZM	✓	✓			C	282

1. Fees exclude SGC.
2. An additional fee of $50,000 p.a. is payable for the Chairmanship of AA Insurance Limited Board (Mr Kulk) and Vero Insurance New Zealand Limited Board and other New Zealand Insurance Companies (Mr Ricketts CNZM).
3. Includes base fee.
4. Dr Switkowski does not receive fees for attending Audit, Risk and Remuneration Committee meetings as an ex officio member.
5. Mr Bartlett ceased Chairmanship of the Audit Committee effective 20 February 2014, but remains a member of the committee.
6. Dr McTaggart was appointed Chairman of the Audit Committee effective 20 February 2014.

The Suncorp Group's minimum shareholding requirement introduced in October 2013 (refer to section 2.4) requires non-executive directors to hold a minimum number of ordinary shares in SGL with a value at least equal to 100% of one year's pre-tax (gross) base fees by October 2017.

Several non-executive directors currently hold sufficient shares to meet the requirement. Detailed share ownership information for the non-executive directors is shown in section 4.

3.2. Non-Executive Directors' Share Plan

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

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

3.3. Non-executive directors' remuneration disclosures

Details of non-executive directors' remuneration for 2014 and 2013 are set out in the table below.

	SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	
	SALARY AND FEES $'000	NON-MONETARY BENEFITS [1] $'000	SUPERANNUATION BENEFITS $'000	TOTAL[2] $'000
Non-executive directors in office as at 30 June 2014				
Dr Zygmunt Switkowski AO				
2014	570	1	53	624
2013	570	1	51	622
Ilana Atlas				
2014	272	1	25	298
2013	272	1	24	297
William Bartlett				
2014	293	1	27	321
2013	302	1	27	330
Michael Cameron[3]				
2014	227	1	21	249
2013	212	1	19	232
Audette Exel AO				
2014	232	1	21	254
2013	216	1	20	237
Ewoud Kulk				
2014	327	1	30	358
2013	327	1	29	357
Dr Douglas McTaggart				
2014	241	1	21	263
2013	232	1	21	254
Geoffrey Ricketts CNZM				
2014	282	1	26	309
2013	282	1	25	308

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. Related party transactions - audited

Related party transactions have been included in the Remuneration Report from this year in accordance with the requirements of the *Corporations Act 2001*. In prior years these transactions have been disclosed in the notes to the financial statements, in accordance with the AASBs.

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:

	2014				2013			
	Balance 1 July 2013 $000	Balance 30 June 2014 $000	Interest charged during the year $000	Highest balance during the year $000	Balance 1 July 2012 $000	Balance 30 June 2013 $000	Interest charged $000	Highest balance during the year $000
Senior Executives								
A Lenahan	-	292	8	299	-	-	-	-
M Milliner	-	-	-	-	1,089	-	42	1,347
M Reinke	-	834	26	956	-	-	-	-
A Revis	1,132	4,250	115	5,389	1,475	1,132	69	1,485
J Smith	900	900	45	900	900	900	50	900
Former Senior Executives								
D Foster	-	-	7	286	-	-	-	-

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:

	2014			2013		
	Key management personnel $000	Other related parties $000	Total $000	Key management personnel $000	Other related parties $000	Total $
Opening balance	2,032	-	2,032	3,464	-	3,464
Closing balance	5,302	974	6,276	2,032	-	2,032
Interest charged	185	17	202	161	-	161
	Number	Number	Number of individuals	Number	Number	Number of individuals
Number of individuals at 30 June	3	2	5	2	-	2

4.2 Movement in shares held by Key Management Personnel

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

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

	Balance 1 July 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 Executives							
D Foster[5]	25,542	230,112	58,526	(148,909)	(165,271)	-	-

1. The number of performance rights disclosed for the Group CEO and Senior Executives represents performance rights held by the trustee of the LTI Plan and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles. The 1 October 2008 Grant vested at 72%, Tranche 2 of the Group CEO's October 2009 Grant vested at 100% and the 1 October 2010 Grant vested at 100% during the 2014 financial year.
2. For the Group CEO and Senior Executives, compensation includes shares held under the LTI Plan. These shares are recorded in SGL's share register in the name of the LTI Plan trustee and vest only when performance hurdles are met.
3. Appointed 9 December 2013. Shares and performance rights held upon appointment are shown in 'Other changes'.
4. Appointed 16 June 2014. Shares and performance rights held upon appointment are shown in 'Other changes'.
5. Terminated 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.

The movement during 2013 in the number of ordinary shares in SGL held directly, indirectly or beneficially, by each of the KMP, including their related parties, is as follows:

	Balance 1 July 2012		1 July 2012- 30 June 2013			Balance 30 June 2013	
	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	87,333	900,000	446,752	-	(12,000)	375,333	1,046,752
Non-executive directors							
Dr Z Switkowski AO	201,599	-	-	-	-	201,599	-
I Atlas	6,370	-	-	5,265	-	11,635	-
W Bartlett	26,968	-	-	-	-	26,968	-
M Cameron	-	-	-	5,000	-	5,000	-
A Exel AO	-	-	-	989	-	989	-
E Kulk	20,173	-	-	-	-	20,173	-
Dr D McTaggart	-	-	-	11,000	-	11,000	-
G Ricketts CNZM	24,850	-	-	1,499	-	26,349	-
Senior Executives							
A Day	396	159,224	40,507	24	(10,227)	16,828	173,096
G Dransfield	-	70,519	29,705	(19,330)	(806)	-	80,088
D Foster	25,542	303,214	41,587	(78,671)	(36,018)	25,542	230,112
C Herbert [3]	-	-	32,405	-	109,200	62,239	79,366
A Lenahan [4]	-	-	14,582	-	36,665	14,000	37,247
M Milliner	79,569	318,070	43,585	(79,569)	(38,537)	78,671	244,447
J Nesbitt	-	453,438	48,608	-	-	313,016	189,030
A Revis	5,350	92,561	32,405	12,021	-	17,371	124,966
J Smith	117,131	331,386	42,127	492	(41,290)	201,913	247,933
G Summerhayes	-	247,063	38,886	(70,242)	(2,927)	-	212,780

1. The number of performance rights disclosed for the Group CEO and Senior Executives represents performance rights held by the trustees of the LTI Plans and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles. The 1 October 2009 Grant vested at 96% and the 3 May 2010 Grant vested at 100% during the 2013 financial year.
2. For the Group CEO and Senior Executives, compensation includes shares held under the LTI plan. These shares are recorded in SGL's share register in the name of the trustee of the LTI plan and vest only when performance hurdles are met.
3. Appointed 1 July 2012. Shares and performance rights held upon appointment are shown in 'Other changes'.
4. Appointed 1 June 2013. Shares and performance rights held upon appointment are shown in 'Other changes'.

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:

	2014			2013		
	Balance 1 July 2013	Purchases (sales)	Balance 30 June 2014	Balance 1 July 2012	Purchases (sales)	Balance 30 June 2013
	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
SBKPB [2]						
Senior Executives						
D Foster [2]	**-**	**-**	**-**	90	(90)	-
SUNPE [3]						
Directors						
Non-executive directors						
W Bartlett	**-**	**323**	**323**	-	-	-
Senior Executives						
C Herbert	**-**	**323**	**323**	-	-	-

1. SGL issued SUNPC on 6 November 2012.
2. SGL repurchased SBKPB from SBKPB holders on the mandatory conversion date of 14 June 2013.
3. SGL issued SUNPE on 8 May 2014.

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 or customers and are 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 Zygmunt E Switkowski AO
Chairman

Patrick J R Snowball
Managing Director and Group CEO

13 August 2014

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Suncorp-Metway Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Paul M Reid
Partner

Brisbane

13 August 2014

Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

Consolidated financial report

for the year ended 30 June 2014

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Statements of comprehensive income

for the year ended 30 June 2014

	Note	Consolidated		Company	
		2014	2013	2014	2013
		$m	$m	$m	$m
Interest income	6	**2,975**	3,421	**2,940**	3,384
Interest expense	6	**(1,964)**	(2,435)	**(1,808)**	(2,256)
Net interest income		**1,011**	986	**1,132**	1,128
Other operating income	6	**76**	60	**452**	493
Total net operating income		**1,087**	1,046	**1,584**	1,621
Operating expenses	7	**(624)**	(628)	**(1,140)**	(1,216)
Losses on loans and advances	15.2, 15.3	**(137)**	(902)	**(130)**	(904)
Profit (loss) before income tax		**326**	(484)	**314**	(499)
Income tax (expense) benefit	8	**(98)**	135	**(87)**	149
Profit (loss) for the financial year		**228**	(349)	**227**	(350)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	25	**46**	72	**48**	77
Net change in fair value of available-for-sale financial assets	25	**23**	-	**23**	2
Income tax benefit (expense) on other comprehensive income	8.4	**(22)**	(23)	**(22)**	(26)
Other comprehensive income net of income tax		**47**	49	**49**	53
Total comprehensive income for the financial year		**275**	(300)	**276**	(297)
Profit (loss) for the financial year attributable to:					
Owners of the Company		**228**	(349)	**227**	(350)
Profit (loss) for the financial year		**228**	(349)	**227**	(350)
Total comprehensive income for the financial year attributable to:					
Owners of the Company		**275**	(300)	**276**	(297)
Total comprehensive income for the financial year		**275**	(300)	**276**	(297)

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

Statements of financial position

as at 30 June 2014

	Note	Consolidated 2014 $m	Consolidated 2013 $m	Company 2014 $m	Company 2013 $m
Assets					
Cash and cash equivalents	9	**463**	905	**463**	904
Receivables due from other banks	10	**927**	1,460	**927**	1,460
Trading securities	11	**1,593**	3,462	**1,593**	3,462
Derivatives	12	**334**	667	**334**	667
Investment securities	13	**6,500**	6,640	**6,531**	6,671
Loans, advances and other receivables	14	**49,927**	48,365	**49,511**	47,949
Due from subsidiaries		**-**	-	**352**	328
Other assets	16	**194**	273	**128**	223
Deferred tax assets	8.3	**98**	141	**97**	141
Goodwill and intangible assets		**26**	26	**-**	-
Total assets		**60,062**	61,939	**59,936**	61,805
Liabilities					
Payables due to other banks		**81**	213	**81**	213
Deposits and short-term borrowings	17	**44,154**	43,861	**44,220**	43,920
Derivatives	12	**525**	984	**488**	929
Payables and other liabilities	18	**617**	755	**600**	738
Due to subsidiaries		**-**	-	**3,494**	4,716
Securitisation liabilities	19	**3,598**	4,802	**-**	-
Debt issues	20	**6,839**	7,313	**6,839**	7,313
Total liabilities excluding loan capital		**55,814**	57,928	**55,722**	57,829
Loan capital					
Subordinated notes	21	**742**	840	**742**	840
Preference shares	22	**-**	30	**-**	30
Total loan capital		**742**	870	**742**	870
Total liabilities		**56,556**	58,798	**56,464**	58,699
Net assets		**3,506**	3,141	**3,472**	3,106
Equity					
Share capital	23	**2,565**	2,452	**2,565**	2,452
Capital notes	24	**450**	450	**450**	450
Reserves	25	**(239)**	(306)	**133**	64
Retained profits		**730**	545	**324**	140
Total equity attributable to owners of the Company		**3,506**	3,141	**3,472**	3,106
Total equity		**3,506**	3,141	**3,472**	3,106

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

Statements of changes in equity

for the year ended 30 June 2014

Consolidated

	Share capital $m	Capital notes $m	Reserves $m	Retained profits $m	Total equity $m
Balance as at 30 June 2012	2,189	-	(339)	890	2,740
Profit (loss) for the financial year	-	-	-	(349)	(349)
Other comprehensive income	-	-	49	-	49
Total comprehensive income	-	-	49	(349)	(300)
Transactions with owners, recorded directly in equity					
Issuances	998	450	-	-	1,448
Share buyback	(735)				(735)
Dividends paid	-	-	-	(12)	(12)
Transfers	-	-	(16)	16	-
Balance as at 30 June 2013	**2,452**	**450**	**(306)**	**545**	**3,141**
Profit for the financial year	**-**	**-**	**-**	**228**	**228**
Other comprehensive income	**-**	**-**	**47**	**-**	**47**
Total comprehensive income	**-**	**-**	**47**	**228**	**275**
Transactions with owners, recorded directly in equity					
Issuances	**113**	**-**	**-**	**-**	**113**
Dividends paid	**-**	**-**	**-**	**(23)**	**(23)**
Transfers	**-**	**-**	**20**	**(20)**	**-**
Balance as at 30 June 2014	**2,565**	**450**	**(239)**	**730**	**3,506**

Company

	Share capital $m	Capital notes $m	Reserves $m	Retained profits $m	Total equity $m
Balance as at 30 June 2012	2,189	-	27	486	2,702
Profit (loss) for the financial year	-	-	-	(350)	(350)
Other comprehensive income	-	-	53	-	53
Total comprehensive income	-	-	53	(350)	(297)
Transactions with owners, recorded directly in equity					
Issuances	998	450	-	-	1,448
Share buyback	(735)				(735)
Dividends paid	-	-	-	(12)	(12)
Transfers	-	-	(16)	16	-
Balance as at 30 June 2013	**2,452**	**450**	**64**	**140**	**3,106**
Profit for the financial year	**-**	**-**	**-**	**227**	**227**
Other comprehensive income	**-**	**-**	**49**	**-**	**49**
Total comprehensive income	**-**	**-**	**49**	**227**	**276**
Transactions with owners, recorded directly in equity					
Issuances	**113**	**-**	**-**	**-**	**113**
Dividends paid	**-**	**-**	**-**	**(23)**	**(23)**
Transfers	**-**	**-**	**20**	**(20)**	**-**
Balance as at 30 June 2014	**2,565**	**450**	**133**	**324**	**3,472**

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

Statements of cash flows

for the year ended 30 June 2014

	Note	Consolidated 2014 $m	Consolidated 2013 $m	Company 2014 $m	Company 2013 $m
Cash flows from operating activities					
Interest received		**2,979**	3,429	**2,944**	3,380
Interest paid		**(1,963)**	(2,460)	**(1,807)**	(2,281)
Other operating income received		**219**	174	**594**	607
Operating expenses and fees & commissions paid		**(762)**	(598)	**(1,278)**	(1,201)
Income tax received (paid)		**(23)**	218	**(22)**	247
Net (increase) decrease in operating assets and liabilities					
Trading securities		**1,854**	1,340	**1,854**	1,340
Loans, advances and other receivables and other assets		**(1,664)**	(1,755)	**(1,632)**	(1,744)
Deposits and short-term borrowings, payables and other liabilities		**154**	2,365	**(1,085)**	3,249
Net cash (used in) from operating activities	34.1	**794**	2,713	**(432)**	3,597
Cash flows from investing activities					
Proceeds (payments) for sales (purchase) of investment securities		**171**	(337)	**173**	(338)
Net cash (used in) from investing activities		**171**	(337)	**173**	(338)
Cash flows from financing activities					
Net increase (decrease) in borrowings		**(1,789)**	(2,877)	**(564)**	(3,761)
Payment on call of subordinated notes		**(79)**	(406)	**(79)**	(406)
Proceeds from issue of subordinated notes		**-**	670	**-**	670
Payments on maturity of subordinated notes		**-**	(104)	**-**	(104)
Dividends paid on capital notes		**(23)**	(12)	**(23)**	(12)
Proceeds from issue of shares		**113**	263	**113**	263
Payments from issue of internal capital notes		**-**	450	**-**	450
Payments for preference share redemption		**(30)**	(735)	**(30)**	(735)
Payment of transaction costs		**-**	(2)	**-**	(2)
Net cash (used in) from financing activities		**(1,808)**	(2,753)	**(583)**	(3,637)
Net (decrease) increase in cash and cash equivalents		**(843)**	(377)	**(842)**	(378)
Cash and cash equivalents at the beginning of the financial year		**2,152**	2,529	**2,151**	2,529
Cash and cash equivalents at the end of the financial year	34.2	**1,309**	2,152	**1,309**	2,151

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

1. Reporting entity

Suncorp-Metway Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 28, 266 George Street, Brisbane, QLD, 4000 (2013: Level 18, 36 Wickham Terrace, Brisbane, QLD 4000).

The consolidated financial statements for the financial year ended 30 June 2014 comprises the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 13 August 2014.

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

2. Basis of preparation

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

Significant accounting policies applied in the preparation of these consolidated financial statements are set out in note 32.

The Group has adopted the following new standards and amendments to standards, from 1 July 2013:

- AASB 7 *Financial Instruments – Disclosures*
- AASB 13 *Fair Value Measurement*
- AASB 10 *Consolidated Financial Statements (2011)*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interest in Other Entities*

The new standards and amendments have not had a material impact on the Group.

(a) AASB 7 *Financial Instruments – Disclosures*

From 1 July 2013, the Group applied amendments to AASB 7 *Financial Instruments – Disclosures* outlined in AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (June 2012). As a result of these amendments, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities in note 29.

The Group's risk management objectives and structure, including the management of exposures arising from financial instruments, are detailed in note 33.

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

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

Amounts expected to be recovered or settled no more than twelve months after the reporting period, are classified as 'current'. Amounts expected to be recovered or settled more than twelve months after the reporting period, are classified as 'non-current'.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year.

2. Basis of preparation (continued)

2.1 Statement of compliance

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

2.2 Use of estimates and judgements

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

Significant estimates, judgements and assumptions are discussed as follows:

- Specific and collective provisions for impairment (refer note 15)
- Valuation of financial instruments and fair value hierarchy disclosures (refer note 27)

3. Dividends

Company	2014		2013	
	Cents per share	$m	Cents per share	$m
Dividend payments on ordinary shares				
2013 final dividend (2013: 2012 final dividend)	-	-	-	-
2014 interim dividend (2013: 2013 Interim dividend)	-	-	-	-
Total dividends on ordinary shares	-	-	-	-
Dividends not recognised in the statement of financial position				
Since financial year end, the 2014 final dividend (2013: 2013 final dividend) has been proposed	21	56	-	-
	21	56	-	-

Dividends have been franked at 0% (2013: 0%).

The Group is a member of a tax-consolidated group. Suncorp Group Limited, being the head company of the tax-consolidated group, operates a single franking account for the tax-consolidated group. As such, the Group does not hold any franking credits.

Dividends paid or declared on capital notes during the year are outlined in note 24.1.

4. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and his immediate executive team (representing the Group's Chief Operating Decision Maker) in assessing performance and determining the allocation of resources. The Group's operating segments are determined based on their business activities as described in note 4.1.

4. Segment reporting (continued)

4.1 Operating segments

The Group is comprised of the following operating segment:

Segment	Business area	Business activities
Banking	Banking	Provision of personal and commercial banking, agribusiness, property and equipment finance, home, personal and small business loans, savings and transaction accounts, foreign exchange and treasury products and services in Australia.

Banking segment results are presented and measured on a consistent basis to how they are reported to the Chief Operating Decision Maker.

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

All revenue of the Group is from external customers.

4.2 Reconciliation of reportable segment revenues, profit after income tax, assets and liabilities

As the Group operates in only one segment, the Group's revenues, expenses, and profit after income tax all relate to the Banking segment for the current and prior periods.

All assets and liabilities of the Group also relate to the Banking segment as at the end of the current and prior periods.

4.3 Geographical Segments

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

4.4 Major Customers

The Group is not reliant on any external individual customer for 10 per cent or more of the Group's income.

5. Changes in the composition of the Group

5.1 Subsidiaries

The Group did not acquire or dispose of any material subsidiaries during the current and prior financial year.

5.2 Joint arrangements and associates

The Group did not acquire or dispose of any interests in joint arrangements or associates in the current or prior financial year.

6. Revenue

	Consolidated		Company	
	2014	2013	2014	2013
	$m	$m	$m	$m
Interest Income				
Cash and cash equivalents	**18**	12	**18**	12
Receivables due from other banks	**8**	35	**8**	35
Trading securities [1]	**62**	128	**62**	128
Investment securities	**251**	255	**251**	255
Loans, advances and other receivables	**2,636**	2,991	**2,601**	2,954
	2,975	3,421	**2,940**	3,384
Interest Expense				
Deposits and short-term borrowings	**(1,387)**	(1,655)	**(1,391)**	(1,663)
Derivatives	**(112)**	(167)	**(112)**	(167)
Securitisation liabilities	**(163)**	(187)	**-**	-
Debt issues	**(260)**	(369)	**(263)**	(369)
Subordinated notes	**(42)**	(24)	**(42)**	(24)
Preference shares	**-**	(33)	**-**	(33)
	(1,964)	(2,435)	**(1,808)**	(2,256)
Net interest income	**1,011**	986	**1,132**	1,128
Other operating income				
Banking fee and commission income	**192**	183	**190**	180
Banking fee and commission expense	**(125)**	(106)	**(125)**	(106)
Net banking fee and commission income	**67**	77	**65**	74
Dividends	**-**	-	**24**	34
Net profits on derivative and other financial instruments: [2,3,4]				
Realised	**1**	4	**1**	4
Unrealised	**3**	(25)	**3**	(25)
Other fees and commissions	**-**	-	**354**	402
Other revenue	**5**	4	**5**	4
	9	(17)	**387**	419
Total other operating income	**76**	60	**452**	493
Total net operating income	**1,087**	1,046	**1,584**	1,621

Notes

1. The components of interest income and expense that relate to financial assets or liabilities carried at fair value through profit and loss are those related to trading assets of $62 million (2013: $128 million) and liabilities designated at fair value through profit and loss of $17 million (2013: $25 million) respectively for both Company and Consolidated.
2. Included within net profits on derivatives and other financial instruments for both Company and Consolidated are losses on derivatives held in qualifying fair value hedging relationships of ($15 million) (2013: gains of $12 million) and gains representing changes in fair value of the hedged items attributable to the hedged risk of $15 million (2013: losses of $12 million).
3. Net gains (losses) on financial assets and liabilities carried at fair value through profit and loss are those related to trading assets of $1 million (2013: $1 million) and liabilities designated at fair value through profit and loss of $2 million (2013: ($2 million)) respectively for both Company and Consolidated.
4. Includes a $20 million profit before tax on the buy-back of unsecured, perpetual subordinated notes offset by a $16 million loss before tax on the buy-back of Government guaranteed debt issues during the year.

7. Operating expenses

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Staff expenses				
Wages, salaries and other staff costs	**355**	360	**355**	360
Occupancy and equipment expenses				
Operating lease rentals	**72**	73	**72**	73
Information technology and communication	**41**	37	**41**	37
Depreciation				
Depreciation	**38**	39	**38**	39
	38	39	**38**	39
Other expenses				
Advertising and promotion expenses	**30**	30	**30**	30
Office supplies, postage and printing	**31**	28	**31**	28
Inter-group expenses	**-**	-	**517**	589
Financial expenses	**10**	9	**10**	9
Other	**47**	52	**46**	51
	118	119	**634**	707
Total operating expenses	**624**	628	**1,140**	1,216

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

8. Income tax

8.1 Income tax expense

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Profit (loss) before tax	**326**	(484)	**314**	(499)
Income tax using the domestic corporation tax rate of 30% (2013: 30%)	**98**	(145)	**94**	(149)
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses	**-**	10	**-**	10
Intercompany dividend elimination	**-**	-	**(7)**	(10)
	98	(135)	**87**	(149)
Income tax expense (benefit) on profit before tax	**98**	(135)	**87**	(149)
Income tax expense (benefit) recognised in profit or loss consists of:				
Income tax from continuing operations	**78**	(189)	**66**	(192)
Temporary differences from deferred tax (benefit) expense	**21**	78	**22**	67
Adjustment for prior years	**(1)**	(24)	**(1)**	(24)
Total income tax expense (benefit) recognised in the profit or loss	**98**	(135)	**87**	(149)

8. Income tax (continued)

8.2 Current tax liabilities

In accordance with the tax consolidation legislation, the head entity of the tax-consolidated group has assumed the current tax liability recognised by the Company. Hence the current tax liability of the Company for the current and previous years has been assumed by Suncorp Group Limited and there is no current tax liability in the Company.

8.3 Deferred tax assets and liabilities

Consolidated	Deferred tax assets		Deferred tax liabilities		Net	
	2014	2013	2014	2013	2014	2013
	$m	$m	$m	$m	$m	$m
Other investments	**28**	35	**-**	-	**28**	35
Provisions	**69**	105	**-**	-	**69**	105
Other items	**3**	6	**(2)**	(5)	**1**	1
Tax assets (liabilities)	**100**	146	**(2)**	(5)	**98**	141
Set-off of tax	**(2)**	(5)	**2**	5	**-**	-
Net tax assets	**98**	141	**-**	-	**98**	141

Consolidated	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	**146**	242	**(5)**	(1)
(Charged) credited to profit or loss	**(46)**	(96)	**25**	18
Credited (charged) to equity	**-**	-	**(22)**	(22)
Balance at the end of the financial year	**100**	146	**(2)**	(5)

Company	Deferred tax assets		Deferred tax liabilities		Net	
	2014	2013	2014	2013	2014	2013
	$m	$m	$m	$m	$m	$m
Other investments	**28**	35	**-**	-	**28**	35
Provisions	**68**	105	**-**	-	**68**	105
Other items	**3**	6	**(2)**	(5)	**1**	1
Tax assets (liabilities)	**99**	146	**(2)**	(5)	**97**	141
Set-off of tax	**(2)**	(5)	**2**	5	**-**	-
Net tax assets (liabilities)	**97**	141	**-**	-	**97**	141

Company	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
Movements	$m	$m	$m	$m
Balance at the beginning of the financial year	**146**	244	**(5)**	(11)
(Charged) credited to profit or loss	**(47)**	(98)	**25**	31
Credited (charged) to equity	**-**	-	**(22)**	(25)
Balance at the end of the financial year	**99**	146	**(2)**	(5)

There are no unrecognised deferred tax assets and liabilities.

8. Income tax (continued)

8.4 Deferred tax recognised in directly in equity

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Deferred tax recognised directly in equity				
Relating to available-for-sale financial assets	**7**	-	**7**	1
Relating to cash flow hedges	**15**	23	**15**	25
	22	23	**22**	26

8.5 Tax consolidation

Suncorp Group Limited and its wholly-owned Australian entities have elected to form part of a tax-consolidated group. The accounting policy in relation to tax consolidation legislation and its application to the Company is set out in note 32.1.6.

9. Cash and cash equivalents

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Cash and balances with the central bank	**225**	108	**225**	108
Other money market placements	**238**	797	**238**	796
Total cash and cash equivalents	**463**	905	**463**	904

10. Receivables due from other banks

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Cash collateral[1]	**268**	529	**268**	529
Other receivables due from financial institutions	**659**	162	**659**	162
Receivable due from sale of loans portfolio	**-**	769	**-**	769
Total receivables due from other banks	**927**	1,460	**927**	1,460

Note

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

11. Trading securities

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Trading securities - current				
Financial assets at fair value through profit or loss				
Interest-bearing securities: Bank bills, certificates of deposits and other negotiable securities	**1,593**	3,462	**1,593**	3,462
Total trading securities	**1,593**	3,462	**1,593**	3,462

12. Derivatives

	2014			2013		
	Notional	Fair value		Notional	Fair value	
	value	Asset	Liability	value	Asset	Liability
Consolidated	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Exchange rate-related contracts						
Forward foreign exchange contracts	**3,002**	**-**	**(88)**	4,558	355	(28)
Cross currency swaps	**2,797**	**78**	**(126)**	3,659	63	(636)
Currency options	**-**	**-**	**-**	17	-	-
	5,799	**78**	**(214)**	8,234	418	(664)
Interest rate-related contracts						
Forward rate agreements	**-**	**-**	**-**	350	-	-
Interest rate swaps	**54,372**	**255**	**(311)**	38,756	245	(317)
Interest rate futures	**910**	**1**	**-**	2,376	2	(1)
Interest rate options	**111**	**-**	**-**	148	2	(2)
	55,393	**256**	**(311)**	41,630	249	(320)
Total derivative exposures	**61,192**	**334**	**(525)**	49,864	667	(984)
Company						
Exchange rate-related contracts						
Forward foreign exchange contracts	**3,002**	**-**	**(88)**	4,558	355	(28)
Cross currency swaps	**2,490**	**78**	**(89)**	3,263	63	(581)
Currency options	**-**	**-**	**-**	17	-	-
	5,492	**78**	**(177)**	7,838	418	(609)
Interest rate-related contracts						
Forward rate agreements	**-**	**-**	**-**	350	-	-
Interest rate swaps	**54,372**	**255**	**(311)**	38,756	245	(317)
Interest rate futures	**910**	**1**	**-**	2,376	2	(1)
Interest rate options	**111**	**-**	**-**	148	2	(2)
	55,393	**256**	**(311)**	41,630	249	(320)
Total derivative exposures	**60,885**	**334**	**(488)**	49,468	667	(929)

13. Investment securities

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Investments at cost				
Shares in subsidiaries	**-**	-	**31**	31
	-	-	**31**	31
Available-for-sale financial assets				
Interest-bearing securities at fair value	**2,542**	2,352	**2,542**	2,352
	2,542	2,352	**2,542**	2,352
Held-to-maturity investments				
Interest-bearing securities at amortised cost	**3,958**	4,288	**3,958**	4,288
	3,958	4,288	**3,958**	4,288
Total investment securities	**6,500**	6,640	**6,531**	6,671
Current	**226**	-	**226**	-
Non-current	**6,274**	6,640	**6,305**	6,671
Total investment securities	**6,500**	6,640	**6,531**	6,671

14. Loans, advances and other receivables

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Financial assets at amortised cost				
Housing loans[1]	**39,001**	37,158	**39,001**	37,158
Consumer loans	**431**	463	**431**	463
Business loans	**10,524**	10,577	**10,100**	10,142
Other lending	**51**	101	**51**	119
Loans to related parties	**146**	366	**146**	366
	50,153	48,665	**49,729**	48,248
Provision for impairment	**(226)**	(300)	**(218)**	(299)
Total loans, advances and other receivables	**49,927**	48,365	**49,511**	47,949
Current	**11,464**	12,851	**11,431**	12,817
Non-current	**38,463**	35,514	**38,080**	35,132
Total loans, advances and other receivables	**49,927**	48,365	**49,511**	47,949

Note

1. Includes securitised housing loan balances of $3,756 million (2013: $5,044 million) which has an equivalent securitised liability.

14. Loans, advances and other receivables (continued)

Finance Lease receivables

Included in business loans are the following finance lease receivables:

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Gross investment in finance lease receivables				
Less than one year	**182**	174	**-**	-
Between one and five years	**319**	318	**-**	-
More than five years	**-**	1	**-**	-
	501	493	**-**	-
Unearned future income on finance leases	**(54)**	(57)	**-**	-
Net investment in finance lease receivables	**447**	436	**-**	-
Net investment in finance lease receivables				
Less than one year	**176**	168	**-**	-
Between one and five years	**271**	267	**-**	-
More than five years	**-**	1	**-**	-
	447	436	**-**	-

15. Provision for impairment

A specific provision for impairment is recognised where there is objective evidence of the impairment for an individual loan and full recovery of the principal is considered doubtful. Where loans are not assessed as individually impaired, they are classified into groups of loans with similar credit risk characteristics and collectively assessed for impairment. Collective impairment provisions are based on historical loss experience adjusted, where appropriate, for current observable data.

15.1 Reconciliation of provision for impairment on loans, advances and other receivables

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Collective provision				
Balance at the beginning of the financial year	**102**	145	**101**	141
Charge against impairment losses	**18**	(43)	**11**	(40)
Balance at the end of the financial year	**120**	102	**112**	101
Specific provision				
Balance at the beginning of the financial year	**198**	392	**198**	389
Charge against impairment losses	**104**	399	**104**	402
Impaired assets written off	**(179)**	(485)	**(179)**	(483)
Decrease in specific provision for impairment	**(75)**	(86)	**(75)**	(81)
Unwind of discount	**(17)**	(108)	**(17)**	(110)
Balance at the end of the financial year	**106**	198	**106**	198
Total provision for impairment	**226**	300	**218**	299

15. Provision for impairment (continued)

15.2 Impairment expense on loans, advances and other receivables

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
(Decrease) increase in collective provision for impairment	**18**	(43)	**11**	(40)
Increase in specific provision for impairment	**104**	399	**104**	402
Bad debts written off	**15**	29	**15**	25
Bad debts recovered	**(13)**	(10)	**(13)**	(10)
Total impairment expense	**124**	375	**117**	377

15.3 Loss on disposal of loans and advances

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Loss on disposal of loans and advances	**13**	527	**13**	527
Total loss on disposal of loans and advances	**13**	527	**13**	527

Note

1. The balance for the financial year ended 30 June 2013 includes a $484 million loss before tax, net of provisions for impairment, on the sale of the $1.6 billion non-core loan portfolio for a consideration of $940 million announced on 13 June 2013.

16. Other assets

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Accrued income	**106**	110	**105**	109
Prepayments	**4**	4	**4**	4
Sundry assets	**46**	123	**19**	110
Development property	**38**	36	**-**	-
Total other assets	**194**	273	**128**	223
Current	**156**	237	**128**	223
Non-current	**38**	36	**-**	-
Total other assets	**194**	273	**128**	223

17. Deposits and short-term borrowings

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Unsecured				
Financial liabilities at amortised cost				
Call deposits	**14,033**	11,669	**14,099**	11,728
Term deposits	**19,337**	20,390	**19,337**	20,390
Short-term securities issued	**7,980**	7,671	**7,980**	7,671
Offshore borrowings	**93**	132	**93**	132
Designated as at fair value through profit or loss				
Offshore borrowings	**2,711**	3,999	**2,711**	3,999
Total deposits and short-term borrowings - current	**44,154**	43,861	**44,220**	43,920

Deposits and short-term borrowings outstanding at 30 June 2014 of $827 million (2013: $280 million) have been obtained under repurchase agreements with the Reserve Bank of Australia.

18. Payables and other liabilities

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Accrued interest payable	**353**	424	**350**	416
Trade creditors and accrued expenses	**77**	201	**63**	192
Payables due to related parties	**160**	115	**160**	115
Other liabilities	**27**	15	**27**	15
Total payables and other liabilities - current	**617**	755	**600**	738

19. Securitisation liabilities

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Secured				
Class A1 Notes AUD	**2,127**	3,157	**-**	-
Class A2 Notes AUD	**549**	550	**-**	-
Class A2 Notes EUR	**271**	340	**-**	-
Class A3 Notes AUD	**321**	458	**-**	-
Class AB Notes AUD	**216**	180	**-**	-
Class B Notes AUD	**96**	99	**-**	-
Class B1 Notes AUD	**12**	12	**-**	-
Class B2 Notes AUD	**6**	6	**-**	-
Total securitisation liabilities	**3,598**	4,802	**-**	-
Current	**1,055**	1,328	**-**	-
Non-current	**2,543**	3,474	**-**	-
Total securitisation liabilities	**3,598**	4,802	**-**	-

The Group conducts a loan securitisation program whereby housing mortgage loans are packaged and sold to the securitisation trusts known as the Apollo Trusts (Trusts). The Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. These are represented as securitisation liabilities of the Group.

The Group does not stand behind the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Group cannot use these assets to settle the liabilities of the Group. The carrying amount of these assets is $3,756 million (2013: $5,044 million). The Group is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

20. Debt issues

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Financial liabilities at amortised cost				
Offshore borrowings	**1,900**	2,259	**1,900**	2,259
Domestic borrowings	**2,742**	2,858	**2,742**	2,858
Total unsecured debt issues	**4,642**	5,117	**4,642**	5,117
Domestic covered bonds issued	**2,197**	2,196	**2,197**	2,196
Total secured debt issues	**2,197**	2,196	**2,197**	2,196
Total debt issues	**6,839**	7,313	**6,839**	7,313
Current	**1,829**	3,166	**1,829**	3,166
Non-current	**5,010**	4,147	**5,010**	4,147
Total debt issues	**6,839**	7,313	**6,839**	7,313

Covered bonds issued are guaranteed by the Covered Bond Guarantor and are secured over a covered pool which consists of $2,705 million (2013: $2,716 million) of loans, advances and other receivables. The Covered Bond Guarantor can take possession of the cover pool under certain Title Perfection Events, as detailed in clause 6.1 of the Mortgage Sale Deed. In the event of default by the Company, the covered bond holders have claim over both the cover pool and the Company.

21. Subordinated notes

Consolidated and Company	Due date	First call	2014 $m	2013 $m
Financial liabilities at amortised cost				
Floating rate notes (AUD)	November 2023	November 2018	**670**	670
Perpetual floating rate notes (AUD)			**72**	170
Total subordinated notes: non-current			**742**	840

On 20 June 2014, the Company repurchased $98 million of the perpetual floating rate subordinated notes from noteholders following an off-market buy-back. Noteholders who elected to partake in the buy-back were paid a cash consideration. The Company recognised a profit before tax on buy-back of $20 million which is included within other operating income in the statements of comprehensive income.

22. Preference shares

Consolidated and Company	2014 No. of shares	2013 No. of shares	2014 $m	2013 $m
Reset preference shares each fully paid	-	304,063	-	30
Total preference shares - current	-	304,063	-	30

Holders of preference shares were entitled to vote in limited circumstances in which case shareholders had the same rights as to the manner of attendance and to voting as ordinary shareholders with one vote per preference share. The limited circumstances were set out in the Information Memorandum/Prospectus.

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

22.1 Reset preference shares

The reset preference shares (**RPS**) were perpetual, paying fixed non-cumulative dividends with certain terms periodically reset. Holders had an option on each reset date to request the preference shares be exchanged.

22. Preference shares (continued)

22.1 Reset preference shares (continued)

Once a holders' exchange request was received, the Company had the option to elect to exchange for cash or Company ordinary shares of approximately equal value to the original issue price of the preference shares, or to have the preference shares acquired by a third party with proceeds delivered to the holder.

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

Australian Prudential Regulation Authority (**APRA**) granted approval for the early redemption of the total carrying value of RPS. The shares were redeemed for cash consideration on 16 September 2013.

22.2 Convertible preference shares

The convertible preference shares (**CPS**) were fully paid preference shares issued by the Company. In June 2013, the CPS were repurchased from preference shareholders and converted into a variable number of ordinary shares which were subsequently bought back by the Company.

22.3 Preference shares dividends paid

Consolidated and Company	2014		2013	
	Cents per share	$m	Cents per share	$m
Recognised as interest expense				
Reset preference shares				
Period from March to September	**215**	**1**	212	1
Period from September to March	-	-	209	1
Total dividends on reset preference shares	**215**	**1**	421	2
Convertible preference shares				
September quarter	-	-	119	9
December quarter	-	-	119	9
March quarter	-	-	110	8
June quarter	-	-	110	8
Total dividends on convertible preference shares	-	-	458	34

23. Share capital

	Consolidated		Company	
	2014	2013	2014	2013
	$m	$m	$m	$m
Issued capital				
Balance at the beginning of the financial year	**2,452**	2,189	**2,452**	2,189
Shares issued	**113**	998	**113**	998
Share buyback	-	(735)	-	(735)
Total shares issued	**2,565**	2,452	**2,565**	2,452

Consolidated and Company	2014	2013
	Number	Number
Ordinary Shares		
Balance at the beginning of the financial year	**251,934,572**	225,634,572
Issued to parent entity	**11,286,412**	33,650,000
Share buyback	-	(7,350,000)
Balance at the end of the financial year	**263,220,984**	251,934,572

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

23. Share capital (continued)

Ordinary shares

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

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

24. Capital notes

	Consolidated		Company	
	2014	2013	2014	2013
	$m	$m	$m	$m
Balance at the beginning of the financial year	**450**	-	**450**	-
Issued to ultimate parent entity	**-**	450	**-**	450
Balance at the end of the financial year	**450**	450	**450**	450

The Capital notes are perpetual, subordinated notes issued to the Group's ultimate parent entity, Suncorp Group Limited, on 17 December 2012. The number of capital notes on issue at the end of the year was 4,500,000 (2013: 4,500,000). The notes are unsecured and pay periodic, non-cumulative dividends to the holder, based on a set formula (Bank Bill Swap Rate + Margin) x (1- Corporate Tax Rate). Such dividends are at the discretion of the directors.

24.1 Dividends paid on capital notes

Consolidated and Company	2014		2013	
	Cents per note	$m	Cents per note	$m
Capital notes				
Period from June to September	**131**	**6**	**-**	-
Period from September to December	**126**	**6**	**-**	-
Period from December to March	**125**	**5**	**134**	6
Period from March to June	**129**	**6**	**136**	6
Total dividends on capital notes	**511**	**23**	**270**	12
Dividends not recognised in the statement of financial position				
Since financial year end, the following dividend has been proposed	**130**	**6**	**-**	-
	130	**6**	**-**	-

25. Reserves

	Note	Consolidated		Company	
		2014 $m	2013 $m	2014 $m	2013 $m
Equity reserve for credit losses					
Balance at the beginning of the financial year		**131**	147	**131**	147
Transfer to retained profits		**20**	(16)	**20**	(16)
Balance at the end of the financial year		**151**	131	**151**	131
Hedging reserve					
Balance at the beginning of the financial year		**(61)**	(110)	**(63)**	(115)
Amount recognised in equity		**41**	47	**43**	52
Amount transferred from equity to profit or loss		**5**	25	**5**	25
Income tax benefit (expense)	8.4	**(15)**	(23)	**(15)**	(25)
Balance at the end of the financial year		**(30)**	(61)	**(30)**	(63)
Assets available-for-sale reserve					
Balance at the beginning of the financial year		**(4)**	(4)	**(4)**	(5)
Change in fair value recognised in equity		**27**	10	**27**	10
Change in fair value transferred from equity to profit or loss		**(4)**	(10)	**(4)**	(8)
Income tax benefit (expense)	8.4	**(7)**	-	**(7)**	(1)
Balance at the end of the financial year		**12**	(4)	**12**	(4)
Common control reserve					
Balance at the beginning of the financial year		**(372)**	(372)	**-**	-
Balance at the end of the financial year		**(372)**	(372)	**-**	-
Total reserves		**(239)**	(306)	**133**	64

Equity reserves for credit losses

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

Hedging reserve

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

Assets available-for-sale reserve

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

Common control reserve

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

26. Capital

26.1 Capital adequacy

The Group's capital is measured using a risk based approach, were eligible capital is measured as a percentage of total risk weighted assets. The framework is based on the standardised capital adequacy prudential standards issued by APRA.

Tier 1 capital comprises the highest quality components of capital and can be split into Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital is the strongest form of capital such as ordinary share capital, reserves and retained profits. Additional Tier 1 capital comprises instruments such as reset preference shares and capital notes.

26. Capital (continued)

26.1 Capital adequacy (continued)

Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an Authorised Deposit-taking Institution (**ADI**), as a going concern, and its capacity to absorb losses. Tier 2 capital comprises such capital components as fixed and perpetual hybrid instruments.

The amount of both Additional Tier 1 and Tier 2 capital instruments that may be included in regulatory capital is subject to the transitional arrangements in accordance with Prudential standards.

For capital adequacy purposes, the total regulatory capital base is defined as the sum of Tier 1 and Tier 2 capital after all specified regulatory adjustments.

The measurement of risk-weighted exposures is based on:

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

For calculation of minimum prudential capital requirements, the Group has adopted the Standardised Approach.

Basel III capital disclosures

In December 2010, in response to the global financial crisis, the Basel Committee on Banking Supervision (Basel Committee) released a package of reforms (Basel III) to raise the level and quality of regulatory capital in the global banking system.

Included in this package were expanded disclosure requirements that are intended to improve the transparency of regulatory capital and to enhance market discipline.

The composition of capital disclosure measures are set out in the Basel Committee's *Composition of capital disclosure requirements (June 2012)* which include a common disclosure template, capital reconciliation, a summary of the main features of regulatory capital instruments and other regulatory disclosures.

The Group has included these capital disclosures as part of its Basel III APS 330 publication which is available at www.suncorpgroup.com.au/investors/regulatory-disclosures.

26. Capital (continued)

26.1 Capital adequacy (continued)

Consolidated	2014 $m	2013 $m
Tier 1 capital		
Common Equity Tier 1 capital		
Ordinary share capital	**2,565**	2,452
Retained profits	**355**	170
Accumulated other comprehensive income	**12**	(4)
	2,932	2,618
Regulatory adjustments to Common Equity Tier 1 capital		
Goodwill and other intangibles arising on acquisition	**(26)**	(26)
Deferred tax assets	**(85)**	(113)
Investments in non-consolidated subsidiaries, capital support	**(24)**	(25)
Other adjustments to CET1	**(152)**	(122)
	(287)	(286)
Common Equity Tier 1 capital	**2,645**	2,332
Additional Tier 1 capital		
Eligible capital	**450**	450
Ineligible hybrid capital (applicable to transitional relief under APS 160)	**-**	30
	450	480
Total Tier 1 capital	**3,095**	2,812
Tier 2 capital		
General reserve for credit losses	**237**	195
Eligible hybrid capital	**670**	670
Ineligible hybrid capital (applicable to transitional relief under APS 160)	**72**	170
	979	1,035
Total Tier 2 capital	**979**	1,035
Total capital	**4,074**	3,847
Total assessed risk weighted assets	**30,997**	30,722
Risk weighted capital ratios	%	%
Common Equity Tier 1	**8.53**	7.59
Total Tier 1	**9.99**	9.15
Total Tier 2	**3.15**	3.37
Total risk weighted capital ratio	**13.14**	12.52

26. Capital (continued)

26.1 Capital adequacy (continued)

Consolidated	Carrying amount 2014 $m	Carrying amount 2013 $m	Risk weighted balance 2014 $m	Risk weighted balance 2013 $m
On-balance sheet assets				
Cash items	**723**	247	**2**	30
Claims on Australian and foreign Governments	**1,733**	1,078	**-**	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	**4,162**	6,013	**891**	1,233
Claims on securitisation exposures	**1,208**	1,652	**242**	330
Claims secured against eligible residential mortgages	**36,494**	34,320	**14,553**	13,635
Past due claims	**673**	761	**631**	776
Other assets and claims	**9,715**	9,518	**9,584**	9,360
Total banking assets	**54,708**	53,589	**25,903**	25,364

	Notional value 2014 $m	Credit equivalent 2014 $m	Risk weighted balance 2014 $m	Risk weighted balance 2013 $m
Off-balance sheet positions				
Guarantees entered into in the normal course of business	**297**	**295**	**208**	226
Commitments to provide loans and advances	**7,100**	**1,737**	**975**	973
Foreign exchange contracts	**5,492**	**180**	**56**	102
Interest rate contracts	**55,393**	**177**	**93**	133
Securitisation exposures	**3,240**	**42**	**36**	49
CVA capital charge	**-**	**-**	**128**	182
Total off-balance sheet positions	**71,522**	**2,431**	**1,496**	1,665

	2014 $m	2013 $m
Market risk capital charge	**333**	385
Operational risk capital charge	**3,265**	3,308
Total off-balance sheet positions	**1,496**	1,665
Total on-balance sheet credit risk weighted assets	**25,903**	25,364
Total assessed risk weighted assets	**30,997**	30,722

26.2 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 main objectives are to support the Suncorp Group's credit rating, ensure sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure the Suncorp Group's ability to continue as a going concern. The Suncorp Group's capital policy is to hold surplus capital in Suncorp Group Limited as it is the holding company of the Suncorp Group. The Group's capital management strategy contributes to the Suncorp Group capital management plan.

The Group is subject to and in compliance with capital adequacy requirements imposed by APRA. Suncorp-Metway Limited is an Authorised Deposit-taking Institution (**ADI**) and is subject to APRA prudential standards which set out the basis for calculating its Common Equity Tier 1 (**CET1**), Tier 1 and Total eligible capital and its risk-weighted asset (**RWA**).

26. Capital (continued)

26.2 Capital management (continued)

For capital adequacy purposes, an ADI's capital base is the sum of its Tier 1 capital (represented by CET1 and Additional Tier 1 capital) and Tier 2 capital after all specified deductions and adjustments. Goodwill and other intangible assets are required to be deducted from CET1 capital. The CET1, Tier 1 and Total eligible capital ratios relative to RWA are the ADI's capital adequacy.

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

Suncorp-Metway Limited and its subsidiaries use the standardised framework for calculating RWA in accordance with the relevant prudential standards.

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

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

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

This RWA is compared with the CET1, Tier 1 and Total eligible capital held in Group to determine the capital adequacy ratios.

The capital adequacy ratios of the Group calculated in accordance with prudential standards were 8.53% for CET1, 9.99% for Tier 1 capital, and 13.14% for Total eligible capital (2013: 12.52%). The capital adequacy ratios of the Group are set out in note 26.1.

The Group satisfied all externally imposed capital requirements which it is subject to during the current financial year and the prior financial year.

There were no changes in the Group's approach to capital management during the year.

27. Financial instruments

27.1 Comparison of fair value to carrying amounts

The following financial assets and liabilities are recognised and measured at fair value and therefore their carrying value equates to their fair value. The basis for determining their fair values is described in note 32.1.10 (a).

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

The following table 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.

27. Financial instruments (continued)

27.1 Comparison of fair value to carrying amounts (continued)

	Consolidated				Company			
	2014		2013		2014		2013	
	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m
Financial assets								
Loans, advances and other receivables	**49,927**	**50,288**	48,365	48,443	**49,511**	**49,865**	47,949	48,027
Investment securities	**3,958**	**3,995**	4,288	4,327	**3,958**	**3,995**	4,288	4,327
Financial liabilities								
Deposits and short-term borrowings	**41,443**	**41,211**	39,862	39,935	**41,509**	**41,277**	39,921	39,994
Securitisation liabilities	**3,598**	**3,598**	4,802	4,802	**-**	**-**	-	-
Debt issues	**6,839**	**6,796**	7,313	7,490	**6,839**	**6,796**	7,313	7,490
Subordinated notes	**742**	**726**	840	840	**742**	**726**	840	840
Preference shares	**-**	**-**	30	30	**-**	**-**	30	30

Significant assumptions and estimates used to determine the fair values:

Financial assets

As cash and cash equivalents and receivables due from other banks are short-term in nature or are receivable on demand, their carrying value approximates their fair value.

Fair value of held-to-maturity investments are determined based on 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.

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 were based on the rates offered by the Banking entities on current products with similar maturity dates.

For all other financial assets, the carrying value (amortised cost) is considered to be a reasonable estimate of fair value.

Financial liabilities

The carrying value of non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months approximate their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits based upon deposit type and related maturities. As the payables due to other banks and payables and other liabilities are short-term in nature, their carrying value approximates fair value.

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

For all other financial liabilities which are short-term in nature, the carrying value (amortised cost) is considered to be a reasonable estimate of fair value. For longer term liabilities, fair values have been estimated using the rates currently offered by the Bank for similar liabilities with similar remaining maturities.

27. Financial instruments (continued)

27.2 Fair value hierarchy

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

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

Consolidated	2014				2013			
	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	**-**	**1,593**	**-**	**1,593**	-	3,462	-	3,462
Investment securities	**-**	**2,542**	**-**	**2,542**	-	2,352	-	2,352
Derivatives	**1**	**299**	**34**	**334**	2	624	41	667
	1	**4,434**	**34**	**4,469**	2	6,438	41	6,481
Financial liabilities								
Deposits and short-term borrowings	**-**	**(2,711)**	**-**	**(2,711)**	-	(3,999)	-	(3,999)
Derivatives	**-**	**(455)**	**(70)**	**(525)**	(1)	(882)	(101)	(984)
	-	**(3,166)**	**(70)**	**(3,236)**	(1)	(4,881)	(101)	(4,983)

Company	2014				2013			
	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	**-**	**1,593**	**-**	**1,593**	-	3,462	-	3,462
Investment securities	**-**	**2,542**	**-**	**2,542**	-	2,352	-	2,352
Derivatives	**1**	**299**	**34**	**334**	2	624	41	667
	1	**4,434**	**34**	**4,469**	2	6,438	41	6,481
Financial liabilities								
Deposits and short-term borrowings	**-**	**(2,711)**	**-**	**(2,711)**	-	(3,999)	-	(3,999)
Derivatives	**-**	**(455)**	**(33)**	**(488)**	(1)	(882)	(46)	(929)
	-	**(3,166)**	**(33)**	**(3,199)**	(1)	(4,881)	(46)	(4,928)

There have been no significant transfers between Level 1 and Level 2 during the financial year (2013: nil).

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

27. Financial instruments (continued)

27.2 Fair value hierarchy (continued)

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

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

Consolidated	2014			2013		
	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	-	41	(101)	14	96	(222)
Total gains or losses included in profit or loss for the financial year:						
Other operating income	-	4	17	-	(10)	174
Change in fair value recognised in equity	-	-	(2)	-	-	(5)
Transfer out to level 2	-	(11)	16	-	-	-
Purchases	-	-	-	-	16	-
Sales	-	-	-	(14)	(61)	(48)
Balance at the end of the financial year	-	34	(70)	-	41	(101)

Company	2014		2013	
	Asset	Liability	Asset	Liability
	Derivatives $m	Derivatives $m	Derivatives $m	Derivatives $m
Balance at the beginning of the financial year	41	(46)	96	(78)
Total gains or losses included in profit or loss for the financial year:				
Other operating income	4	(3)	(10)	54
Transfer out to level 2	(11)	16	-	-
Purchases	-	-	16	-
Sales	-	-	(61)	(22)
Balance at the end of the financial year	34	(33)	41	(46)

28. Transfers of financial assets

(a) Assets sold under repurchase agreements

The Group has entered 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 accordance with the agreements, the Group retains the rights to cash flows and credit risk associated with the transferred interest-bearing securities. As substantially all the risks and rewards of these interest-bearing securities remain with the Group, they continue to be recognised as a financial asset and the obligation to repurchase recognised as a financial liability.

The financial liabilities are recognised as part of deposits and short-term borrowings in the statements of financial position. The externally transferred assets are included within trading and investment securities.

28. Transfers of financial assets (continued)

(b) Securitisation

The Company conducts a loan securitisation programme whereby eligible loans are packaged and sold as securities issued by special purpose trusts.

The Company receives the residual income from the Trusts while the interest rate risk associated with the loans is transferred back to the Company by way of fixed interest rate and basis swaps. As such, the Company is deemed to have retained substantially all of the risks and rewards associated with the loans and therefore continue to recognise them as financial assets within loans, advances and other receivables. The obligation to repay this amount to the Trusts is recognised as a financial liability of the Company and included within due to subsidiaries.

In the consolidated statement of financial position, the externally issued securities are recognised as securitisation liabilities.

(c) Covered bonds

The Company also conducts a covered bond programme whereby it issues covered bonds which are secured by a cover pool of eligible loans and advances sold to a special purpose trust which guarantees the covered bonds.

The Company receives the residual income from the Trust while the interest rate risk associated with the cover pool is transferred back to the Company by way of a interest rate swap. As such, the Company is deemed to have retained substantially all of the risks and rewards associated with the loans and therefore continues to recognise them as financial assets. The obligation to repay this amount to the Trust is recognised as a financial liability of the Company.

The covered bonds are recognised as part of debt issues in the statements of financial position. The transferred assets are included within loans, advances and other receivables.

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

Consolidated	Repurchase agreements	Covered bonds	Securitisation
2014	**$m**	**$m**	**$m**
Carrying amount of transferred assets	**838**	**2,705**	**3,756**
Carrying amount of associated liabilities	**(827)**	**(2,197)**	**(3,598)**
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	**838**	**-**	**3,756**
Fair value of associated financial liabilities	**(827)**	**-**	**(3,598)**
Net position	**11**	**-**	**158**
2013			
Carrying amount of transferred assets	280	2,716	5,044
Carrying amount of associated liabilities	(280)	(2,196)	(4,802)
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	280	-	5,044
Fair value of associated financial liabilities	(280)	-	(4,802)
Net position	-	-	242

28. Transfers of financial assets (continued)

Company

2014	Repurchase agreements $m	Covered bonds $m	Securitisation[1] $m
Carrying amount of transferred assets	**838**	**2,705**	**9,649**
Carrying amount of associated liabilities	**(827)**	**(2,197)**	**(9,928)**
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	**838**	**-**	**9,649**
Fair value of associated financial liabilities	**(827)**	**-**	**(9,928)**
Net position	**11**	**-**	**(279)**
2013			
Carrying amount of transferred assets	280	2,716	10,953
Carrying amount of associated liabilities	(280)	(2,196)	(11,202)
For those liabilities that have recourse only to the transferred assets:			
Fair value of transferred financial assets	280	-	10,953
Fair value of associated financial liabilities	(280)	-	(11,202)
Net position	-	-	(249)

Note:

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

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

Consolidated				Amounts not offset in the SOFP		
	Gross amounts	Offsetting applied	As presented in the SOFP	Financial instruments	Cash collateral	Net exposure
	$m	$m	$m	$m	$m	$m
2014						
Financial Assets						
Derivatives	**4,884**	**(4,617)**	**267**	**(165)**	**(31)**	**71**
Financial Liabilities						
Derivatives	**5,085**	**(4,617)**	**468**	**(165)**	**(268)**	**35**
Total	**(201)**	**-**	**(201)**	**-**	**237**	**36**
2013						
Financial Assets						
Derivatives	5,066	(4,668)	398	(196)	(157)	45
Financial Liabilities						
Derivatives	5,569	(4,668)	901	(196)	(529)	176
Total	(503)	-	(503)	-	372	(131)

29. Master netting or similar arrangements (continued)

Company

	Gross amounts $m	Offsetting applied $m	As presented in the SOFP $m	Amounts not offset in the SOFP: Financial instruments $m	Amounts not offset in the SOFP: Cash collateral $m	Net exposure $m
2014						
Financial Assets						
Derivatives	**4,884**	**(4,617)**	**267**	**(165)**	**(31)**	**71**
Financial Liabilities						
Derivatives	**5,085**	**(4,617)**	**468**	**(165)**	**(268)**	**35**
Total	**(201)**	**-**	**(201)**	**-**	**237**	**36**
2013						
Financial Assets						
Derivatives	5,066	(4,668)	398	(196)	(157)	45
Financial Liabilities						
Derivatives	5,569	(4,668)	901	(196)	(529)	176
Total	(503)	-	(503)	-	372	(131)

Note:

1. SOFP refers to the statement of financial position.

30. Commitments

30.1 Credit commitments

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

The following table shows the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA:

	Consolidated 2014 $m	Consolidated 2013 $m	Company 2014 $m	Company 2013 $m
Notional amounts				
Guarantees entered into in the normal course of business	**297**	317	**297**	317
Commitments to provide loans and advances	**7,100**	6,800	**7,160**	6,800
	7,397	7,117	**7,457**	7,117
Credit equivalent amounts				
Guarantees entered into in the normal course of business	**295**	307	**295**	307
Commitments to provide loans and advances	**1,737**	1,723	**1,767**	1,723
	2,032	2,030	**2,062**	2,030

30. Commitments (continued)

30.2 Operating lease expenditure commitments

	Consolidated		Company	
	2014	2013	2014	2013
	$m	$m	$m	$m
Aggregate non-cancellable operating lease rental payable but not provided in the financial statements:				
Less than one year	**46**	65	**46**	65
Between one and five years	**70**	112	**70**	112
More than five years	**50**	60	**50**	60
	167	237	**167**	237

The Group leases property under operating leases expiring from 1-11 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria. Some of the leased properties are sub-let by the Group.

30.3 Operating lease receivable commitments

There are no operating lease receivable commitments in the current and prior financial years.

30.4 Capital expenditure commitments

There were no capital expenditure commitments in the current and prior financial years.

31. Contingent Assets and Liabilities

31.1 Contingent assets

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

31.2 Contingent liabilities

There are outstanding court proceedings, potential fines, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Group does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.
Contingent liabilities for which no provisions are included in these financial statements are as follows:
The Group has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 30 sets out details of these guarantees.

32. Significant accounting policies

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

32.1 Significant accounting policies applicable to all Group entities

The following significant accounting policies are applicable to all Group entities.

32.1.1 Basis of consolidation

The Group's consolidated financial statements are 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) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of during the financial year. When an operation is classified as discontinued, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(b) Subsidiaries

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

(c) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

(d) Joint arrangements and associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

These investments are accounted for using the equity method. Interests are initially recognised at cost and adjusted to recognise the Group's share of the profit or loss after the date of acquisition. For investments in associates, if the Group's share of losses exceeds its investment, the carrying amount is reduced to nil and recognition of further losses is discontinued.

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

(e) Jointly controlled assets

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

(f) Joint operations

Joint operations are those operations in which the Group has joint control over the arrangement. They are brought to account by recognising the assets the Group controls, the liabilities that it incurs, the expenses it incurs and its share of income earned by the joint venture operations.

(g) Special purpose entities

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

32. Significant accounting policies (continued)

32.1.1 Basis of consolidation (continued)

Securitisation trusts

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

Group

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

The Trusts fund their purchase of the loans by issuing floating-rate pass-through debt securities. These are represented as securitisation liabilities of the Group. However the Group does not stand behind the capital value or the performance of the securities or the assets of the Trusts. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The loans subject to the securitisation program have been pledged as security for the securities issued by the Trusts. The Group is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support.

Company

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

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

Covered Bonds

The Group conducts a covered bond programme whereby the Company issues securities guaranteed by the Covered Bond Guarantor and secured by a cover pool of assets sold to the Suncorp Covered Bond Trust (the Trust).

In the event of default by the Company, the covered bond holders have claim over both the cover pool and the Company.

The Company receives the residual income of the Trust and interest rate risk from the Trust is transferred back to the Company by way of the total return swap. Accordingly, the mortgages which comprise the cover pool continue to be recognised in the financial statements of both the Company and the Group as the transfer of loans from the Company to the Trust fails the de-recognition criteria set out in AASB 139.

The covered bonds are recognised as debt issues in the statement of financial position of both the Company and the Group.

All transactions between the Trust and the Company are eliminated in the Group's consolidated financial statements.

32.1.2 Business combinations

The acquisition method of accounting is used to account for business combinations by the Group.

The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Group at the acquisition date. Acquisition-related costs are expensed in the period in which they are incurred. Where equity instruments are issued in an acquisition, their value is the published market price at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

32. Significant accounting policies (continued)

32.1.2 Business combinations (continued)

The acquiree's identifiable assets acquired, liabilities assumed, contingent liabilities, and any non-controlling interests are measured at their fair values at the acquisition date. If the consideration transferred and any non-controlling interest in the acquiree is greater than the fair value of the net amounts of the identifiable assets acquired and liabilities assumed, the excess is recorded as goodwill; otherwise, the difference is recognised immediately in profit or loss after a reassessment of the identification and measurement of the net assets acquired.

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 Group's consolidated financial statements.

32.1.3 Foreign currency

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 rate differences arise. 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 32.1.12.

32.1.4 Revenue and expense recognition

(a) Dividends and distribution income

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

(b) Fair value gains and losses

Fair value gains and losses from financial assets and liabilities at fair value through profit and loss are recognised as they occur.

(c) Interest income and expense

Interest income and expense are recognised for all interest-bearing instruments measured at amortised cost using the effective interest method. These instruments include loans, advances and other receivables, deposits and short-term borrowings and debt issues.

The effective interest rate method calculates the amortised cost of the financial asset or liability and allocates the interest income or expense over its expected life so as to achieve a constant yield. The calculation takes into account certain fees, transaction costs such as commissions paid to mortgage loan originators and discounts that are an integral part of the effective interest rate.

(d) Banking fee and commission income

Fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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 service, for example maintaining and administering existing facilities, are recognised on an accrual basis when the service is provided.

32.1.5 Share-based payments

The Suncorp Group operates several share-based payment transactions with its non-executive directors and employees which may be equity settled or equity settled with a cash alternative (Suncorp Group's choice).

32. Significant accounting policies (continued)

32.1.5 Share-based payments (continued)

For equity-settled transactions, the fair value 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 as the fair value of each share granted multiplied by the expected number of shares to eventually vest. The fair value of each share granted is measured on grant date and does not change throughout the vesting period unless the terms and conditions of the grant are modified. 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. 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.

Cash-settled transactions are recognised as a liability at fair value. Until the liability is settled, the fair value of the liability is remeasured at each reporting date, and at the date of settlement, with the changes in fair value recognised in profit or loss for the period.

Equity-settled transactions with a cash alternative (Suncorp Group's choice) are accounted for as a cash-settled share-based payment transaction to the extent that the Suncorp Group has a present obligation to settle in cash. Otherwise, the transaction is accounted for as an equity-settled arrangement.

32.1.6 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, and based on the applicable tax law that has been enacted or substantially enacted by the reporting date.

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 is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgments regarding the adequacy of existing tax liabilities. Such changes to tax liabilities may impact tax expense in the financial period in which such a determination is made.

For presentation purposes, deferred tax assets and deferred tax liabilities have been offset if there is a legally enforceable right to offset current tax assets and liabilities and where they relate to income taxes levied by the same taxation authority on the same taxable entity or entities within the Group.

Tax consolidation

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

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

32. Significant accounting policies (continued)

32.1.6 Income tax (continued)

The head entity in conjunction with members of the tax-consolidated group, has entered into a tax-sharing agreement and a tax funding agreement. The tax funding agreement requires wholly-owned subsidiaries to make contributions to the head entity for current tax liabilities arising from external transactions. The contributions are calculated as if the subsidiary was a separate tax payer, reasonably adjusted for certain intra-group transactions. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

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

32.1.7 Goods and services tax (GST)

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

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

32.1.8 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 (**RBA**), highly liquid short-term investments and money at short call.

Receivables and payables due from/to other banks are classified as cash equivalents for cash flow purposes. They are measured at face value or the gross value of the outstanding balance which is considered a reasonable approximation of fair value. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

32.1.9 Receivables due from and payables due to other banks

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

32.1.10 Non-derivative financial assets

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

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

Financial assets at fair value are classified as either held for trading or those that are designated upon initial recognition. Trading securities are government, bank and other debt securities that are acquired without the intention of being held to maturity. Derivatives that are not specifically designated as being part of an effective hedge relationship are classified as trading securities.

Assets are initially recognised with direct transaction costs such as brokerage and commission expensed through the profit or loss. Recognition date is at trade date, being the date on which the Group commits to purchase or sell the asset.

The assets are measured at fair value each reporting date based on the quoted market price where available. Where quoted prices are not available, alternative valuation techniques are used. Movements in the fair value are taken immediately to the profit or loss. Interest income on Trading securities is recorded in Net Interest Income and the fair value movement on trading securities is recorded in net profits on derivative and other financial instruments.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are initially recognised on trade date at fair value plus any directly attributable transaction costs and are measured at amortised cost using the effective interest rate method at each reporting date. If the investments no longer qualify as held-to-maturity investments, any remaining held-to-maturity investments are reclassified as available-for-sale financial assets.

32. Significant accounting policies (continued)

32.1.10 Non-derivative financial assets (continued)

When reclassifying available-for-sale financial assets to held-to-maturity investments, the fair value carrying amount of the available-for-sale financial assets on the date of reclassification becomes the new amortised cost of the held-to-maturity investments. Any previous gain or loss on these investments recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investments. Any difference between the new amortised cost and maturity amount is amortised over the remaining life of the investment using the effective interest method.

(c) Loans and other receivables

Loans and other receivables include all forms of lending and direct finance provided to Banking customers. They are initially recognised at fair value plus direct transaction costs. Recognition date is at settlement date being the date on which cash is advanced to the customers.

Loans and receivables are measured at each reporting date at amortised cost using the effective interest method less any impairment losses. Interest income is recorded in the profit or loss.

(d) Available-for-sale financial assets

Available-for-sale investments 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 at trade date at fair value plus direct 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 directly into equity until impaired or derecognised, whereupon the cumulative gains and losses previously recognised in equity are reclassified to the profit or loss as a reclassification adjustment. Foreign exchange gains and losses on debt securities, interest income and dividend income are recognised in the profit or loss. The Group's available-for-sale financial assets include investment securities.

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

(f) Repurchase agreements

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

32.1.11 Derivative financial instruments

The Group uses derivative financial instruments to hedge the Group's assets and liabilities or as part of the Group's trading and investment activities. Derivatives include foreign exchange contracts, forward rate agreements and interest rate and currency swaps.

All derivatives are initially recognised at fair value on trade date with ongoing measurement at fair value throughout the life of the contract. Fair values are determined from quoted market prices where available, or else by using discounted cash flow models, broker and dealer price quotations or option pricing models as appropriate.

Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss (note 32.1.10 (a)) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 32.1.12).

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 derivative is accounted for on the same basis as the host contract.

32. Significant accounting policies (continued)

32.1.12 Hedge accounting

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. On an ongoing basis, hedges are assessed for whether they are highly effective in achieving offsetting changes in fair values or cash flows of hedged items. A hedge is considered highly effective when the actual results of the hedge are within a range of 80–125%.

(a) Cash flow hedges

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

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

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in 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, is sold, terminated, 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 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

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

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

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

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

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

32.1.13 Assets and liabilities classified as held for sale

These are non-current assets and liabilities that are expected to be recovered primarily through sale rather than continuing use. Once classified, the assets and liabilities are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

32.1.14 Property, plant and equipment

All Property, plant and equipment is recorded in a central asset company which is a subsidiary of the ultimate parent entity, Suncorp Group Limited.

Depreciation expense relating to the Group's share of corporate assets is allocated on a monthly basis.

32. Significant accounting policies (continued)

32.1.15 Intangible assets

(a) Initial recognition and measurement

Intangible assets are recognised at cost less any accumulated amortisation or any accumulated impairment losses. Where an intangible asset is deemed to have an indefinite useful life, it is not amortised but tested for impairment at least on an annual basis.

Goodwill is recognised at cost from business combinations as described in note 3.1.2 and is subsequently measured at cost less accumulated impairment loss. Goodwill on equity-accounted investments is included in the carrying value of the investment.

Internally generated intangible assets

Internally generated intangible assets such as software are recorded 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

Amortisation is recognised on a straight line basis over the estimated useful lives of the finite intangible assets, calculated from the date the assets are available for use. The amortisation method and useful lives are reviewed annually. Intangible assets deemed to have an infinite useful life are not amortised but are tested for impairment at least annually.

32.1.16 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 its estimated discounted future cash flows calculated based on 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 provision for impairment of Banking 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.

The difference between the Group’s collective provisions for impairment and the estimate of credit losses across the credit cycle is recognised in the equity reserve for credit losses.

32. Significant accounting policies (continued)

32.1.16 Impairment (continued)

Available-for-sale financial assets

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

(b) Non-financial assets

Non-financial assets are assessed for indicators of impairment at each reporting date. Indicators include both internal and external factors. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated each year at 30 June.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (**CGU's**) – this may be an individual asset or a group of assets. For the purpose of assessing impairment of goodwill, goodwill is allocated to CGU's representing the Group's investment in each of its business lines, which are its operating segments.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses, if any, recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to CGU's 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. An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised

32.1.17 Non-derivative financial liabilities

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

(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 at fair value with direct transaction costs such as brokerage and commission expensed through the profit or loss. Recognition date is at trade date, being the date on which the Group commits to purchase or sell the liability.

Fair value is determined using the offer price where available. Movements in the fair value are recognised in the profit or loss.

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

32. Significant accounting policies (continued)

32.1.17 Non-derivative financial liabilities (continued)

(b) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss and financial liabilities designated as part of effective fair value hedging relationships, are initially measured at fair value plus direct acquisition costs and subsequently measured at amortised cost using the effective interest method. This includes bank acceptances, payables due to other financial institutions and deposits and other borrowings such as debt issues.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date (repurchase agreement), the financial assets sold under such agreements continue to be recognised in the statement of financial position and the obligation to repurchase is recognised as deposits and short-term borrowings.

(c) Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. 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. This amount is recorded as a financial liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

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

(d) De-recognition of financial liabilities

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

32.1.18 Employee entitlements

All staff are employed under a central employee company which is a subsidiary of the ultimate parent entity, Suncorp Group Limited.

32.1.19 Loan capital

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

(a) Subordinated notes

Subordinated notes are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest payments and accruals in relation to subordinated notes are classified as a finance cost. Gains or losses on derecognition are recognised in the profit or loss.

(b) Preference shares

Reset preference shares (**RPS**) and Convertible Preference Shares (**CPS**) were recognised as liabilities at amortised cost. The capital was initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. Dividends were charged as an interest expense as accrued.

RPS was exchangeable on specific dates at the option of the holder. Once an exchange request was received, the Group could elect to exchange the RPS for cash or a variable number of SML ordinary shares, exhibiting characteristics of a financial liability.

While the convertible preference shares had no specified maturity date, conversion to ordinary shares occurred on the mandatory conversion date, 14 June 2013. Hence these exhibited characteristics of a financial liability.

32. Significant accounting policies (continued)

32.1.20 Share capital

(a) Repurchase of share capital

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

(b) Transaction costs

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

32.1.21 Capital notes

The capital notes are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

The notes are perpetual, with no specified maturity date, and pay non-cumulative dividends. Hence these exhibit the characteristics of equity.

32.1.22 Contingent liabilities and contingent assets

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

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

32.2 New accounting standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments* was issued and introduced changes in the classification and measurement of financial assets and financial liabilities, and new rules for hedge accounting. This standard becomes mandatory for the Group's 30 June 2018 financial statements. The potential effects on adoption of the amendments are yet to be determined.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* amendment to AASB 132 clarifies when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. This amendment becomes mandatory for the Group's 30 June 2015 financial statements. The potential effects on adoption of the amendments are yet to be determined.

Other new standards, and amendments to standards effective for annual reporting periods after 1 July 2014 that have not yet been early adopted, are not expected to have a significant impact to the Group.

33. Risk management

33.1 Group risk management objectives and structure

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

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

An Enterprise Risk Management Framework (**ERMF**) is in place for the Suncorp Group. It is subject to an annual review, updated for material changes as they occur and is approved by the Risk Committee. 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
- the Suncorp Group's Policy and Compliance Frameworks
- the risk management process.

The Three Lines of Defence model of accountability involves:

Line of Defence	Responsibility of	Accountable for
First – Manage risk and comply with Group frameworks, policies and risk appetite	All business areas (and staff)	• Identifying and managing the risks inherent in their operations • Ensuring compliance with all legal and regulatory requirements and Group policies • Promptly escalating 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	• Design, implement and manage the ongoing maintenance of Group risk frameworks & related Policies • Advise and partner with the business in design and execution of risk frameworks and practices; develop, apply and execute Line of Business risk frameworks that are consistent with 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	Board Audit Committee and internal and external 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.

In addition to the accountabilities as described above, the Senior Leadership Team, consisting of the Group Chief Executive Officer and all Group Executives, provide executive oversight and direction-setting across the Group's internal control environment and the Group's risk management frameworks. Within risk parameters set by the Board, the Senior Leadership Team approves principles, policies, limits, frameworks and processes used by the Group to identify, assess, monitor and control/mitigate risk.

33. Risk management (continued)

33.1 Group risk management objectives and structure (continued)

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

APRA-regulated entities prepare Risk Management Strategies (**RMS**) approved by the Board Risk Committee and submit 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.

The key risks addressed by the ERMF are defined below:

Key risks	Definition
Counterparty risk (Credit risk)	The risk that a counterparty will not meet its obligations in accordance with agreed terms.
Liquidity risk	The risk that the Group will be unable to service its cash flow obligations today or in the future.
Market risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities.
Asset and liability risk	The risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Compliance risk	The risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.
Strategic risk	The risk of loss arising from uncertainty about the future operating environment, including reputation, industry, economic and regulatory environment, branding, crisis management, and partners and suppliers.

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

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 in 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 in current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

33. Risk management (continued)

33.2 Credit risk

Credit risk is the risk of financial loss to the Group due to a borrower or counterparty not meeting its obligations in accordance with agreed terms. The Group's maximum exposure to credit risk is reflected in the carrying value of the assets listed in the tables within this section, except for derivatives which represent the current risk exposure (refer note 12).

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

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

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

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

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

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

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

The Group's maximum exposure to credit risk is detailed by asset class in the concentration of credit risk table in note 33.2.4. The exposure to credit risk is shown prior to any adjustment made for any collateral held.

The carrying amount of the relevant asset classes in the statement of financial position generally represents the maximum amount of credit exposures as at the end of the financial year, except for derivatives. The fair value of derivatives recognised in the statement of financial position represents the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 12. Other differences may occur if the financial asset is subject to risks other than credit risk such as market risk.

33. Risk management (continued)

33.2 Credit risk (continued)

33.2.1 Credit quality

The credit quality of loans, advances and other receivables is managed by the Group using internal classifications based on an assessment of the probability of default.

Items of risk are classified into one of two groups, 'non performing loans - impaired' and 'non performing loans - not impaired'.

(a) Non-performing loans - impaired

These are assets for which the Group has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. In relation to loans for business purposes, all relevant circumstances surrounding the customer are considered before a loan is considered impaired.

(b) Non-performing loans - not impaired

These assets include all loans where repayments are past due by more than 90 days, but are not impaired.

Assets are classified as past due when any payment under the strict contractual terms has been missed or received late. The amount included as past due is the entire contractual balance, not just the overdue portion.

The following table provides information regarding the credit quality of the loans, advances and receivables of the Group. Performing loans represent loans that are neither past due more than 90 days nor impaired. Non-performing loans represent loans that are past due and not past due but impaired.

	Past due > 90 days	Not past due or past due ≤ 90 days
Impaired	Non-performing loans	
Not impaired		Performing loans

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Performing loans				
Loans, advances and other receivables	**49,376**	47,708	**48,960**	47,298
Includes amounts with renegotiated terms	**5**	17	**5**	17
Collective allowance for impairment	**(86)**	(64)	**(83)**	(64)
	49,295	47,661	**48,882**	47,251
Non performing loans - not impaired				
Non performing - not impaired	**439**	434	**437**	433
Collective allowance for impairment	**(34)**	(38)	**(29)**	(37)
	405	396	**408**	396
Non performing loans - impaired				
Individually impaired	**333**	506	**327**	500
Specific allowance for impairment	**(106)**	(198)	**(106)**	(198)
	227	308	**221**	302
Total Loans, advances and other receivables	**49,927**	48,365	**49,511**	47,949

(c) Ageing analysis of loans, advances and other receivables which are past due but not impaired

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

33. Risk management (continued)

33.2 Credit risk (continued)

33.2.1 Credit quality (continued)

(c) Ageing analysis of loans, advances and other receivables which are past due but not impaired (continued)

Consolidated	Past due but not impaired					
	0-30 days $m	30-60 days $m	60-90 days $m	90-180 days $m	> 180 days $m	Total $m
2014						
Loans, advances and other receivables						
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**
2013						
Loans, advances and other receivables						
Retail banking	987	278	128	170	127	1,690
Business banking	134	27	93	122	15	391
	1,121	305	221	292	142	2,081

Company	Past due but not impaired					
	0-30 days $m	30-60 days $m	60-90 days $m	90-180 days $m	> 180 days $m	Total $m
2014						
Loans, advances and other receivables						
Retail banking	**948**	**229**	**142**	**206**	**161**	**1,686**
Business banking	**102**	**73**	**50**	**56**	**14**	**295**
	1,050	**302**	**192**	**262**	**175**	**1,981**
2013						
Loans, advances and other receivables						
Retail banking	987	278	128	170	127	1,690
Business banking	134	27	89	121	15	386
	1,121	305	217	291	142	2,076

(d) Restructured loans

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 carrying value of loans that would otherwise be past due or impaired where terms have been renegotiated is disclosed in note 33.2.1.(b).

33. Risk management (continued)

33.2 Credit risk (continued)

33.2.2 Collateral management

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

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

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. With more than 79% (2013: 77%) of the Group's lending consumer in nature and 98% (2013: 98%) of that secured by residential property the Group's exposures are ultimately linked to factors impacting employment and residential property values.

The greatest risk in credit quality is in commercial property markets and deterioration in this sector may lead to increased defaults and write-offs. In the event of customer default, the Group can take possession of any security held as collateral against the outstanding claim. Any loan security may be held as mortgagee in possession while the Group seeks to realise its value through the sale of the property. Therefore the Group does not hold any real estate or other assets acquired through the repossession of collateral.

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

An estimate of the fair value of collateral and other security enhancements held by the Group against 'Non-performing loans – Impaired' is $233 million (2013: $372 million). It has not been practicable to determine the fair value of collateral held as security against 'Non-performing loans – not impaired' or 'Performing loans'. Collateral and other credit enhancements held by the Group mitigates the maximum credit exposure to credit risk as detailed by the concentration of credit risk tables in note 33.2.4.

33.2.3 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 judgements are appropriate and provisions for impairment are adequate.

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

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

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

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

33. Risk management (continued)

33.2 Credit risk (continued)

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

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

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

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

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

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

33.2.4 Concentration of credit risk

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

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

Consolidated	2014 Number	2013 Number
25 percent and greater	**2**	5
20 percent to less than 25 percent	**2**	1
15 percent to less than 20 percent	**-**	-
10 percent to less than 15 percent	**2**	2
5 percent to less than 10 percent	**3**	5

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.

33. Risk management (continued)

33.2 Credit risk (continued)

33.2.4 Concentration of credit risk (continued)

The following table discloses the Group's financial assets by industry credit concentration and impairment status:

Consolidated

2014	Receivables due from other banks $m	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments[1] $m	Derivative instruments[1] $m	Total risk $m	Individually provisioned impaired assets $m	Past due >90 days not impaired $m	Total not past due or impaired $m
Agribusiness	-	-	-	4,269	172	-	4,441	197	8	4,236
Construction and development	-	-	-	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 mortgage	-	-	-	38,947	1,237	-	40,184	22	358	39,804
Personal	-	-	-	431	10	-	441	-	8	433
Government and public authorities	-	-	-	1	-	-	1	-	-	1
Other commercial and industrial	-	-	-	1,939	109	-	2,048	21	30	1,997
Total gross credit risk	**927**	**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**
2013										
Agribusiness	-	-	-	3,919	184	-	4,103	129	24	3,950
Construction and development	-	-	-	790	116	-	906	155	33	718
Financial services	1,460	3,462	6,640	560	173	516	12,811	-	-	12,811
Hospitality	-	-	-	1,017	46	-	1,063	39	23	1,001
Manufacturing	-	-	-	393	29	-	422	13	2	407
Professional services	-	-	-	259	10	-	269	3	2	264
Property investment	-	-	-	2,205	77	-	2,282	44	18	2,220
Real estate mortgage	-	-	-	37,092	1,224	-	38,316	29	290	37,997
Personal	-	-	-	462	8	-	470	-	7	463
Government and public authorities	-	-	-	1	-	-	1	-	-	1
Other commercial and industrial	-	-	-	1,967	163	-	2,130	94	35	2,001
Total gross credit risk	1,460	3,462	6,640	48,665	2,030	516	62,773	506	434	61,833
Impairment provisions							(300)	(198)	(38)	(64)
							62,473	308	396	61,769

Note

1. Credit commitments and Derivative instruments represent the credit equivalent amount of the Group's off balance sheet exposures calculated in accordance with APS 112.

33. Risk management (continued)
33.2 Credit risk (continued)
33.2.4 Concentration of credit risk (continued)

Company

2014	Receivables due from other banks $m	Trading securities $m	Investment securities $m	Loans, advances and other receivables $m	Credit commitments[1] $m	Derivative instruments[1] $m	Total risk $m	Individually provisioned impaired assets $m	Past due >90 days, not impaired $m	Total not past due or impaired $m
Agribusiness	-	-	-	4,269	172	-	4,441	196	6	4,239
Construction and development	-	-	-	606	142	-	748	35	4	709
Financial services	927	1,593	6,531	341	217	370	9,979	-	-	9,979
Hospitality	-	-	-	1,002	60	-	1,062	29	-	1,033
Manufacturing	-	-	-	364	24	-	388	10	14	364
Professional services	-	-	-	258	10	-	268	2	1	265
Property investment	-	-	-	1,995	81	-	2,076	12	14	2,050
Real estate mortgage	-	-	-	38,947	1,237	-	40,184	22	360	39,802
Personal	-	-	-	431	10	-	441	-	8	433
Government and public authorities	-	-	-	1	-	-	1	-	-	1
Other commercial and industrial	-	-	-	1,515	109	-	1,624	21	30	1,573
Total gross credit risk	927	1,593	6,531	49,729	2,062	370	61,212	327	437	60,448
Impairment provisions							(218)	(106)	(29)	(83)
							60,994	221	408	60,365
2013										
Agribusiness	-	-	-	3,919	184	-	4,103	126	23	3,954
Construction and development	-	-	-	790	116	-	906	155	33	718
Financial services	1,460	3,462	6,640	560	173	516	12,811	-	-	12,811
Hospitality	-	-	-	1,017	46	-	1,063	39	23	1,001
Manufacturing	-	-	-	393	29	-	422	12	2	408
Professional services	-	-	-	259	10	-	269	3	1	265
Property investment	-	-	-	2,205	77	-	2,282	44	18	2,220
Real estate mortgage	-	-	-	37,092	1,224	-	38,316	29	290	37,997
Personal	-	-	-	462	8	-	470	-	7	463
Government and public authorities	-	-	-	1	-	-	1	-	-	1
Other commercial and industrial	-	-	-	1,550	163	-	1,713	92	36	1,585
Total gross credit risk	1,460	3,462	6,640	48,248	2,030	516	62,356	500	433	61,423
Impairment provisions							(299)	(198)	(37)	(64)
							62,057	302	396	61,359

Note

1. Credit commitments and Derivative instruments represent the credit equivalent amount of the Group's off balance sheet exposures calculated in accordance with APS 112.

33. Risk management (continued)

33.3 Market risk

Market risk is the risk that changes in market prices or volatilities, such as interest rates, foreign exchange rates, equities and credit spreads will affect the Group's financial position. The Suncorp-Group Board Risk Committee has responsibility for the oversight of market risk, approving all interest and foreign exchange risk policies and reviewing relevant risk measures.

Executive management of interest rate and foreign exchange risk is delegated to the Bank ALCO who review risk measures and limits, provide guidance, endorse and monitor non-traded market risk strategy. Operational management of market risk is delegated to the Bank Treasury with the Trading section managing Trading risk and the Balance Sheet Management section managing Non-Traded risk.

All market risk is independently monitored against approved policies by the Market Risk division and reported to the Bank Chief Risk Officer.

33.3.1 Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-AUD 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 12).

33.3.2 Traded market rate risk

The Group 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.

Traded interest rate risk and foreign exchange risk is managed using a framework that includes value at risk (VaR), stress testing, scenario analysis, sensitivity and stop losses as no one risk metric provides a single sufficient overview of risk. These measures are monitored and reported to the Bank Chief Risk Officer and Bank ALCO for management oversight.

The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The VaR is measured using the historical simulation approach which is based on the assumption that historical price movements are a good predictor of future price movements. The Group measures VaR at a 99% confidence level which implies that for every 100 days, the loss should not exceed the VaR on 99 of those days. The model assumes a one day holding period for all positions.

The Traded Market Risk framework was enhanced in March 2014 as part of the transition to APRA's Advanced Accreditation Prudential Standards internal model accreditation. As a result, the methodology for measuring the Value at Risk sensitivity has been amended.

For the financial year ended 30 June 2013 the VaR was calculated using Monte Carlo analysis based on market volatility witnessed over the last 2 years with a lambda weighting of 94% skewing the importance of recent observations and making them the main drivers of volatility. With the transition to APRA's Advanced Accreditation Prudential Standards, the value at risk model is now based on an historical simulation methodology using equally weighted market observation from the last 2 years.

This methodology change has been the main driver behind the comparative increase in the Value at Risk results year on year.

33. Risk management (continued)

33.3 Market risk (continued)

33.3.2 Traded market rate risk

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

Consolidated	2014			2013		
Traded market risk	Interest rate risk	FX risk	Combined risk[1]	Interest rate risk	FX risk	Combined risk[1]
	$m	$m	$m	$m	$m	$m
VaR at end of the period	**0.26**	**0.37**	**0.61**	0.20	0.10	0.23
Maximum VaR during the	**0.73**	**0.90**	**1.00**	0.58	0.66	0.80
Minimum VaR during the	**0.19**	**0.03**	**0.21**	0.08	0.01	0.10
Average VaR during the period	**0.34**	**0.34**	**0.58**	0.21	0.23	0.31

Note

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

33.3.3 Non-traded interest rate risk - Interest Rate Risk in the Banking Book

Non-traded interest rate risk in the banking book (**IRRBB**), is defined as all on balance sheet items and all off-balance sheet items that create an interest rate risk exposure within the Group. It does not apply to market risk associated with trading book activities within the Banking Group, which are covered in note 33.3.2 Traded market rate risk.

The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Group to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB which includes:

- **Repricing risk:** the risk of loss of earnings and/or economic value as a result of changes in the overall levels of interest rates. This risk arises from mismatches in the interest rate repricing dates of banking book items;
- **Yield Curve risk:** the risk of loss of earnings and/or economic value as a result of 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). This risk arises from mismatches in the interest rate repricing dates of banking book items;
- **Basis risk:** the risk of loss of earnings and/or economic value as a result of differences between the actual and expected interest margins on banking book items, where 'margin' means the difference between the customer interest rate on the items and the implied cost of funds for those items; and
- **Optionality risk:** the risk of loss of earnings and/or economic value as the result of the existence of stand-alone or embedded options, to the extent that the potential for those losses is not included in the measurement of repricing, yield curve or basis risks.

Risk appetite is defined in terms of risk that can be taken inclusive of the capital benchmark at a transfer priced level. The risk management framework also incorporated behavioural modelling where contractual modelling was not appropriate, optionality risk and basis risk.

33. Risk management (continued)

33.3 Market risk (continued)

33.3.4 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, Net Interest Income Sensitivity measures the sensitivity of the banking book earnings over the next twelve months to an instantaneous parallel and non-parallel shock to the yield curve.

33.3.5 NIIS Scenario analysis

NIIS is measured using an adverse 2% parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing twelve month period.

The results are prepared based on the IRRBB framework applicable to the respective financial period:

Consolidated	2014	2013
	$m	$m
IRRBB NIIS (over 12 months) to an adverse 2% parallel or non-parallel instantaneous shock to the yield curve		
Exposure at end of the period	**(27)**	(36)
Average monthly exposure during the period	**(27)**	(47)
High month exposure during the period	**(47)**	(66)
Low month exposure during the period	**(11)**	(23)

33.3.6 IRRBB - Present Value Sensitivity (PVS)

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

33.3.7 PVS Scenario Analysis

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

The results are prepared based on the IRRBB framework applicable to the respective financial period:

Consolidated	2014	2013
	$m	$m
IRRBB PVS to an adverse 2% parallel or non-parallel instantaneous shock to the yield curve		
Exposure at end of the period	**(69)**	(20)
Average monthly exposure during the period	**(56)**	(49)
High month exposure during the period	**(71)**	(94)
Low month exposure during the period	**(28)**	(8)

33. Risk management (continued)

33.3 Market risk (continued)

33.3.8 Value at Risk (VaR)

The Group also periodically prepares a value at risk type analysis to value asset, liability and off-balance sheet positions under a range of possible interest rate scenarios. VaR measures the potential loss in market value implied by the static physical balance sheet that arises from changes in the current yield curves based upon historical observations for a 99% confidence level and 1-month holding period.

The Traded Market Risk framework was enhanced in March 2014 as part of the transition to Advanced Accreditation. As a result, the methodology for measuring the Value at Risk sensitivity has been amended.

For the financial year ended 30 June 2013 the VaR was calculated using Monte Carlo analysis based on market volatility witnessed over the last 2 year with a lambda weighting of 94% skewing the importance of recent observations and making them the main drivers of volatility. With the transition to Advanced Accreditation, the value at risk model is now based on an historical simulation methodology using equally weighted market observation from the last 2 years.

This methodology change has been the main driver behind the comparative increase in the Value at Risk results year on year:

Consolidated	2014	2013
	$m	$m
IRRBB - VaR – 1 month holding period, 99% confidence interval		
Exposure at end of the period	**(21)**	(14)
Average monthly exposure during the period	**(18)**	(10)
High month exposure during the period	**(35)**	(23)
Low month exposure during the period	**(12)**	(1)

33.4. Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds available to meet all its known and potential commitments on a going concern basis and in a name crisis situation.

The Group's liquidity risk is managed using a framework that includes going concern, name crisis scenario, liquidity coverage ratio and net stable funding ratio analysis, minimum high quality liquid asset ratios, minimum liquid asset ratios, liquidity concentration limits and other supplementary management trigger limits.

Funding risk is the risk that the Group is unable to refinance itself to fund its business operations and growth plans.

The Group's funding risk is managed through the sourcing of retail deposits and long-term funding to provide the majority of asset lending portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with a consideration for product, tenor, geography and customer concentrations.

The Board Risk Committee approves liquidity and funding policies and reviews relevant risk limits. Executive management of liquidity and funding risk is delegated to the Bank Asset and Liability Committee (**ALCO**), which reviews risk measures and limits, endorses and monitors the overall Bank funding and liquidity strategy. Operational management of liquidity and funding risk is delegated to the Balance Sheet Management section of the Bank Treasury. Liquidity and funding risk is independently monitored against approved policies on a daily basis by the Market Risk division and reported to the Bank Chief Risk Officer.

33. Risk management (continued)

33.4.1. Concentration of deposits and borrowings

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

Consolidated and Company	Note	2014	2013
		$m	$m
Australian funding sources			
Retail deposits		**32,799**	31,421
Wholesale funding		**8,551**	8,339
Covered bond programme		**2,197**	2,196
AUD domestic programme		**3,484**	3,698
Securitisation[1]		**3,327**	4,462
		50,358	50,116
Overseas wholesale funding sources			
FX Retail Deposits		**93**	132
European commercial paper and medium term note market		**3,360**	6,258
United States 144a medium term note market		**1,251**	-
Securitisation[1]		**271**	340
		4,975	6,730
		55,333	56,846
Comprised of the following:			
Deposits and short-term borrowings	17	**44,154**	43,861
Securitisation liabilities	19	**3,598**	4,802
Debt issues	20	**6,839**	7,313
Subordinated notes	21	**742**	840
Preference shares	22	**-**	30
		55,333	56,846

Note

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

33. Risk management (continued)

33.4. Liquidity risk (continued)

33.4.2. Maturity analysis

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

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

Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the less than three months column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short-term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

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

Consolidated

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

33. Risk management (continued)

33.4. Liquidity risk (continued)

33.4.2. Maturity analysis (continued)

Consolidated

2013	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
Deposits and short-term borrowings	43,861	11,542	21,463	10,547	1,098	-	44,650
Payables due to other banks	213	213	-	-	-	-	213
Payables and other liabilities	755	-	755	-	-	-	755
Derivative financial instruments (trading)	198	-	198	-	-	-	198
Securitisation liabilities	4,802	-	349	979	3,067	1,053	5,448
Debt issues	7,313	-	1,175	2,351	5,359	-	8,885
Subordinated notes	840	-	9	32	1,074	-	1,115
Preference shares	30	-	31	-	-	-	31
	58,012	11,755	23,980	13,909	10,598	1,053	61,295
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	118	281	443	61	903
Contractual amounts receivable		-	(58)	(235)	(373)	(60)	(726)
	786	-	60	46	70	1	177
Off-balance sheet positions							
Guarantees entered into in the normal course of business	-	317	-	-	-	-	317
Commitments to provide loans and advances	-	6,800	-	-	-	-	6,800
	-	7,117	-	-	-	-	7,117

Company

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

33. Risk management (continued)

33.4. Liquidity risk (continued)

33.4.2. Maturity analysis (continued)

Company

2013	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
Deposits and short-term	43,920	11,601	21,463	10,547	1,098	-	44,709
Payables due to other banks	213	213	-	-	-	-	213
Payables and other liabilities	738	-	738	-	-	-	738
Derivative financial instruments (trading)	198	-	198	-	-	-	198
Payable to subsidiaries[1]	4,716	-	263	979	3,067	1,053	5,362
Debt issues	7,313	-	324	3,203	5,359	-	8,886
Subordinated notes	840	-	9	32	1,074	-	1,115
Preference shares	30	-	31	-	-	-	31
	57,968	11,814	23,026	14,761	10,598	1,053	61,252
Derivative financial instruments (hedging relationship)							
Contractual amounts payable		-	118	281	443	61	903
Contractual amounts receivable		-	(58)	(235)	(373)	(60)	(726)
	731	-	60	46	70	1	177
Off-balance sheet positions							
Guarantees entered into in the normal course of business	-	317	-	-	-	-	317
Commitments to provide loans and advances	-	6,800	-	-	-	-	6,800
	-	7,117	-	-	-	-	7,117

Note:

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

33.5 Use of derivative financial instruments and hedging

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

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

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

As at 30 June 2014 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges.

(a) Hedging of fluctuations in interest rates

The Group seeks to minimise volatility in net interest income through use of interest rate derivatives, primarily vanilla interest rate swaps. The swaps are implemented to reduce the repricing mismatch between the lending and deposit products issued by the Group.

At reporting date, the Group had 18 (2013: 16) 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.

33. Risk management (continued)

33.5 Use of derivative financial instruments and hedging (continued)

(b) Hedging of fluctuations in foreign currency rates

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

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

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

The Group has elected to fair value its Euro Commercial Paper portfolio through the profit or loss on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward contracts and the debt issue are recognised. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies where hedge accounting is not applied as at 30 June 2014 was ($88 million) (30 June 2013 $327 million).

	Consolidated				Company			
	2014		2013		2014		2013	
	Fair value hedges $m	Cash flow hedges $m	Fair value hedges $m	Cash flow hedges $m	Fair value hedges $m	Cash flow hedges $m	Fair value hedges $m	Cash flow hedges $m
Notional value of interest rate swaps designated as hedges	**985**	**23,956**	910	14,241	**985**	**23,956**	910	14,241
Fair value:								
net receivable interest rate swaps	**-**	**66**	1	35	**-**	**66**	1	35
net payable interest rate swaps	**(71)**	**(96)**	(56)	(94)	**(71)**	**(96)**	(56)	(94)
	(71)	**(30)**	(55)	(59)	**(71)**	**(30)**	(55)	(59)

	Split approach 2014 $m	Split approach 2013 $m	Split approach 2014 $m	Split approach 2013 $m
Notional value of cross currency swaps designated as hedges	**2,797**	3,659	**2,490**	3,263
Fair value:				
net receivable cross currency swaps	**78**	63	**78**	63
net payable cross currency swaps	**(126)**	(636)	**(89)**	(581)
	(48)	(573)	**(11)**	(518)

33. Risk management (continued)

33.5 Use of derivative financial instruments and hedging (continued)

The Group also hedges against the foreign currency exposure which resulted from the Government guarantee fee expense. The hedged item was the present value of the 1% Government guarantee fee paid by the Group over the term of the life of those selected offshore issuances. These were hedged using foreign currency positions with FX translation movements deferred to equity, and released to profit or loss as the fee expense is incurred. As at 30 June 2014, all Government Guaranteed debt held by the Group has matured and all unrealised foreign currency fluctuations on hedges, previously deferred to equity, were released to profit or loss. During the current financial year the Group deferred $nil (2013: $nil) to equity, and released $4 million (2013: $10 million) of foreign currency fluctuations to profit or loss.

Consolidated and Company				
Derivative assets and liabilities designated in cash flow hedge	**0 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total expected cash flows**
2014	**$m**	**$m**	**$m**	**$m**
Forecast receivable cash flows	**78**	**1,122**	**12**	**1,212**
Forecast payable cash flows	**(76)**	**(1,155)**	**(10)**	**(1,241)**
	2	**(33)**	**2**	**(29)**
2013				
Forecast receivable cash flows	366	527	-	893
Forecast payable cash flows	(405)	(560)	-	(965)
	(39)	(33)	-	(72)

34. Notes to the statements of cash flows

34.1. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2014 $m	**2013 $m**	**2014 $m**	**2013 $m**
Profit (loss) for the year	**228**	(349)	**227**	(350)
Non-cash items				
Change in fair value of trading securities	**15**	(15)	**15**	(15)
Impairment losses on loans and advances	**137**	902	**130**	904
Net profits on repurchase of financial liabilities at amortised cost	**(19)**	-	**(19)**	-
Net movement in tax balances	**75**	83	**63**	99
(Increase) in other assets	**4**	8	**4**	(4)
Decrease (increase) in trading securities	**1,854**	1,340	**1,854**	1,340
Decrease (increase) in loans, advances and other receivables	**(1,700)**	(1,746)	**(1,691)**	(1,735)
(Increase) decrease in receivables and other financial assets	**45**	86	**69**	67
Increase in deposits and short-term borrowings and payables and other liabilities	**292**	2,365	**(947)**	3,249
(Decrease) increase in sundry creditors and accrued expenses	**(137)**	39	**(137)**	42
Net cash from operating activities	**794**	2,713	**(432)**	3,597

34. Notes to the statements of cash flows (continued)

34.2. Reconciliation of cash and cash equivalents to the consolidated statement of cash flows

	Consolidated		Company	
	2014 $m	2013 $m	2014 $m	2013 $m
Cash and cash equivalents at the end of the financial year in the statement of cash flows is represented by:				
Cash and cash equivalents	**463**	905	**463**	904
Add: Receivables due from other banks	**927**	1,460	**927**	1,460
Less: Payables due to other banks[1]	**(81)**	(213)	**(81)**	(213)
	1,309	2,152	**1,309**	2,151

Note

1. Includes cash received as collateral to support derivative asset positions of $31 million (2013: $157 million) in accordance with standard International Swaps and Derivatives Association (ISDA) agreements.

35. Financing arrangements

Consolidated and Company	2014 Program limit $m	2014 Unused $m	2013 Program limit $m	2013 Unused $m
The Group had the following debt programs outstanding at end of the financial year:				
USD $15 billion program	**15,908**	**15,252**	16,175	12,496
USD $5 billion program	**5,303**	**2,478**	5,392	2,581
USD $5 billion Covered Bond program	**5,303**	**3,103**	5,392	3,192
US144a MTN program	**15,908**	**14,657**	16,175	16,175
AUD TCD program	**5,000**	**2,250**	5,000	2,133
	47,422	**37,740**	48,134	36,577

36. Parent entity and subsidiaries

36.1. Ultimate parent entity

The Company's parent entity is SBGH Limited with the ultimate parent entity of the wholly-owned group being Suncorp Group Limited.

36.2. Significant subsidiaries of Suncorp-Metway Limited

Subsidiaries[1]	Class of shares	Country of incorporation	2014 Equity Holding %	2013 Equity Holding %
APOLLO Series Trusts (various)[2]	Units	Australia	**100**	100
Graham & Company Pty Ltd	Ordinary	Australia	**100**	100
Polaris Data Centre Unit Trust	Units	Australia	**100**	100
SME Management Pty Limited	Ordinary	Australia	**100**	100
Suncorp Covered Bond Trust	Units	Australia	**100**	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	**100**	100
Suncorp Property Development Equity Fund #2 Unit Trust	Units	Australia	**100**	100
Taurus Trade Finance Pty Ltd	Ordinary	Australia	**100**	100

Notes

1. Non-operating and minor operating subsidiaries are excluded from the above list.
2. The Company conducts a loan securitisation program whereby housing mortgage loans are packaged and sold as securities to the wholly owned Apollo Trusts (Trusts). As at 30 June 2014, the Company held interests in ten Trusts (2013: eleven).

37. Investments in joint ventures

37.1. Investments joint venture entities

Consolidated	Principal activity	Ownership interest 2014 %	Ownership interest 2013 %
Joint venture assets			
Spring Farm development	Property development	**50**	50

37.2. Joint venture assets

Share of joint venture assets included in the consolidated statement of financial position are as follows:

Consolidated	Carrying amount 2014 $m	Carrying amount 2013 $m
Other assets - development property	**38**	36
Total joint venture assets	**38**	**36**

38. Key management personnel (KMP) disclosures

As a wholly-owned subsidiary of SGL, SML's key management personnel disclosures are consistent with those disclosed by SGL.

The Group has applied the exemption under AASB 124 *Related party disclosures* which exempts listed companies from providing remuneration disclosure in relation to their key management personnel in the notes to the financial statements where this information is disclosed in the Directors' Report. Information regarding KMP remuneration, loans and equity instruments disclosures are included in the Remuneration Report section of the Directors' Report.

38.1. Key management personnel compensation

Consolidated	2014	2013
	$000	$000
Short-term employee benefits	**20,388**	19,537
Long-term employee benefits	**5,248**	5,624
Post employment benefits	**416**	365
Equity compensation benefits	**4,719**	4,767
Termination benefits	**767**	-
	31,538	30,293

38.2 Loans to key management personnel and their related parties

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of the Banking business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of Suncorp Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as provisions, as the balances are considered fully collectable.

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

Consolidated	2014		2013	
	Key management personnel	Other related parties	Key management personnel	Other related parties
	$000	$000	$000	$000
Closing balance	**5,302**	**974**	2,032	-
Interest charged	**185**	**17**	161	-

39. Other related party disclosures

39.1 Identity of related parties

The Company has a related party relationship with its subsidiaries (refer note 36), parent entity and its other controlled subsidiaries (refer note 36), associates and joint venture entities (refer note 37) and with its key management personnel (refer note 38).

39.2 Related party transactions within the Group

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

Company	2014 $'000	2013 $'000
Current amounts receivable (unsecured)		
Current amounts receivable	**352,017**	328,553
Loans receivable	**21,094**	17,081
	373,111	345,634
Current amounts payable (unsecured)		
Current amounts payable	**3,494,115**	4,716,605
Deposits and short-term borrowings	**574,594**	1,735,565
	4,068,709	6,452,170
Other income received or receivable		
Interest	**2,672**	7,101
Other income	**216,219**	255,952
Dividends	**24,000**	33,843
	242,891	296,896
Other expense paid or payable		
Interest	**961**	4,190
Operating expenses	**167,856**	243,798
	168,817	247,989

39.3 Related party transactions with associates and joint venture entities

Transactions between the Group and associates and joint venture entities consisted of fees received and paid for information technology services, investment management services and property development finance facilities.

Company	2014 $'000	2013 $'000
Aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties		
Other income received or due and receivable		
Joint venture entities	**-**	56
	-	56
Payables		
Joint venture entities	**1**	10
	1	10

40. Auditors' remuneration

	Consolidated		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Audit and review services				
Audit and review of financial reports	**1,194**	1,183	**1,000**	915
Other regulatory audits	**303**	488	**303**	488
	1,497	1,671	**1,303**	1,403
Other services				
In relation to other assurance,actuarial, taxation and other non-audit services	**766**	616	**564**	339
Total auditors' remuneration	**2,263**	2,287	**1,867**	1,742

41. Subsequent events

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

Directors' declaration

1. In the opinion of the directors of Suncorp-Metway Limited (the **Company**):
   (a) The consolidated financial statements and notes that are set out on pages 48 to 114 and the Remuneration Report in sections 2 to 4 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2014 and of their performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of *the Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2014.
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:

Z. E. Switkowski

Dr Zygmunt E Switkowski AO
Chairman

Patrick J R Snowball
Managing Director and Group CEO

13 August 2014

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

Report on the financial report

We have audited the accompanying financial report of Suncorp-Metway Limited (the Company), which comprises the statements of financial position as at 30 June 2014, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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 Suncorp-Metway Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2014 and of their performance for the 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 section 2, 3 and 4 of the Remuneration Report included in pages 14 to 44 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Suncorp-Metway Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul Reid
Partner

Brisbane
13 August 2014