Directors’ Report and Financial Statements 2016-17

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Create a better today

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

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Highlights

OUR BUSINESS PERFORMANCE

Net profit after tax

$1,075m

Cash return on average shareholders' equity

8.4%

Customer satisfaction across our consumer brands

82%

OUR PEOPLE AND SOCIETY

Women in leadership

49%

Investment in local communities

$9.8m

Engagement of our people

62%

OUR ENVIRONMENT

Reduction in greenhouse gas emissions

11%↓

Reduction in fuel used in company vehicles

15%↓

Reduction in air travel

22%↓

CHAIRMAN'S REPORT

"WE KNOW THAT PRODUCING SUPERIOR AND SUSTAINABLE RETURNS REQUIRES US TO CONTINUE TO EARN THE TRUST AND SUPPORT OF OUR CUSTOMERS AND STRIKE THE RIGHT BALANCE BETWEEN OUR FINANCIAL, SOCIAL AND ENVIRONMENTAL OBLIGATIONS"

Dear Shareholder

Since its beginnings in 1902, Suncorp has demonstrated its resilience by embracing change, leveraging technology and meeting evolving customer needs through offering relevant products and services.

Over time, our unique culture has led to Suncorp becoming one of Australia's most trusted financial services companies.

The strength of our convictions and quality of our processes are regularly tested and reinforced as we respond to the key moments that matter in the lives of our customers.

We know that producing superior and sustainable returns requires us to continue to earn the trust and support of our customers and strike the right balance between our financial, social and environmental obligations.

To that end, in 2016-17, the CEO & Managing Director Michael Cameron and his Senior Leadership Team accelerated the transformation of Suncorp to pivot around customers. Our 13,400 people embraced the shift and sharpened their focus.

We are re-imagining the future of our organisation and driving change so we may continue to prosper in a dynamic and connected world.

Results

Overall, against a background of extensive organisational change, Suncorp delivered good results for the year with pleasing revenue growth and a solid net profit after tax of $1,075 million, an increase of 3.6 per cent from 2015-16.

The Board has declared a final ordinary dividend of 40 cents per share, bringing the total dividend for 2016-17 to 73 cents per share fully franked. This contributes to a total shareholder return of 28 per cent for the year and takes the total five-year return to 151 per cent, suggesting a return to sustainable long-term value creation.

Suncorp has further strengthened its capital position and our core operating entities have maintained their credit rating of A+ and A1 with a stable outlook.

Corporate responsibility

Through our new Corporate Responsibility Framework, we are improving our business practices to actively manage the material environmental, social and governance risks and opportunities. We aim to build trust by communicating honestly, being transparent and offering financial products responsibly, as well as supporting our people and their communities.

It is pleasing to report that Suncorp has gender balance across all leadership roles, with 49 per cent female and 51 per cent male. The direct reports to the CEO & Managing Director are distributed 50 per cent female and 50 per cent male. By walking the talk, we are paving the way for a more inclusive workplace and a culture that values diversity and flexibility, and which rewards the right behaviour and performance outcomes.

In 2016-17 we invested over $9.8 million in partnerships with community organisations to have a positive impact on the issues that are important to our business.

We continue to reduce our environmental footprint and have decreased our greenhouse gas emissions by a further 11 per cent.

Conclusion

This year we farewelled Geoff Ricketts from the Suncorp Group Board. I would like to thank Geoff for 10 years of dedicated service to Suncorp that helped shape the organisation we are today. Geoff is Auckland-based and continues to serve as the Chairman of Vero Insurance New Zealand Limited and Asteron Life Limited. I would also like to acknowledge the contribution of fellow Board directors William Bartlett and Ewoud Kulk who will retire at this year's AGM. Both have been long serving members since 2003 and 2007 respectively and I thank them for their dedication and service.

This year we welcomed Simon Machell to the Board and he is seeking your support at the AGM. Simon brings more than 30 years' experience in the insurance industry throughout Europe and Asia.

I would like to thank my fellow Board members for their support, expertise and many insights, the CEO & Managing Director for his leadership and partnership, the executive team and all of our people for their hard work and dedication.

And importantly, our loyal customers and shareholders – thank you for the trust you place in us as we continue on this journey to create shared value for all.

J. E. Switkowski

DR ZIGGY SWITKOWSKI AO
Chairman
3 August 2017

DIRECTORS' REPORT

The directors present their report together with the financial report of the Suncorp Group (the **Suncorp Group, Suncorp** or the **Group**), being Suncorp Group Limited (the **Company**) and its subsidiaries, for the financial year ended 30 June 2017 (**2016-17**) and the auditor's report thereon. Terms that are defined appear in bold the first time they are used.

1. Directors' profiles

The names of the people who served as directors of the Company at any time during or since the end of the 2016-17 financial year are set out below. All non-executive directors are members of the Nomination Committee.

Dr Zygmunt E Switkowski AO

BSc (Hons), PhD, FAICD, FAA, FTSE
Non-executive Chairman, age 69

Dr Switkowski has been a director of the Group since September 2005, and Chairman since October 2011. He is Chairman of the Nomination Committee and an ex officio member of the Audit, Remuneration and Risk Committees. He is Chairman of NBN Co Limited, and a director of Healthscope Limited (since April 2016) and Tabcorp Holdings Limited (since October 2006). He is the Chancellor of RMIT University. During his career, Dr Switkowski has held senior executive positions in the telecommunications industry with Telstra Corporation and Optus Communications, and previously at Kodak Australasia. In June 2014, he received the Order of Australia for his contribution to the arts, sciences, tertiary education and the telecommunications and business community.

Michael A Cameron

FCPA, FCA, FAICD
CEO & Managing Director, age 57

Mr Cameron was appointed Chief Executive Officer and Managing Director (**CEO & Managing Director**) in October 2015. He was a non-executive director from April 2012 to September 2015. He was previously CEO & Managing Director of The GPT Group (2009-2015), Chief Financial Officer (**CFO**) at St George Bank from mid-2007 until the sale to Westpac Banking Corporation in 2008, Group Chief Financial Officer of the Commonwealth Bank of Australia then Group Executive of their Retail Bank Division. He also spent 10 years with Lendlease in a number of senior positions, including CFO at MLC Limited. Mr Cameron is a director of the Great Barrier Reef Foundation and Chairman of the Financial Sector Advisory Council.

William J Bartlett

FCPA, FCA, FAICD, FCMA, CA (SA)
Non-executive director, age 68

Mr Bartlett has been a director of the Group since July 2003. He is a member of the Audit, Risk and Remuneration Committees. He is a director of Reinsurance Group of America Inc. (listed on NYSE) (since May 2004), RGA Reinsurance Company of Australia Limited, and both GWA International Limited and Abacus Property Group (since February 2007). He is Chairman of the Cerebral Palsy Foundation's Council of Governors. Mr Bartlett has over 35 years' experience in accounting. He was a partner of Ernst & Young in Australia for 23 years, retiring in mid-2003. Mr Bartlett 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).

Audette E Exel AO

BA, LLB (Hons)
Non-executive director, age 54

Ms Exel has been a director of the Group since June 2012. She is a member of the Risk Committee. Ms Exel is the founder of the Adara Group and Chief Executive Officer of its Australian companies. Before establishing the Adara Group, she was Managing Director of Bermuda Commercial Bank (1993-1996), Chairman of the Bermuda Stock Exchange (1995-1996) and served on the board of the Bermuda Monetary Authority (1999-2005). Ms Exel began her career as a lawyer specialising in international finance. In 2013, she was awarded an honorary Order of Australia for service to humanity (through the Adara Group) in Uganda and Nepal and in 2014 was recognised by Forbes as a 'Hero of Philanthropy'. In 2015, Ms Exel was inducted into the Australian Businesswomen's Hall of Fame, and was a recipient of a World Class New Zealand Award. In 2016, she was named Australia's 2016 'Leading Philanthropist' by Philanthropy Australia.

Sally Herman

BA, GAICD
Non-executive director, age 60

Ms Herman has been a director of the Group since October 2015. She is a member of the Audit Committee. Ms Herman is an experienced non-executive director in the financial services, retail, manufacturing and property sectors. Her directorships include Breville Group Limited (since March 2013), Premier Investments Limited (since December 2011), Investec Property Limited (since July 2013), and previously FSA Group Limited (2011-2014) and property advisory firm Urbis (2011-2016). Her executive career in Australia and the USA includes 16 years with the Westpac Group managing major business units in most of its operating divisions. Ms Herman is Chairman of an independent girls' school in Sydney and a director of Sydney Harbour Federation Trust. She also serves on the advisory boards of several community groups.

Ewoud J Kulk

BEcon, FAICD
Non-executive director, age 71

Mr Kulk has been a director of the Group since March 2007. He is Chairman of AA Insurance Limited (NZ), Chairman of the Risk Committee and a member of the Remuneration Committee. Mr Kulk has over 25 years' experience in the insurance industry. He is a director of the Westmead Millennium Institute, a past member of the NSW Council of the Australian Institute of Company Directors and a past president of the Insurance Council of Australia. Mr Kulk was a director of Promina Group at the date of the merger with Suncorp in 2007. He was Group Director Asia Pacific for Royal & Sun Alliance Insurance Group (1998-2003) and Managing Director of Australian General Insurance Group (1994-1998).

Simon C J Machell

BA (Hons), FCA
Non-executive director, age 53

Mr Machell has been a director of the Group since April 2017. Mr Machell has over 30 years' experience in the insurance industry throughout Europe and Asia. He currently serves as a non-executive director of Tesco Personal Finance plc (UK), Tesco Personal Finance Group Limited (UK) (trading as Tesco Bank), and is Chairman of Tesco Underwriting Limited (UK). Mr Machell is also a non-executive director and Chairman of the Risk Committee for Prudential Corporation Asia Limited (Hong Kong) and a non-executive director of Pacific Life Re Limited (UK). Mr Machell was with Aviva and its predecessor companies for over 20 years and had roles including CEO of Norwich Union General Insurance in the UK (2007 to 2013) and CEO of all Aviva's businesses in Asia and eastern Europe.

Christine F McLoughlin

BA, LLB (Hons), FAICD
Non-executive director, age 54

Ms McLoughlin has been a director of the Group since February 2015. She is Chairman of the Remuneration Committee and a member of the Risk Committee. Ms McLoughlin began her career as a commercial lawyer. She has extensive business experience in Australia, the UK, New Zealand and South East Asia holding senior executive roles in the financial services and telecommunications sectors. Her current listed directorships include nib holdings limited (since March 2011), Whitehaven Coal Limited (since May 2012), Spark Infrastructure RE Limited (since October 2014) and McGrath Foundation (since September 2016). She is Chairman of Venues New South Wales and a member of the Australian Securities and Investments Commission's Director Advisory Panel.

Dr Douglas F McTaggart

BEcon (Hons), MA, PhD, DUniv, FAICD, SF Fin
Non-executive director, age 64

Dr McTaggart has been a director of the Group since April 2012. He is Chairman of the Audit Committee and a member of the Remuneration Committee. Dr McTaggart has extensive experience in financial markets, having been Chief Executive of QIC Limited (1998-2012). Prior to QIC, he was Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career. He is currently Chairman of Spark Infrastructure RE Limited (since May 2016), the QIMR Berghofer Medical Research Institute Council and SunCentral Maroochydore Pty Ltd. He serves on the Australian National University Council and the Economic Development Advisory Panel (NSW). Dr McTaggart was a director of UGL Limited from 2012-2015 and he has served in various expert advisory roles to government and on several industry representative bodies.

Geoffrey T Ricketts CNZM

LLB (Hons), LLD (Honoris Causa), FInstD
Former Non-executive director

Mr Ricketts retired at the AGM on 22 September 2016. He was a director of the Group from March 2007, having been a director of Promina Group at the date of the merger with Suncorp in that year.

2. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each director (or former director) of the Company during the 2016-17 financial year are set out in the table below.

	Board of Directors		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Dr Z E Switkowski AO	13	13	5	5	5	5	4	4	5	5
M A Cameron[1]	13	13	5	5	5	5	4	4	-	-
W J Bartlett	13	11	5	5	5	3	4	4	5	4
A E Exel AO	13	13	-	-	5	4	-	-	5	5
S Herman	13	13	5	5	-	-	-	-	5	5
E J Kulk	13	13	-	-	5	5	4	4	5	5
S C J Machell	3	3	-	-	-	-	-	-	1	1
C F McLoughlin	13	13	-	-	5	5	4	4	5	5
Dr D F McTaggart	13	13	5	5	-	-	4	4	5	5
G T Ricketts CNZM	3	3	2	2	-	-	-	-	-	-

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

3. Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange (**ASX**) in accordance with section 205G(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), as at 30 June 2017, is as follows.

	Fully paid ordinary shares (SUN)	Convertible preference shares (SUNPE, SUNPC)
Dr Z E Switkowski AO	311,599	-
M A Cameron[1]	716,656	-
W J Bartlett	26,968	323 SUNPE
A E Exel AO	14,612	-
S Herman	16,500	-
E J Kulk	20,173	3,000 SUNPC
S C J Machell	25,000	-
C F McLoughlin	20,000	-
Dr D F McTaggart	20,011	-
G T Ricketts CNZM	34,094	-

1 Includes 541,656 shares held by the trustee of the Suncorp Group Equity Incentive Plan Trust. Beneficial entitlement to these shares remains subject to satisfaction of specified performance hurdles.

4. Company Secretary

Details of the Company Secretaries during the 2016-17 financial year and as at the date of this report are set out below.

Mr Darren Solomon *LLB* was appointed Company Secretary in 2010. Mr Solomon commenced with Suncorp in 1989 as a senior lawyer in the legal department before moving to the Company Secretariat team in 2006.

Ms Kristy Huxtable *FGIA, MAICD, MBA, Grad Dip (GIA), Grad Dip (HR)* was appointed Company Secretary on 1 August 2016 and has been with the Company Secretariat team since January 2014. Ms Huxtable has extensive corporate governance and secretarial experience within financial services.

Ms Anna Lenahan was Company Secretary during the financial year until her resignation from this role on 5 August 2016.

The Company Secretaries are directly accountable to the Board, through the Board Chairman, for all governance matters that relate to the Board's proper functioning.

5. Remuneration Report

The Remuneration Report is set out on pages 22 to 50 and forms part of the Directors' Report for the 2016-17 financial year.

6. Principal activities

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

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

6.1 Suncorp Group's objectives

Suncorp Group's purpose is to create a better today for our customers, communities, shareholders, and our people. We want to help people live the life they want now and plan for the life they want tomorrow.

During the 2016-17 financial year, the Suncorp strategy evolved to more explicitly acknowledge how central the customer is to what we do. This reflects Suncorp's aspiration to be an agile, resilient financial services company that delivers sustainable shareholder returns and is a responsible and valuable contributor to society. The Group's vision is to be the destination for the moments that matter. We aim to have a deeper understanding of our customers' needs and support them through important journeys in their lives, with personalised experiences and integrated offers.

We continue to live our purpose and achieve our vision by working as One Suncorp and collaborating across the business to deliver on our vision.

To achieve the vision, we will focus on four strategic priorities:

Elevate the customer: We will use insights to understand and meet customer needs, embed a customer-centric culture and deliver a great customer experience. We strive to deliver a seamless and valuable customer experience that is consistently great, and brilliant in the moments that matter.

Create the Marketplace: The Suncorp Marketplace will create a connected network of brands, partners, solutions and channels to meet our customers' financial wellbeing needs. We will provide our customers with a suite of personalised solutions that meet their needs at key moments in their lives.

Maintain momentum and grow: We will build and protect our reputation for excellence in manufacturing financial services solutions for customers in Australia and New Zealand. This will be achieved through an increased focus on targeted revenue growth opportunities, operational excellence including simplification and digitisation, and disciplined portfolio management.

Inspire our people: Achieving the strategy will require a diverse, inclusive and highly engaged workforce. This will be achieved through a focus on improving engagement and the core work experience, so that our people have the capability, technology and workspaces they need to be their best.

7. Dividends

A fully franked 2016 final dividend of $489 million (38 cents per share) was paid on 21 September 2016. A fully franked 2017 interim dividend of $426 million (33 cents per share) was paid on 3 April 2017. A fully franked 2017 final dividend of $517 million (40 cents per share) has been determined by the directors.

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

8. Operating and financial review

8.1 Overview of Suncorp Group

For the 2016-17 financial year, Suncorp Group delivered a net profit after tax (**NPAT**) of $1,075 million (2015-16: $1,038 million).

The result is underpinned by revenue growth, with momentum building over the course of the year. For the first time in several years, Suncorp has reported an increase in customer numbers, with 399,000 new customers joining the Group. While top-line growth has been supported by the entry into the South Australian (**SA**) compulsory third party (**CTP**) market, early Marketplace initiatives and a focus on delivering value for customers puts the Group in a strong position entering the 2017-18 financial year.

Insurance achieved a NPAT of $723 million for the 2016-17 financial year (2015-16: $558 million). The Australian general insurance gross written premium (**GWP**) increased by 3.9% and the Australian life insurance in-force annual premiums decreased by 0.9%.

The Australian general insurance business contributed a NPAT of $689 million (2015-16: $490 million), an increase of 40.6% from last financial year. GWP increased by 3.9% to $8,111 million (2015-16: $7,803 million) due to premium increases in home and motor products, as well as increased customer numbers following the successful entry into the SA CTP market and strong growth in New South Wales (**NSW**) CTP.

The consumer portfolio, consisting of home and motor insurance, achieved GWP growth of 2.2% from last financial year. While GWP in the commercial portfolio decreased by 2.2%, there was evidence of an improving rate environment through the important June renewal period.

CTP GWP increased by 15.6% from last financial year, supported by successful entry into the SA CTP market and volume and unit growth in NSW CTP. This was partially offset in Queensland through the introduction of the National Injury Insurance Scheme as well as reductions in the regulatory price ceiling.

General Insurance Australia's net incurred claims were $4,923 million (2015-16: $5,099 million), which is a decrease of 3.5% primarily due to lower natural hazards and the impact of changes in the yield curve on outstanding claims. Following an intensive period of rectification, consumer working claims operational metrics are at sustainable levels, with improvements in home and motor loss ratios.

The commercial portfolio experienced a prior year strengthening in the run-off portfolio of home owners' warranty along with several other one-off large losses. Strong claims performance continues across CTP in NSW with improved frequency experience. Queensland has observed a slight increase in frequency, which is occurring across the industry.

Reserve releases of $301 million (2015-16: $347 million) remain well above long-term expectations of 1.5% of Group net earned premium. This was primarily attributable to a continued focus on long-tail claims management and a benign environment for wage and super-imposed inflation.

The operating expense ratio was unchanged from last financial year, as continued growth of the portfolio resulted in a 2.2% increase in operating expenses.

Net investment income on insurance funds of $205 million (2015-16: $236 million) was impacted by bond yields which drove market valuation losses in the fixed-income portfolio. These were partially offset by the relative outperformance of inflation-linked bonds, narrowing credit spreads and improved returns from equities in shareholders' funds.

The Australian life insurance business contributed a NPAT of $34 million (2015-16: $68 million). In-force premium decreased by 0.9%, impacted by the run-off of the closed Group Risk book. This was partially offset by growth in retail and directly due to stepped age and CPI increases. New business volumes were impacted by ongoing industry and heightened regulatory scrutiny.

Banking & Wealth delivered a NPAT of $400 million (2015-16: $418 million) impacted by additional investment in the Core Banking and Wealth platforms, both of which are crucial to support the Group strategy.

Banking's NPAT improved to $396 million (2015-16: $393 million), representing a return on Common Equity Tier 1 (**CET1**) of 13.0%. The result reflects sustainable lending and funding practices, while successfully adapting to changing economic and regulatory dynamics.

Lending growth of 1.9% reflected improved momentum in the second half of the financial year. This was a result of the Group's early response to macro-prudential and responsible lending measures after refraining from participating in intense pricing competition during the first half of the financial year. Retail lending growth of 1.2% was driven by the introduction of new competitive offers, improved retention rates and improved loan approval processes. Business lending growth of 5.2% was driven by new business volumes from target industries.

Net interest income is $1,131 million (2015-16: $1,129 million). The full year net interest margin (**NIM**) of 1.83% (2015-16: 1.86%) was at the top end of the target range and above the target range for the second half of the financial year, following product repricing at the mid-point of the financial year.

The cost-to-income ratio of 52.7% (2015-16: 52.5%) was impacted by lower lending growth, low interest rates and low economic growth, along with further investment in the Suncorp strategy to position the business for growth. Operating expenses were flat at $636 million (2015-16: $639 million), including additional expenditure to complete the migration of loans and lending origination to the Core Banking Platform.

In line with the industry, Banking has changed the treatment of hardship to align with regulatory standards. As expected, Banking is now reporting higher arrears as a result of this revised treatment as well as the temporary impacts of Cyclone Debbie.

Wealth NPAT of $4 million (2015-16: $25 million) was impacted by the decision not to capitalise the cost of completing the Super Simplification Program (**SSP**) and lower investment returns throughout the financial year.

Wealth activities have focused on the completion of SSP to simplify the superannuation product suite, outsource appropriate business and technology processes and consolidate legacy portfolios onto a modern platform. The latest releases in SSP have delivered system improvements and readiness for ongoing regulatory changes.

New Zealand achieved a NPAT of $82 million (2015-16: $183 million).

The New Zealand general insurance business delivered a NPAT of $45 million (2015-16: $134 million), significantly impacted by earthquake and weather-related natural hazard events, including the associated reinsurance reinstatement costs.

GWP increased by 9.5% to $1,345 million (2015-16: $1,228 million), driven by strong growth in home and motor across all channels, which offset the sale of the Autosure business. Commercial lines increased by 4.4%, constrained by a highly competitive market, characterised by unsustainable premium discounting.

Net incurred claims were $693 million (2015-16: $562 million), an increase of 23.3%, driven by natural hazard events, increases in average claims cost and frequency, particularly in the motor book and several large commercial claims.

Operating expenses increased by 4.9%, reflecting volume-based commission growth in line with GWP and direct marketing to support business growth.

Overall net investment income decreased to $23 million (2015-16: $39 million), driven by mark-to-market losses on the fixed-income portfolio following increases in bond yields.

The New Zealand life insurance business delivered a NPAT of $37 million (2015-16: $49 million) for the 2016-17 financial year. In-force premium growth was 7.0%, driven by strong new business growth and retention rates.

8.2 Review of financial position

Total assets increased by $1,361 million or 1.4 % to $97,109 million compared with June 2016

Derivatives assets decreased by $488 million mainly due to the impact of the mark-to-market of currency swaps.

Investment securities decreased by $1,057 million mainly due to a reduction of physical liquid assets required as collateral for the Bank's Committed Liquidity Facility, funding the redemption of loan capital, and the effect of the number of consolidated managed investment schemes reducing by one.

Loans and advances increased by $1,063 million primarily due to growth in business and home lending. Several initiatives were implemented within the home lending portfolio to improve customer experience and increase efficiency. These include a review of the existing loan approval process, utilising risk-based verification for select activities and increasing customer-led opportunities.

Reinsurance and other recoveries increased by $1,453 million due to natural hazards in the current financial year including the New Zealand Kaikoura earthquake in November 2016.

Gross policy liabilities ceded under reinsurance increased by $124 million driven by new business ceded at higher proportions relative to business running off, updates to assumptions and changes to interest rates.

Other assets increased by $102 million mainly attributed to investment settlements.

Total liabilities increased by $1,141 million or 1.4% to $83,319 million compared with June 2016

Payables due to other banks decreased by $282 million driven by treasury collateral received from financial institutions.

Deposits and short-term borrowings increased by $216 million as the Group continues to manage its deposit-to-loan ratio within the target operating range.

Derivatives liabilities decreased by $252 million largely due to mark-to-market of interest rate swaps.

Current tax liabilities increased by $41 million reflecting taxable profit for the financial year exceeding income tax paid net of refunds for the financial year.

Outstanding claims liabilities increased by $1,218 million is attributable to the strengthening of Australian short-tail claims primarily due to unfavourable prior year average claims size cost in the motor book in the consumer and commercial portfolios. Australian long-tail claims reserve releases, primarily attributable to favourable claims experience, were partially offset with a strengthening for home owners' warranty that is in run-off. In New Zealand, short-tail strengthening was primarily due to the Canterbury earthquake valuation and deteriorating claims experience on property and motor portfolios.

Managed funds units on issue decreased by $423 million due to the effect of the number of consolidated managed investment schemes reducing by one.

Securitisation liabilities increased by $553 million due to the establishment of a new securitisation trust. This was partially offset by repayments which are contractually linked to the run-off in the underlying securitised mortgages.

Loan capital increased by $374 million mainly due to the issuance of $330 million of Tier 2 subordinated notes in October 2016 and $375 million of Additional Tier 1 capital notes in May 2017. These are offset by the redemption of $328 million of previously issued subordinated notes.

Total equity increased by $220 million or 1.6% to $13,790 million compared with June 2016

Share capital increased by $87 million mainly driven by the $80 million issuance of new ordinary shares for the Dividend Reinvestment Plan for the 2016 final and 2017 interim dividends.

Reserves decreased by $37 million mainly driven by unfavourable mark-to-market movements of interest rate swaps used for cash flow hedging.

Retained profits increased by $171 million mainly due to profit attributable to owners of the Company exceeding dividends paid during the financial year.

8.3 Review of capital structure

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

The Group is subject to, and complies with, external capital requirements set and monitored by the Australian Prudential Regulation Authority (**APRA**) and the Reserve Bank of New Zealand (**RBNZ**).

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

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, the business line regulatory framework and APRA's Non-Operating Holding Company conditions.

For regulatory purposes, capital is classified as follows:

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

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

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings.

The Group's profit for the financial year led to a fully franked 2017 final dividend of 40 cents per share, an increase of 2 cents per share on the 2016 final dividend (38 cents per share). This results in total dividends for 2016-17 of 73 cents per share, an increase of 5 cents per share. The full year dividends equate to a payout ratio of 82% of cash earnings, slightly above the target range and supported by the Group's capital position. The Group intends to issue new shares under the Dividend Reinvestment Plan (**DRP**) for the final dividend.

Capital position at 30 June 2017

In terms of the CET1 positions across the Group (pre-dividend):

- the general insurance businesses' CET1 position was 1.32 times the prescribed capital amount (**PCA**), above its target operating range of 1.0 - 1.2 times PCA
- the Bank's CET1 ratio was 9.23%, above its target operating range of 8.5%-9.0% of risk-weighted assets
- the life insurance businesses' excess CET1 to target (pre-dividend) was $126 million
- an additional $51 million of excess CET1 was held at the Company and Corporate Services level.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $377 million after adjusting for the final dividend.

9. Significant changes in Suncorp Group's state of affairs

On 1 July 2016, the Suncorp Group implemented a revised operating model and organisational structure. The operating model comprises the functions: Insurance, Banking & Wealth, New Zealand, Customer Experience, Customer Platforms, Finance & Advice, People Experience, Risk, Legal & Secretariat, Strategic Innovation and Technology, Data and Labs.

The Group has articulated its strategic vision and outlook to 2020 and continues to focus on building a business that creates value for customers. Suncorp's key priorities are to elevate the customer, create the Marketplace, maintain momentum and growth, and inspire our people. There is an increased focus on building partnerships with third parties to extend the range of solutions for Suncorp's customers and to drive growth for the business.

There have been no significant changes in the state of affairs of the Group during the financial year, other than as disclosed in this Directors' Report and Financial Statements.

10. Events subsequent to reporting date

There has not arisen in the interval between the end of the 2016-17 financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

11. Likely developments

Suncorp's strategy is driving growth and increasing resilience to volatility. The Group is well capitalised and has a diversified earnings base providing strong foundations and creating value for customers, shareholders, employees and communities. The One Suncorp operating model is being driven by a substantially new leadership team.

Suncorp has commenced a Group-wide Business Improvement Program which will improve customer experience through operational excellence, removing pain points and designing innovative customer solutions. This program is expected to deliver material reductions in the Group's cost base from 2018-19.

Given the Group's confidence in creating significant shareholder value, Suncorp will make an additional investment of up to $100 million after tax to deliver the key components of the Marketplace. This investment will be fully expensed in the 2017-18 financial year and will be reported as part of the Corporate operating segment.

The investment will:

- bring together for the first time a single digital experience for the entire Suncorp network with a new Suncorp Marketplace app
- complete the Suncorp brand refresh and commence building national awareness and differentiation
- accelerate the connection of new third party partnerships into the Marketplace to enhance speed and delivery of new services and solutions.

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

- broadening customer relationships
- improving underlying NPAT
- delivering a sustainable return on equity (**ROE**) of at least 10%, which implies an underlying insurance trading result (**ITR**) of at least 12%
- a commitment to return surplus capital to shareholders and maintaining a dividend payout ratio of 60% to 80% of cash earnings.

For the 2017-18 financial year, the Board will consider a dividend payout ratio above the top end of the usual range to offset the impact on cash earnings of the additional investment to deliver key components of the Marketplace.

12. Key internal and external risks

The risks Suncorp manages include strategic, insurance, 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 2016-17 Annual Review available from suncorpgroup.com.au/investors/reports.

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

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

– Risks relating to the execution of strategic initiatives. To achieve the vision of being the destination for moments that matter and delivering on the Marketplace will require investment and resources. As the internal and external environment shifts, a level of agility will be required around these investment decisions. The introduction of the Chief Program Excellence Officer is an important mechanism in managing this risk.

– Risks relating to the failure to meet government or regulatory expectations. The business has programs in place to lead the development and implementation of regulatory change. As the regulatory and competitive landscape evolves, Suncorp will consider taking a proactive role in engaging with policy-makers and influencing regulatory change.

– Shifts in competitor and market dynamics, including new sources of competition from non-traditional sources, associated technological advancement and disruptive business models. Delivering on the Marketplace will be an important enabler in responding to the changing customer dynamics. The Marketplace seeks to shift away from individual commoditised products to a single destination where customers can meet their financial wellbeing needs.

– Loss, compromise or unavailability of Suncorp-wide data due to failure to maintain a secure technology environment. Suncorp's Technology, Data and Labs Function has oversight of key cyber security threats, and is continually investing in the systems, processes and controls to manage this risk and respond to emerging threats. The importance of and accountability for security is reinforced to all staff through policy, procedures and education.

– Impacts of climate change, significant weather events and natural hazards that exceed expectations. The transition to the Marketplace is a key enabler in building a more resilient business. In addition, the increased focus on reduced volatility through the effective management of capital and reinsurance and a more proactive approach to addressing climate change with an enhanced focus on prevention.

– Human behaviours at work and towards work are changing. The Inspire Our People strategic priority elevates the importance that our people and partners have on the delivery of our strategy. A key component of this priority is the development of the workforce and workspace of the future. This initiative seeks to promote an agile workforce that leverages technology, operates without boundaries and is better able to meet the needs of our customers and the business.

– The changing dynamics in the use of cars places increased focus on greater diversification in earnings (home insurance, deposits, agribusiness, New Zealand) to make Suncorp more resilient to changes in car insurance. Continued investment in industry 'disruptors', such as Trōv, will place Suncorp in a better position to monitor the pace of change and respond with new products, re-price existing products and/or partner with companies offering more innovative solutions.

- Ongoing economic instability and a continued low yield environment. Suncorp consistently monitors these risks by examining market conditions and adopts appropriate strategies to help protect the business.

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

13. Impact of legislation and other external requirements

The Suncorp Group operates across a number of highly regulated industry sectors.

There continues to be significant and numerous domestic and global legislative and regulatory reforms and proposals, as well as numerous government and regulator consultations, reviews and inquiries which may result in changes or proposals that could or may impact the Suncorp Group and its operations in Australia and New Zealand now and in the future.

Some of the various matters that could or may impact the Suncorp Group include the following:

- The review of the Queensland CTP motor accident and insurance schemes.
- The passing of legislation to update and reform the NSW CTP motor accident insurance scheme and the New South Wales Government review of CTP insurers' profits.
- The passing of legislation to enable class actions in Queensland.
- The increasing attention from regulators on climate change risks and associated disclosure of those risks.
- The Australian Consumer Law (**ACL**) review.
- The Inquiry into the life insurance industry led by the Australian Government Parliamentary Joint Committee on Corporations and Financial Services.
- The Australian Bankers' Association (**ABA**) six point initiatives/plan intended to implement comprehensive new measures to protect consumer interests and increase transparency and accountability in the banking industry.
- The ABA's Better Banking program initiatives of which the ABA's 'six point initiatives/ plan' forms part.
- The Australian Securities and Investments Commission (**ASIC**) and Australian Small Business and Family Enterprise Ombudsman Inquiry into small business loans, including the ABA endorsement of the recommendations made by the Inquiry.
- The ABA's commission of the Retail Banking Remuneration Review (product sales commission and payments) and publication of the report on the review (the Sedgwick Report).
- APRA's consultation on proposed changes to the large exposures prudential framework.
- The publication of the Final Report of Independent Review of the Code of Banking Practice (the Khoury Review) and the ABA's support of the majority of the Khoury Review's recommendations.
- The introduction of new measures by APRA to reinforce sound residential mortgage lending practices.
- The imposition by APRA of new capital and maximum requirements in respect of residential mortgage lending.
- The Australian Government's focus on improving consumer outcomes and competition in the home loan market.

- The ongoing Australian Government House of Representatives Standing Committee on Economics Review of the Four Major Banks.
- The ongoing Australian Government Senate Inquiries into Australia's banking, insurance and financial services sectors.
- The National Transport Commission's focus on developing guidelines for the trial and use of automated vehicles.
- The Insurance Council of Australia's review of the General Insurance Code of Practice.
- The Australian Government Treasury consultation on proposed financial industry supervisory levels that will apply for the 2017-18 financial year.
- The Inquiry into whistleblower protections led by the Australian Government Parliamentary Joint Committee on Corporations and Financial Services.
- The Productivity Commission Inquiry into Competition in the Australian Financial System.
- The Australian Government's consultation on a proposed new dispute resolution framework for financial disputes which includes a 'one stop shop' for the determination of customer disputes in the financial services sector – the Australian Financial Complaints Authority.
- The Insurance in Superannuation Working Group's focus on developing a Code of Practice for insurance in superannuation to address claims handling processes.
- The focus of APRA and ASIC on life insurance claims-handling.
- ASIC's review of the significant breach self-reporting requirements for financial services licensees.
- The Productivity Commission publication of possible alternative default models for employees new to the superannuation system.
- APRA's focus on applying a risk management prudential standard to private health insurers.
- The introduction of the Financial Services Council's Life Insurance Code of Practice, which came into effect from 1 July 2017.
- The Australian Attorney-General's Department consultation on anti-money laundering and counter-terrorism financing laws (including the potential regulation of digital currency under those laws).
- The New South Wales Government passage of legislation to impose a fire and emergency services levy on landowners instead of insurance companies, and the subsequent deferral of the start of that legislation by the New South Wales Government.
- The passage by Queensland Parliament of legislation which sets out a resolution process for farm business debt matters between mortgagees and farmers.
- The Australian Government's continued focus on developing legislation to address fintech developments such as crowdfunding.
- The Australian Government's introduction of a Bill to amend the misuse of market power provisions of the ACL.
- The passage by Parliament of legislation:
  - introducing mandatory data breach notification provisions
  - giving effect to the Australian Government's Superannuation Reform Package
  - to ensure that card system participants can comply with the new interchange fees standard determined by the Reserve Bank of Australia (**RBA**)

  - to mandate professional standards for financial advisers
  - to address concerns with remuneration practices leading to poor quality life insurance advice.
- The Australian Budget 2017-18 announcements including:
  - the proposed levy on major banks
  - a residential mortgage pricing inquiry by the Australian Competition and Consumer Commission (**ACCC**)
  - the introduction of the Bank Executive Accountability Regime (**BEAR**) legislation, which will impose additional duties and behavioural expectations on banks and their executives and impose substantial penalties if those duties are breached, or the expectations are not met
  - funding to ACCC to undertake inquiries into financial system competition issues
  - the introduction of the Australian Financial Complaints Authority
  - changes that impact personal income tax, company tax, superannuation and other areas.

There continue to be various proposals and changes from global regulatory advisory and standard-setting bodies such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision (**BCBS**), the International Organisation of Securities Commissions (**IOSCO**) and the Financial Stability Board (**FSB**) which if adopted, or followed, by domestic regulators may increase operational and capital costs or requirements.

13.1 Australia

Financial System Inquiry

The Final Report (**Report**) of the Financial System Inquiry (**Inquiry**) was released on 7 December 2014. The Report made 44 recommendations, including advising on the level of capital banks should hold and minimum standards of education for financial advisers. The Australian Government has accepted all except one of the recommendations.

The Australian Government and regulators are progressively implementing the recommendations of the Inquiry that have been adopted or agreed to and as such it is difficult at this stage to judge the full impact of the Report's recommendations on the Suncorp Group and its operations.

APRA has released its assessment on the additional capital required for the Australian banking sector to have capital ratios that are considered 'unquestionably strong' and outlines APRA's conclusions with respect to the quantum and timing of capital increases that will be required for Australian authorised deposit-taking institutions (**ADIs**) to achieve unquestionably strong capital ratios.

For ADIs that use the internal ratings-based approach to credit risk, APRA has concluded that it is necessary to raise minimum capital requirements by around 150 basis points from current levels to achieve capital ratios that would be consistent with the goal of 'unquestionably strong'.

In the case of the four major Australian banks, APRA expects that the increased capital requirements will translate into the need for an increase in CET1 capital ratios, on average, of around 100 basis points above their December 2016 levels. In broad terms, that equates to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5%.

For ADIs that use the standardised approach to credit risk, APRA has concluded that it is necessary to raise minimum capital requirements by approximately 50 basis points from current levels to achieve capital ratios that would be consistent with the goal of 'unquestionably strong'.

All ADIs are expected to meet the new benchmarks by 1 January 2020. Suncorp Bank currently uses the standardised approach to credit risk

Australian Prudential Regulation Authority Level 3 Framework

APRA previously released a planned framework for the supervision of Level 3 conglomerate groups (the **Level 3 framework**), which will apply to the Suncorp Group and imposes group-wide requirements in relation to governance, exposure management, risk management and capital adequacy. The new prudential standards for the Level 3 framework commenced on 1 July 2017; however, in respect of the timetable for implementation of the Level 3 framework it is not expected the capital requirements will come into force until 2019.

The Suncorp Group remains well placed to implement the proposed requirements.

Basel III capital and liquidity reforms

APRA has continued to implement the prudential framework applicable to Australian banks under the Basel III capital and liquidity reforms established by the BCBS.

In respect of the Basel III reform proposals, the BCBS has advised that it is delaying its review of some of the elements of Basel III reform proposals. The Basel III reforms impose, or will impose, various (and in some cases higher) regulatory capital and liquidity requirements for Suncorp Bank than existed under previous regulatory regimes.

Northern Australia Insurance Premiums Taskforce

The Northern Australia Insurance Premiums Taskforce was asked by the Australian Government if the government could 'provide support to a reinsurance pool or a mutual insurer that provides cyclone-specific cover' and other policy options to reduce insurance premiums in Northern Australia. The Taskforce provided its Final Report to the Australian Government in November 2015, which was released to the public in March 2016. The Final Report addresses the feasibility of a mutual cyclone insurer and a cyclone reinsurance pool and recommends mitigation as the way forward. The Australian Government is yet to deliver its response to the Final Report. AAI Limited is a significant insurer in Northern Queensland.

New South Wales Government reforms to the NSW CTP Scheme

The New South Wales Parliament has passed legislation to reform the State's CTP motor accident insurance scheme (**Scheme**). Under the Scheme, no-fault statutory benefits will be payable by insurers for motor accidents with preservation of common law rights to damages for seriously injured persons.

The State Insurance Regulatory Authority (**SIRA**) will consult with industry stakeholders over coming months to develop guidelines and regulations for the Scheme.

Queensland Government Review of the Qld CTP Scheme

The Queensland Government has released the Final Report (**Report**) on the 2016 Review of Queensland's Compulsory Third Party Insurance Scheme (**Scheme**). The Report to the Motor Accident Insurance Commission (**MAIC**) sets out 19 recommendations to maintain or improve the Scheme. All 19 recommendations and MAIC's proposed responses have been approved by the Queensland Treasurer and noted by the Queensland Government. The MAIC has initiated a program of work to deliver on the recommendations and will provide a progress report to the Queensland Government in December 2017. The recommendations in the Report include that the MAIC further investigate limited risk-rating to identify potential opportunities for improving price competition and affordability and that as a matter of priority, the MAIC take action to address the issue of high insurer profits in the Scheme.

Australian Government life insurance industry remuneration reforms

The Australian Government has progressed with reform of life insurance industry remuneration practices, with the Australian Parliament passing legislation to enact these reforms. The legislation will commence on 1 January 2018.

13.2 New Zealand

Draft Financial Services Legislation Bill

The draft Financial Services Legislation Bill was released in February 2017 and is currently in a process of consultation. It proposes a number of changes to how financial advice is provided in New Zealand, including requiring financial advisers to operate under a licence and introducing a Code of Conduct which will contain minimum standards in relation to competence, ethical behaviour and client care. The Code is expected to be approved in August 2018.

RBNZ Review of Insurance (Prudential Supervision) Act

The RBNZ continues to review the *Insurance* (*Prudential Supervision) Act 2010* (**Prudential Supervision Act**). The review seeks to ensure that the Prudential Supervision Act provides for a supervisory regime that is cost effective, risk-based and that promotes the soundness and efficiency of the insurance sector. It is not expected that any changes will be made before 2018.

Fire and Emergency New Zealand Act

The *Fire and Emergency New Zealand Act 2017* (**FENZ Act**) came into force on 11 May 2017. It provides for a levy-based system to fund Fire and Emergency New Zealand (**FENZ**), and introduces higher levies for material damage cover and motor vehicle insurance, and stronger compliance measures.

International Monetary Fund Report: New Zealand Financial System Stability Assessment

The International Monetary Fund (**IMF**) has released its Financial System Stability Assessment of New Zealand, and it makes a number of recommendations to improve the strength of New Zealand's financial sector and the regulatory framework. Key findings and recommendations include that the key risks faced by the insurance sector relate to New Zealand's vulnerability to natural catastrophes, and a need to enhance conduct regulation in the insurance sector. The RBNZ is considering these recommendations.

14. Environmental regulation

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

The operational portfolio of Suncorp Group Limited is managed in compliance with all relevant local and national laws and regulations in relation to environmental performance, management and reporting.

15. Indemnification and insurance of officers and directors

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

The Company has also executed deeds of access, indemnity and insurance with directors and company secretaries 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 records following the cessation of the officer's position with the relevant company.

During the 2016-17 financial year, the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been a director or officer (as defined in section 9 of the Corporations Act) 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.

16. Corporate Governance Statement is online

During the 2016-17 financial year, Suncorp Group complied with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition). The 2016-17 Corporate Governance Statement (and Appendix 4G) lodged with the ASX, and a range of documents referred to in it, are available on the Suncorp Group website at suncorpgroup.com.au/about-us/governance.

17. Non-audit services

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

The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied that the auditor's provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 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 that they do not impact the integrity and objectivity of the auditor.

– The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or due and payable to the auditor of the Company, KPMG, and its related practices for non-audit services provided during the financial year are set out below.

SERVICES OTHER THAN STATUTORY AUDIT

	2017 $000	2016 $000
Audit-related fees (regulatory)		
APRA reporting	766	860
Australian financial services licences	148	162
Other regulatory compliance services	327	336
	1,241	1,358
Audit-related fees (non-regulatory)		
Other assurance services	1,639	2,228
	1,639	2,228
Other services		
Tax compliance	12	12
Other non-audit related services	273	27
	285	39
	3,165	**3,625**

18. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 51 and forms part of the Directors' Report for the 2016-17 financial year.

19. Rounding of amounts

The Company is of a kind referred to in *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and in accordance with that legislative Instrument, amounts in the Directors' Report and the consolidated financial statements have been rounded to the nearest one million dollars unless otherwise stated.

REMUNERATION REPORT

Dear Shareholder

The Board is pleased to present the Suncorp Group's Remuneration Report for the financial year ended 30 June 2017 (**2016-17**).

The Remuneration Policy and practices support the achievement of the Suncorp Group's strategic objectives. Our remuneration framework provides a balanced approach to accommodate the volatility of our operating markets, inherent risks and changing regulatory requirements. Despite challenging business conditions in 2016-17, our performance has once again delivered value to shareholders, customers and the communities in which we operate. The momentum in delivery of our strategic priorities has increased with the development of our customer Marketplace.

In the 2015-16 Remuneration Report, we announced the introduction of an equity-based deferral vehicle for short-term incentives applicable for the CEO & Managing Director and Senior Executives and outlined the review of our long-term incentive (**LTI**) plan.

During 2016-17, the Remuneration Committee spent considerable time, including a series of workshops, to consider our remuneration structure. The review acknowledged that our business is long-term in nature, requiring skilled leadership to execute our strategic priorities. We noted the business environment is increasingly volatile requiring increased enterprise agility. Importantly, we confirmed the primary objective of our reward structure is to appropriately motivate and recognise the delivery of sustainable returns for shareholders over the longer term.

We recognise the current framework continues to serve Suncorp well, but believe it is the right time for a review given the evolution of the Suncorp Group, our strategic priorities and our new operating model. We are mindful of the industry-wide challenges around remuneration and accountability. In reviewing our framework, we will consult with shareholders. Any change to the remuneration framework will be implemented only where our evaluation demonstrates that the alignment of interests with stakeholders is improved. Any proposed remuneration framework will be considered subject to the final terms of the Banking Executive Accountability Regime, as provided in the 2017 Australian Budget. With these prospective developments, the Board has determined that no changes to the remuneration framework will be implemented before 1 July 2018.

The Board is committed to a fair, transparent and responsible executive remuneration framework in this increasingly dynamic and competitive environment. Feedback from our stakeholders, including regulators and shareholders, is actively encouraged and used in the development of our remuneration practices. In response to feedback received, this report provides a more detailed overview of the performance outcomes achieved in 2016-17. We trust that you, the shareholder, will find the information provided in this report informative and that it will assist you in assessing the relationship between performance and executive reward outcomes.

J. E. Switkowski

Christine McLoughlin

DR ZIGGY SWITKOWSKI AO

Chairman of the Board

3 August 2017

CHRISTINE MCLOUGHLIN

Chairman of the Remuneration Committee

Introduction

This Remuneration Report explains how the Suncorp Group's performance for the 2016-17 financial year has driven remuneration outcomes for the executives who are the Suncorp Group's key management personnel (**KMP**). KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Suncorp Group, as listed in the following table.

Name	Position	Changes during 2016-17
Non-executive directors		
Dr Zygmunt Switkowski AO	Chairman	
William Bartlett	Director	
Audette Exel AO	Director	
Sally Herman	Director	
Ewoud Kulk	Director	
Christine McLoughlin	Director	
Dr Douglas McTaggart	Director	
Simon Machell	Director	Appointed 7 April 2017
Former non-executive director		
Geoffrey Ricketts CNZM[1]	Director	Ceased directorship 22 September 2016
Executive director		
Michael Cameron	CEO & Managing Director	
Senior Executives		
David Carter	Chief Executive Officer Banking & Wealth	Appointed 26 September 2016 (Internal promotion)
Anthony Day	Chief Executive Officer Insurance	
Gary Dransfield	Chief Executive Officer Customer Platforms	
Sarah Harland	Chief Information Officer	Appointed 1 September 2016
Steve Johnston	Chief Financial Officer	
Pip Marlow	Chief Executive Officer Strategic Innovation	Appointed 13 March 2017
Kate Olgers	Chief Legal Officer	Appointed 17 October 2016
Mark Reinke	Chief Customer Experience Officer	
Amanda Revis	Chief People Experience Officer	
Paul Smeaton	Chief Executive Officer Suncorp New Zealand	
Fiona Thompson	Chief Risk Officer	Acting Chief Risk & Legal Officer effective 4 August 2016. Appointed Chief Risk Officer on 17 October 2016 (Internal promotion)
Former Senior Executives		
Clayton Herbert	Chief Transformation Officer	Ceased employment 20 January 2017
Anna Lenahan	Chief Risk and Legal Officer	Ceased employment 15 September 2016
John Nesbitt	Chief Executive Officer Banking & Wealth	Ceased employment 30 September 2016

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

1) An overview of the Suncorp Group's performance in 2016-17.

2) The remuneration for the CEO & Managing Director and Senior Executives (the executives reporting to the CEO & Managing Director who are KMP).

3) The remuneration for 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.

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1 Mr Geoffrey Ricketts ceased directorship on the Suncorp Group Board but remains the Chairman of Vero Insurance Limited New Zealand and other New Zealand insurance companies.

In accordance with section 308(3C) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the external auditor, KPMG, has audited sections 2, 3 and 4 of this Remuneration Report, unless otherwise stated. For the purposes of this report, 'executive' means the CEO & Managing Director and any of the Senior Executives.

1. Summary of 2016-17 performance and remuneration

1.1 2016-17 performance summary

Focus	Description	Further information
Key financial outcomes	– Suncorp delivered total shareholder returns (**TSR**) of 28.3% (net dividends reinvested) for the year ended 30 June 2017. Comparatively, our peer group delivered a total return of 20.0 % for the year. – Suncorp's TSR for the five-year period ending 30 June 2017 is 151.5%, more than double the ASX 200 Accumulation Index[1] return of 74.8% for the comparable period. – Net profit after tax (**NPAT**) from the Suncorp Group's business functions of Insurance, Banking & Wealth and New Zealand is $1,205 million. The Suncorp Group's reported NPAT, before non-controlling interests is $1,075 million. – Total declared dividends for 2016-17 will be 73 cents per share, consisting of a 33 cent per share interim dividend, and a 40 cents per share final dividend. – Return on equity (**ROE**) for 2016-17 is 7.9%. – Gross written premium increased by 4.7% to $9,456 million. – The reported ITR was $965 million, representing a reported ITR ratio of 11.8%. – Bad debts as a percentage of total lending assets has reduced to 0.01% for 2016-17 from 0.03% for last financial year.	Section 2.5 and the Financial Statements
Assessment of effective risk management practices	Understanding the effectiveness of our risk management practices and risk culture is vital and informs the assessment of performance. This is a key link in ensuring remuneration outcomes are balanced over the short and longer-term period. Our remuneration framework ensures the comprehensive recognition and consideration of risk through: – the effective measurement of risk maturity – a detailed review of risk management practices undertaken by the Board Risk Committee (including reviewing in the context of regulatory guidelines on risk culture) – a reassessment of reward outcomes where a failure of risk management policy or practice is determined – deferral of a significant portion of executives' short-term incentives (**STI**) – potential clawback of executives' deferred STI and unvested long-term incentives (**LTI**) – separate performance and remuneration review processes for risk and financial control personnel – a hedging prohibition on Suncorp securities (including any unvested performance rights)	Section 2.7

1 Excluding Real Estate Investment Trusts

Focus	Description	Further information
People	– The Suncorp Group's Safety and Wellbeing plan continues to deliver benefits with a further reduction in the Suncorp Group's Lost Time Injury Frequency Rate to 1.6 for 2016-17. The result is a 32% improvement on the average result for the previous five financial years. – The overall engagement score of 62%[1] remains above the Australian and global average and strengthens our commitment to improving our people's experience during their time at Suncorp. – Development of an integrated organisational culture measurement of which risk is a core dimension that contributes to Suncorp's overall culture and helps shape the behaviours of our workforce.	Section 2.5
Customer	– Suncorp Group's ability to leverage the diversity of solutions available across our brands, as well as through strategic partnerships, has strengthened our ability to deliver value across multiple customer needs. Suncorp's commitment to providing value to customers is supported by a return to positive growth in Connected Customers. (Connected Customers are customers with two or more needs met across home, self, mobility and money categories) in the latter part of the 2016-17 financial year. – During 2016-17, the Suncorp Group saw improvements in retention rates and strong customer inflows, resulting in a material increase to the Group's total customers, with net customer flows in excess of 147,000 in 2016-17. – Other key highlights include implementing our new operating model, progressing our Elevate the Customer program, opening two concept stores, launching our new branding and improving processes and technology.	Section 2.5

The graph below shows the value over time of a $100 investment made on 1 July 2012, with the Suncorp Group Limited ordinary shares, total shareholder return (net dividends reinvested) outperforming the S&P/ASX 50 total return (accumulation) index by 44.9% over the five years to 30 June 2017.

1 Due to a change in provider (and accordingly methodology), year-on-year results are not comparable.

1.2 2016-17 remuneration summary

The CEO & Managing Director has continued to strengthen the executive team in order to align with the new operating model and deliver the new Marketplace strategy. Several key executives were appointed during the year, both from internal promotion and external recruitment. To support the new structure of the executive team, including their revised accountabilities, the Remuneration Committee evaluated the fixed and total remuneration appropriate for each role.

Remuneration component	Description	2017 Snapshot	Further information
Fixed remuneration for executives and non-executive directors	Comprised of base salary and superannuation for executives and fees and superannuation for non-executive directors.	Fixed remuneration changed for specified Senior Executives to reflect the additional requirements of the role under the new operating model and better align to the market. A detailed review of non-executive director fees was concluded, resulting in a modest increase for the Remuneration Committee.	Section 2.4
Short-term incentives (**STI**)	Determined by a balanced scorecard of financial and non-financial measures. A material portion is deferred as equity for two years.	Target STI remains at 100% of fixed remuneration with the maximum opportunity being 150% of fixed remuneration. Based on the Board's assessment of performance against the Suncorp Group's balanced scorecard, the achievement against target STI for Senior Executives is 94%. The outcome as assessed against maximum STI is 62%.	Section 2.5
Long-term incentives (**LTI**)	Performance rights with a TSR hurdle measured relative to a peer comparator group.	For Senior Executives, the LTI award remains 100% of fixed remuneration. The 2013 LTI grant lapsed on 30 September 2016 as the performance hurdle was not met.	Section 2.6
Strengthening the alignment of Senior Executives' and directors' interests with those of shareholders	A minimum shareholding requirement for the CEO & Managing Director, Senior Executives and non-executive directors was introduced in 2014.	All Senior Executives and directors who were in office when this requirement was introduced are on track to hold sufficient shares to meet the minimum holding requirement by October 2017.	Sections 2.7 and 3.1

Review of remuneration structure

The current remuneration structure comprised of fixed remuneration, an annual STI, deferred STI and the grant of LTI, has been in place for several years. During 2016-17, the Remuneration Committee commenced a review of Suncorp's remuneration structure. The review was initiated in recognition of the evolution of the Suncorp Group, the operating structure, strategic priorities and the markets in which Suncorp operates. The talent requirements of Suncorp are increasingly diverse and drawn from broader markets than financial services requiring the Remuneration Committee to examine global practices across a range of industries.

The Remuneration Committee is evaluating a number of alternative structures that may be better aligned with Suncorp Group's strategic objectives, including the introduction of a second measure to the current LTI plan, extending the performance period of the current LTI plan and alternative incentive models.

The Remuneration Committee confirmed that the objective remains to generate superior and sustainable returns for shareholders over the longer term and the most effective mechanism for ensuring executive reward outcomes are consistent with optimal shareholder return is to increase executive share ownership and to ensure performance scorecard measures are aligned to business strategy.

While no change is being made to the 2017-18 remuneration structure, Suncorp proposes to consult with shareholders, regulators, and with other internal and external stakeholders over the coming months and will determine the most appropriate way forward

Details of any new structure will be included in next year's Remuneration Report for introduction from 1 July 2018.

2. Executive remuneration

2.1 Remuneration governance framework

Remuneration Committee

The Remuneration Committee, which operates under its own Charter and reports to the Board, is chaired by Ms Christine McLoughlin who has extensive experience in both business and governance. The other members of the Remuneration Committee are experienced independent non-executive directors of Suncorp Group and include the Chairman of the Audit Committee and the Chairman of the Risk Committee. Biographies of the Remuneration Committee members are provided in the Directors' Report.

REMUNERATION COMMITTEE MEMBERSHIP AS AT 30 JUNE 2017

Chairman	Christine McLoughlin
Members	William Bartlett
	Ewoud Kulk
	Dr Douglas McTaggart
Ex officio member	Dr Zygmunt Switkowski AO

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 improvement activity
- closely monitors the remuneration framework to ensure that it meets the key objective 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 CEO & Managing Director, other members of management and, where relevant, independent external advisers
- oversees the preparation of this Remuneration Report.

The Remuneration Committee met four times and attended two workshops during 2016-17 and fully discharged its responsibilities in accordance with the Remuneration Committee Charter.

The Remuneration Committee Charter, which the Board reviews regularly, was reviewed and confirmed in July 2017. The Remuneration Committee Charter is available at suncorpgroup.com.au/about-us/governance.

Through both formal meetings and workshops, the Remuneration Committee reviewed the Suncorp Group's Remuneration Policy to ensure that it provides shareholders with an effective mechanism to motivate and reward performance consistent with our strategy.

More information on the responsibilities of the Remuneration Committee can be found in the Corporate Governance Statement at suncorpgroup.com.au/about-us/governance.

The Suncorp Group's remuneration governance framework, which meets the standards expected by the ASX *Corporate Governance Principles and Recommendations* (3rd edition), is summarised below.

APPROVE

Board

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

ENDORSE

Audit & Risk Committees

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

Remuneration Committee

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

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

The Committee assesses the regulatory environment and provides guidance to the Board to ensure changes are aligned to our risk culture and have been recognised in the development of our remuneration framework

RECOMMEND

Chief Executive Officer & Managing Director

Makes recommendations to the Remuneration Committee on:

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

External Advisers

Provide advice to the Remuneration Committee on:

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

CONTRIBUTE

Remuneration Oversight Committee

Makes recommendations to the CEO & Managing Director on clawback of deferred remuneration for employees other than Senior Executives

The emerging regulatory environment

The Remuneration Committee evaluated the developments in domestic and international regulations, including conduct risk. The key themes are enhancing accountability, improving transparency and balancing the interests of customers, shareholders and the regulators. While extensive, the regulatory changes are aligned to our risk culture and have been recognised in the development of our remuneration framework.

External remuneration advisers’ services

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

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

The following external advisers provided information and assistance to management and the Remuneration Committee on a range of matters, to inform the Remuneration Committee’s recommendations and decision-making during 2016-17.

Services relating to remuneration matters	External advisers providing this service to Suncorp Group in 2016-17
TSR performance analysis for LTI awards	Mercer Consulting (Australia)
TSR validation for LTI awards	Ernst & Young
Reward Strategy and Structure	Ernst & Young

These advisers did not provide any remuneration recommendations and they were not ‘remuneration consultants’ to the Suncorp Group as defined in the Corporations Act.

The Board and the Remuneration Committee did not engage any ‘remuneration consultants’ in 2016-17.

2.2 Executive remuneration strategy and framework

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

Remuneration strategy

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

OBJECTIVE

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

REWARD PRINCIPLES

- Align reward with sustainable performance
- Deliver a competitive advantage
- Align effective risk management with reward
- Ensure gender pay equality
- Balance stakeholder interests
- Support Suncorp's Our Compass behaviours (Think Big, Show You Care, Kick Goals, Be Your Best)

COMPONENTS OF REWARD

Fixed Remuneration

Reflects individual's skills and experience, role scope and regulatory requirements

At-Risk Remuneration

Enables the Board to recognise performance while flexibly maintaining cost base and responding effectively to market and regulatory circumstances

The awards are at risk subject to the achievement of robust performance requirements that also provide an incentive for the delivery of higher levels of performance within our risk appetite

PERFORMANCE AND RISK

Fixed Remuneration

- Reviewed annually as part of performance assessment
- Increases reflect change in role, individual performance and contribution to Suncorp Group taking into consideration market competitiveness

Short-term incentives

- Incentivise the achievement of Suncorp Group, business function and individual outcomes
- Deferral and clawback encourage a longer-term focus
- Effective 2016-17, 50% (CEO & Managing Director) and 35% (Senior Executives) of STI is deferred into equity for two years with 50% vesting on the first anniversary and 50% vesting on the second anniversary
- Cash-based deferral remains on foot in relation to STI awarded for 2015-16 and 2014-15 performance years
- The Board's determination of Suncorp Group's STI pool includes consideration of risk management through a variety of financial and non-financial measures

Long-term incentives

- Executives are rewarded for their contribution to the creation of long-term shareholder value by way of equity in the Group
- Outcome determined by achievement of Relative TSR which is an external, objective and relative measure
- Clawback enables the Board to exercise its judgment to reduce LTI if, in the Board's judgment, such an adjustment should occur

Executives are prohibited from hedging equity instruments that are unvested or subject to restrictions

REMUNERATION POSITIONING

The total remuneration opportunity for the CEO & Managing Director and Senior Executives is evaluated on an annual basis against relevant roles in our comparator group, defined as the financial services companies in the ASX 100, excluding Real Estate Investment Trusts.

2.3 2016-17 executive remuneration outcomes

The following table is a voluntary disclosure summarising the actual remuneration the CEO & Managing Director and Senior Executives received or earned during the 2016-17 financial year and represents:

- fixed remuneration earned
- the value of incentives earned as a result of 2016-17 performance
- the value of any deferred STI that vested during the year
- the value of any LTI that vested during the year.

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

	Remuneration earned in respect of 2016-17[1]			Past 'at-risk' remuneration paid in 2016-17[2]					Future 'at-risk' remuneration awarded in 2016-17[3]	
	Fixed	Other	2016-17 incentives	Deferred STI (cash) vested in 2016-17	% Vesting	LTI/RSP (equity) vested in 2016-17	% Vesting	Actual remuneration received or earned in 2016-17	2016-17 STI (deferred equity)	LTI/RSP (equity) granted in 2016-17
	$000	$000	$000	$000		$000		$000	$000	$000
Executive director										
M Cameron	2,100	-	983	-	-	1,082	100	4,165	1,040	3,000[4]
Senior Executives										
D Carter	563	-	348	77	100	-	-	988	198	664
A Day	1,097	-	699	366	100	-	-	2,162	399	950
G Dransfield	1,017	-	639	311	100	-	-	1,967	364	925
S Harland	535	-	328	-	-	-	-	863	187	900[5]
S Johnston	987	-	608	212	100	-	-	1,807	347	950
P Marlow	264	-	165	-	-	-	-	429	94	2,100[6]
K Olgers	391	-	257	-	-	-	-	648	146	574
M Reinke	755	-	471	200	100	-	-	1,426	269	700
A Revis	792	-	487	284	100	-	-	1,563	277	775
P Smeaton	833	81	487	83	100	-	-	1,484	277	784
F Thompson	531	-	331	-	-	16	100	878	189	535
Former Senior Executives										
C Herbert	451	775	-	299	100	-	-	1,525	-	775
A Lenahan	186	-	-	229	100	-	-	415	-	-
J Nesbitt	285	949	-	407	100	-	-	1,641	-	-

1 'Remuneration earned in respect of 2016-17' comprises:

- fixed remuneration (actual fixed remuneration received, including salary-sacrificed benefits and employer superannuation)
- other one-off or transitory elements in relation to termination or relocation allowance. For Mr Paul Smeaton, as part of contractual entitlements, the residual amount of his relocation and repatriation allowance ($81,000) was paid out during 2016-17. Mr Clayton Herbert and Mr John Nesbitt received termination benefits in line with contractual entitlements.
- The non-deferred cash component of STI which relates to 2016-17 performance. This represents 50% of the total 2016-17 STI for the CEO & Managing Director and 65% of the total 2016-17 STI for all Senior Executives.

2 'Past 'at-risk' remuneration paid in 2016-17' comprises:

- deferred cash STI awarded in previous years that vested during 2016-17. For Mr David Carter and Mr Paul Smeaton, this relates to vesting of deferred STI awarded prior to their appointment as a Senior Executive.
- 'LTI/RSP (equity) vested in 2016-17' represents the value of performance rights (under the LTI plan), restricted shares (under the Restricted Share Plan for non-KMP role) or sign on awards that vested during 2016-17. The 2013 LTI grant, did not vest on 30 September 2016 as the performance hurdle was not met. 'Equity vested in 2016-17' for Mr Michael Cameron represents tranche 2 of the restricted shares, which vested 1 January 2017, awarded on commencement at Suncorp in recognition of incentives foregone with Mr Michael Cameron's previous employer. 'Equity vested in 2016-17' for Ms Fiona Thompson represents restricted shares awarded in 2013-14 relating to a non-executive role.

3 'Future 'at-risk' remuneration awarded in 2016-17' is not guaranteed and comprises:

- the deferred equity portion of 2016-17 STI, which is subject to potential clawback and risk of forfeiture during the deferral period. The total number of rights to be granted in August 2017 is based on the deferred STI amount (plus actual dividends paid in 2016-17 performance year) divided by the June 2016 volume-weighted average price (VWAP) ($12.19).
- the face value of LTI performance rights and RSP shares granted during 2016-17 that may conditionally vest in future years.

4 The corresponding fair value is $1.58 million, represented by the total number of performance rights granted during 2016-17 multiplied by the fair value at grant date (assuming all performance criteria are met).

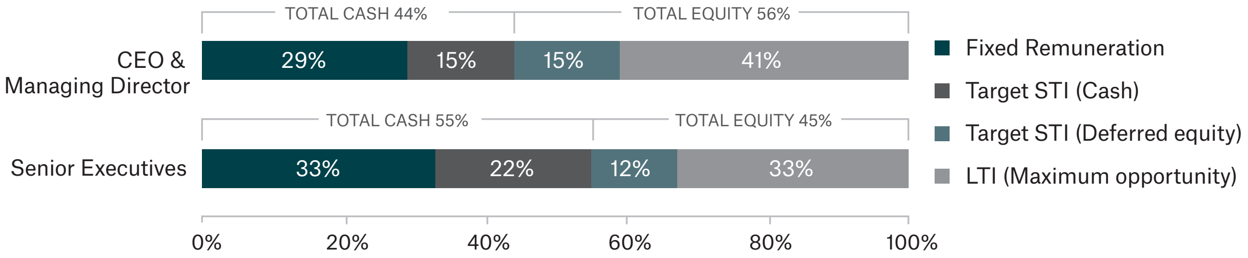
5 Ms Sarah Harland was awarded LTI performance rights on 1 September 2016. In addition, upon commencement of employment, an award under the restricted share plan was granted in recognition of incentives foregone with previous employer. Subject to service criteria under the Suncorp Group's Equity Plan Rules, vesting will occur in 2017-18. Refer to the movement in equity plans table in section 2.6.

6 Ms Pip Marlow was awarded restricted shares under the restricted share plan upon commencement of employment, in recognition of incentives foregone with previous employer. Subject to service criteria under the Suncorp Group's Equity Plan Rules, vesting will occur over three years from 1 July 2017. Refer to the movement in equity plans table in section 2.6.

Remuneration mix

The mix of fixed and 'at-risk' remuneration components for the executives disclosed in the Remuneration Report, as a percentage of total target annual remuneration for the 2016-17 financial year, is shown below. The CEO & Managing Director's remuneration mix is heavily focused on longer-term performance and two thirds of total remuneration for Senior Executives is at-risk.

CEO & Managing Director and Senior Executives' 2016-17 remuneration mix



2.4 Fixed remuneration

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

A small number of Senior Executives received fixed remuneration increases during 2016-17 to reflect the additional requirements of their role under the new operating model and to better align to the market.

The CEO & Managing Director's fixed remuneration is unchanged since commencement in October 2015.

2.5 Short-term incentives

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

Balanced scorecard	A balanced scorecard of financial and non-financial performance objectives measures performance for STI awards.
Funding determination	Based upon the assessment of performance, the Remuneration Committee recommends the quantum of the STI pool to the Board for approval.
Deferral	**Equity-based deferral from 2016-17** 50% of the CEO & Managing Director 's STI and 35% of Senior Executives' STI are deferred into equity for two years with 50% vesting on the 1st anniversary and 50% on the 2nd anniversary. During the deferral period, the Board considers the long-term impacts of decisions made and actions taken that gave rise to the deferred STI award. In accordance with the risk governance framework, significant adverse outcomes may give grounds for the Board to apply its discretion to adjust the original deferred incentive allocation downwards, including to zero if necessary (a process referred to as 'clawback'). A dividend equivalent payment will be paid on vesting, equivalent to the notional net dividends earned during the incentive deferral period. The actual dividends paid over the performance period is taken into account in determining the final quantity of rights to be issued. In the event of termination of employment by Suncorp for cause or resignation, the deferred incentive, together with any dividend equivalents, will lapse.

	To focus Senior Executives on total shareholder returns, the allocation of equity is determined based upon the one month volume-weighted average price (**VWAP**) in June 2016, augmented for dividends paid in the financial year. **Previous awards: cash deferral** Prior to 2016-17, a 'cash-based' deferral was applied and remains operative in respect of deferred STI awarded for 2015-16 and 2014-15 performance. Interest accrues during the deferral period and is payable upon vesting. In the event of resignation, redundancy or retirement, the deferred incentive portion is retained and vests at the end of the original deferral period, subject to Board approval.
Adjusted net profit after tax (NPAT)	The Board considers Adjusted NPAT to be an appropriate reflection of the Suncorp Group's performance relative to its targets. The measure provides relevant information used internally to evaluate performance of functions, and to analyse trends in revenue and cash-based expenses, based upon controllable items. It is the basis for operational objectives and used to allocate resources. As a measure of management performance, it is an effective measure for STI. Adjusted NPAT provides stakeholders with a clear understanding of the Group's results. It excludes the effects of a limited range of actions and special items that do not reflect the ordinary earnings of the business. Over time, Adjusted NPAT allows the evaluation of Suncorp's period-over-period operating performance. The Board considers this measure to be useful to shareholders in evaluating the underlying operating performance of the business. Adjusted NPAT has been determined on a consistent basis since the year ended 30 June 2012. In determining adjusted NPAT, the following adjustments are made: – Investment market impact being the variance to budget (after tax) above or below expected returns. – Life and Wealth market adjustment (variance to budget). – Natural hazards – variance to budget (after tax) being 'claims above or below expected allowances'. – Prior year releases – variance to budget (after tax) representing the strengthening or releases that are above or below expectations. – By exception, the Board also considers material one-time items arising from profits or losses on material divestment or material non-cash transactions. These items represent actions that are in the long-term interest of Suncorp.

Performance assessment

When establishing appropriate performance measures and evaluating outcomes, the Board and management:

- focus on high performance, striving for operational excellence, whilst carrying out business legally, ethically and with integrity
- critically assess risk management effectiveness in accordance with our Enterprise Risk Management Framework (**ERMF**) and risk appetite
- promote the Suncorp Group behaviours known as Our Compass, that establish 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 following table sets out the structure of the 2016-17 Suncorp Group scorecard measures, their link to strategy and the Group scorecard outcome used to determine the STI outcome for the CEO & Managing Director.

STRATEGIC DRIVER	MEASURES	LINK TO STRATEGY	2016-17 ACHIEVEMENTS
GROUP PROFIT AND FINANCIALS 60%			
Disciplined Financial choices Improve shareholder returns	Adjusted NPAT 40%	Delivering yield and above system growth by leveraging the Group's strategic assets (Customer, Capital, Cost and Culture)	The Group delivered a NPAT result of $1,196 million adjusted for non-controllable items. The Board determined that the result met expectations and was in line with the 2016-17 target.
	Cash Return on Equity 20%		Cash return on equity for 2016-17 was 8.4%. The outcome was a positive increase on 2015-16, however, the result was below target.
	The Board considers other factors including the operational efficiency and the alignment to strategic plans approved by the Board consistent with the Board's expressed risk appetite		
RISK 10%			
Sustained performance requires prudent risk taking and effective risk management	Risk Maturity Measure 5%	Ensuring we continue to do the right thing by all our stakeholders	Suncorp's effectiveness in driving a positive risk culture has resulted in an above target result for risk maturity. The efficacy of our Risk Maturity Model and related outcomes have been independently reviewed and validated.
	Demonstration of Risk Management Practices 5%		The Board acknowledges that the Group has operated well within the parameters of the Group Risk Appetite Statement. In assessing the performance outcome, the Board reinforces that the effectiveness of risk management practices remains vital to performance assessment at all levels.
PEOPLE 10%			
Maintain a high achieving and engaged team Integrate safety and wellbeing into all that we do	Develop Organisational Culture Measure 5%	Creating the must have experience for all people who work with Suncorp	In recognition of the significant role culture plays in delivering sustained and superior performance the Board endorsed the development of an integrated culture measure, with both qualitative and quantitative elements. The measure has been designed to support the Board in assessing the culture in 2017-18.
	Workplace Safety and Wellbeing Performance 5%		The Group's Safety and Wellbeing Strategy continues to deliver benefits with a further reduction in Suncorp's Lost Time Injury Frequency Rate to 1.6 for 2016-17. The result is 32% lower than the average result for the previous five financial years.
CUSTOMER 20%			
Enhancing the value of 9 million customer connections and 13 valuable brands	Connected Customer Growth 10%	Ensuring we broaden and deepen customer relationships through meeting their needs consistently across the Group	In 2016-17, a number of initiatives were launched to deliver more value for our customers across multiple needs. The initiatives include launching new products, making it easier for customers to access existing solutions and launching new digital solutions. This resulted in a return to positive Connected Customer growth in the latter part of 2016-17, although a below target performance overall.
	Delivering Positive Net Customer Flows 10%		The improvement in retention rates and strong customer inflows across the Group's key brands in 2016-17 resulted in a material increase to the Group's total customers, with net customer flows of +147,000 in 2016-17. This outcome exceeded target.

STI performance outcomes for the CEO & Managing Director and Senior Executives in 2016-17

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

The Board approved the CEO & Managing Director's recommendation that STI outcomes for 2016-17 should be consistent for all Senior Executives. It was determined that this outcome most appropriately recognised the contribution of all Senior Executives within the One Suncorp operating model that delivered results to our shareholders in 2016-17.

Actual STI outcomes for 2016-17 for the CEO & Managing Director and Senior Executives are represented in the table below.

	Actual STI Awarded[1]	Target STI[2]	STI award as % of target STI	Max STI[3]	STI award as % of maximum STI	% of maximum STI award forfeited	Amount deferred[4]
	$000	$000		$000			$000
Executive Director							
M Cameron	1,966	2,100	94%	3,150	62%	38%	983
Senior Executives[5]							
D Carter	535	571	94%	857	62%	38%	187
A Day	1,076	1,150	94%	1,725	62%	38%	377
G Dransfield	983	1,050	94%	1,575	62%	38%	344
S Harland	505	540	94%	809	62%	38%	177
S Johnston	936	1,000	94%	1,500	62%	38%	328
P Marlow	254	271	94%	407	62%	38%	89
K Olgers	395	422	94%	634	62%	38%	138
M Reinke	725	775	94%	1,163	62%	38%	254
A Revis	749	800	94%	1,200	62%	38%	262
P Smeaton	749	800	94%	1,200	62%	38%	262
F Thompson	509	544	94%	816	62%	38%	178

1 The value of STI awarded for 2016-17 represented is before any deferral.

2 Target STI is 100% of fixed remuneration for the CEO & Managing Director and all Senior Executives. A pro-rata amount is presented for executives who were not KMP for the full financial year.

3 Maximum STI for the CEO & Managing Director and Senior Executives is 150% of fixed remuneration. A pro-rata amount is presented for executives who were not KMP for the full financial year.

4 50% of the Group CEO & Managing Director's STI outcome and 35% of Senior Executives' STI outcome is deferred into equity for two years with 50% vesting on the first anniversary and 50% vesting on the second anniversary. The value shown does not include actual dividends paid in the 2016-17 performance year. Refer to the table in section 2.3 for the total amount deferred including total dividends paid in the 2016-17 performance year.

5 Mr Clayton Herbert, Ms Anna Lenahan and Mr John Nesbitt are ineligible to receive an STI award in 2016-17 due to cessation of employment.

2.6 Long-term incentives

Company performance links to LTI

The table below provides an overall view of the Company's performance over the five financial years to 30 June 2017.

Year ended 30 June	Profit for the year[1] $M	Closing share price[2] $	Dividend per share cents
2017	1,085	14.82	73
2016	1,045	12.18	68
2015	1,140	13.43	88
2014	737	13.54	105
2013	496	11.92	75

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

Since October 2013, LTI grants are awarded in the form of performance rights through the Suncorp Group Equity Incentive Plan.

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.

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

Performance rights	A performance right entitles a participant to one fully paid ordinary share in the Company (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in the Company) at no cost. Performance rights vest at a set future point in time, provided specific performance hurdles are met.
Dividends	If performance rights vest and shares are allocated, a payment equal to the dividends earned on those shares during the performance period is paid (less applicable taxes paid or due to be paid by the trustee with respect to the dividends).
Allocation	The face value of LTI to be granted to participants is determined by the Board. The number of performance rights is equivalent to the value of the LTI divided by the five-day volume-weighted average price (**VWAP**) 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 Suncorp Group Equity Incentive Plan trustee and held in trust (along with associated dividends received) during the vesting period.
Performance hurdle	The performance of the Company's share price over the long term determines the extent to which LTI performance rights vest. This is measured by ranking the Company's TSR against the returns of the Peer Comparator Group. TSR (expressed as a percentage): – is a method of calculating the return shareholders would earn if they held a notional number of shares over a defined period of time – measures the change in a company's share price, together with the value of dividends received during the period (assuming all dividends are re-invested into new shares) and capital returns – will vary over time, but the relative position reflects the overall performance relative to the Peer Comparator Group.

1 Note that the profit figure in the table is not the same as the adjusted profit calculation used for STI purposes. Refer to section 2.5 for more information on adjusted profit after tax used for STI purposes.

2 Closing share price at 30 June.

	TSR performance is monitored by an independent external party on a quarterly basis, for all unvested grants. At final vesting, two independent external parties validate TSR performance. The relative TSR performance measure is chosen because it: – offers a relevant indicator of measuring changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of a similar size and investment profile – aligns shareholder returns with reward outcomes for executives over the long term – minimises the impact of market cycles.
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/ASX 100 (excluding Real Estate Investment Trusts and mining companies[1]), as determined at the commencement of each grant. If a company in the Peer Comparator Group is acquired or delisted during the performance period, it is removed from the ASX list. There may, therefore, be fewer than 50 companies in the Peer Comparator Group for that period.
Vesting schedule	Senior Executives will only derive value from the LTI if the Company's TSR performance is at, or greater than, the median of the Peer Comparator Group. Performance rights vest in accordance with the LTI vesting schedule represented in the table below, subject to clawback (see section 2.7).

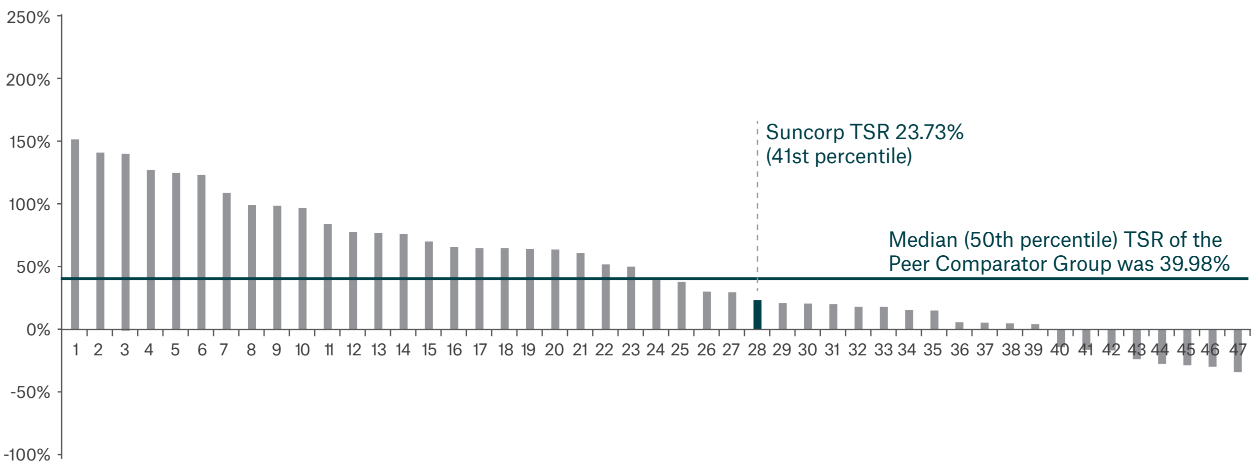
Relative TSR performance outcomes	Percentage of LTI award that will vest
Below the 50th percentile (below median performance)	0%
At the 50th percentile (median performance)	50%
Between the 50th and 75th percentiles	50% plus 2% for each full 1% increase in the Company's ranking against the Peer Comparator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

Performance period	The performance period is three years. There is no retesting opportunity and any performance rights that do not vest at the end of the three-year performance period will lapse.

Executives' 2013 grant

The LTI performance hurdle for the executives' October 2013 Grant, with a vesting date of 30 September 2016, was not met as the relative TSR performance outcome (23.73%) was below the median of the Peer Comparator Group, and subsequently all 2013 LTI awards did not vest.

Peer Comparator Group TSR Outcomes, Ranked From Highest To Lowest



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

Movement in equity plans

The movement of performance rights and restricted shares during 2016-17 and executives' current LTI grants as at 30 June 2017 are outlined in the following table[1,2].

	Performance rights/restricted shares granted			Fair value yet to vest		Market value				
	Number	Grant date	Financial year in which grant may vest	Min[3] $	Max[4] $	At date of grant[5] $	As at 30 June 2017[6] $	Vested in year %	Forfeited in year %	Vested in year Number
Executive director										
M Cameron[7]	80,000	24 September 2015	30 June 2017	-	-	-	-	100%	-	80,000
	80,000	24 September 2015	30 June 2018	-	988,000	990,400	1,185,600	-	-	-
	226,639	24 September 2015	30 June 2019	-	1,271,445	2,805,791	3,358,790	-	-	-
	235,017	1 September 2016	30 June 2020	-	1,579,314	2,998,817	3,482,952	-	-	-
Senior Executives										
D Carter[8]	5,867	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	5,769	1 October 2014	30 June 2018	-	47,248	81,689	85,497	-	-	-
	6,977	1 September 2015	30 June 2019	-	42,978	87,352	103,399	-	-	-
	2,520	1 September 2016	30 June 2018	-	32,117	32,151	37,346	-	-	-
	2,520	1 September 2016	30 June 2019	-	32,117	32,151	37,346	-	-	-
	2,519	1 September 2016	30 June 2020	-	32,117	32,142	37,332	-	-	-
	42,830	29 June 2017	30 June 2020	-	287,818	645,020	634, 741	-	-	-
A Day	57,006	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	56,561	1 October 2014	30 June 2018	-	463,235	800,904	838,234	-	-	-
	73,651	1 September 2015	30 June 2019	-	453,690	922,111	1,091,508	-	-	-
	74,422	1 September 2016	30 June 2020	-	500,116	949,625	1,102,934	-	-	-
G Dransfield	53,206	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	49,604	1 October 2014	30 June 2018	-	406,257	702,393	735,131	-	-	-
	62,022	1 September 2015	30 June 2019	-	382,056	776,515	919,166	-	-	-
	10,976	23 March 2016	30 June 2019	-	67,612	130,285	162,664	-	-	-
	72,463	1 September 2016	30 June 2020	-	486,951	924,628	1,073,902	-	-	-
S Harland[9]	50,920	1 September 2016	30 June 2020	-	342,182	649,739	754,634	-	-	-
	19,584	1 September 2016	30 June 2018	-	249,892	249,892	290,235	-	-	-
S Johnston	16,341	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	36,284	28 May 2014	30 June 2017	-	-	-	-	-	100%	-
	53,026	1 October 2014	30 June 2018	-	434,283	750,848	785,845	-	-	-
	73,651	1 September 2015	30 June 2019	-	453,690	922,111	1,091,508	-	-	-
	74,422	1 September 2016	30 June 2020	-	500,116	949,625	1,102,934	-	-	-
	52,330	31 March 2017	30 June 2018	-	693,373	691,279	775,531	-	-	-
	52,329	31 March 2017	30 June 2019	-	693,359	691,279	775,516	-	-	-

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

2 Ms Anna Lenahan ceased employment on 15 September 2016. Of the shares and performance rights held on leaving office 123,828 performance rights (100%) were forfeited.

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

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

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

6 Market value as at 30 June 2017 is calculated as the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2017.

7 Mr Michael Cameron was awarded restricted shares on commencement in recognition of incentives foregone with Mr Michael Cameron's previous employer. 80,000 vested on 1 January 2016, 80,000 vested on 1 January 2017 and a further 80,000 will vest on 1 January 2018, subject to service criteria being met.

8 Mr David Carter was awarded 7,559 restricted shares prior to commencing as a Senior Executive (this relates to Mr David Carter's previous Executive General Manager role). Vesting annually over three years from 1 September 2016, subject to service criteria and the Suncorp Group's Equity Plan Rules.

9 Ms Sarah Harland was awarded 19,584 restricted shares under the restricted share plan upon commencement of employment in recognition of incentives foregone with previous employer. Vesting will occur in the 2017-18 financial year and will be subject to service criteria under the Suncorp Group's Equity Plan Rules.

	Performance rights/restricted shares granted			Fair value yet to vest		Market value				
	Number	Grant date	Financial year in which grant may vest	Min[3] $	Max[4] $	At date of grant[5] $	As at 30 June 2017[6] $	Vested in year %	Forfeited in year %	Vested in year Number
P Marlow[1]	52,329	31 March 2017	30 June 2020	-	693,359	691,279	775,516	-	-	-
K Olgers	43,318	29 March 2017	30 June 2020	-	291,097	573,964	641,973	-	-	-
M Reinke	17,101	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	25,635	28 May 2014	30 June 2017	-	-	-	-	-	100%	-
	38,885	1 October 2014	30 June 2018	-	318,468	550,612	576,276	-	-	-
	54,269	1 September 2015	30 June 2019	-	334,297	679,448	804,267	-	-	-
	54,837	1 September 2016	30 June 2020	-	368,505	699,720	812,684	-	-	-
A Revis	45,605	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	44,895	1 October 2014	30 June 2018	-	367,690	635,713	665,344	-	-	-
	56,208	1 September 2015	30 June 2019	-	346,241	703,724	833,003	-	-	-
	60,712	1 September 2016	30 June 2020	-	407,985	774,685	899,752	-	-	-
P Smeaton	5,700	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	5,656	1 October 2014	30 June 2018	-	46,323	80,089	83,822	-	-	-
	54,269	1 September 2015	30 June 2019	-	334,297	679,448	804,267	-	-	-
	61,406	1 September 2016	30 June 2020	-	412,648	783,541	910,037	-	-	-
F Thompson[2]	1,325	1 June 2014	30 June 2017	-				100%	-	1,325
	1,166	1 October 2014	30 June 2018	-	16,394	16,511	17,280	-	-	-
	3,277	1 May 2015	30 June 2018	-	26,839	46,402	48,565		-	
	5,426	1 September 2015	30 June 2019	-	33,424	67,934	80,413	-	-	-
	1,906	1 September 2016	30 June 2018	-	24,295	24,321	28,247	-	-	-
	1,906	1 September 2016	30 June 2019	-	24,295	24,321	28,247	-	-	-
	1,906	1 September 2016	30 June 2020	-	24,295	24,321	28,247	-	-	-
	34,862	29 June 2017	30 June 2020		234,273	525,022	516,655	-	-	-
Former Senior Executives										
C Herbert	45,605	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	47,723	1 October 2014	30 June 2018	-	300,901	520,238	544,487	-	23%	-
	60,084	1 September 2015	30 June 2019	-	171,704	348,982	413,093	-	54%	-
	60,712	1 September 2016	30 June 2020	-	52,907	100,459	116,678	-	87%	-
J Nesbitt	68,407	1 October 2013	30 June 2017	-	-	-	-	-	100%	-
	63,777	1 October 2014	30 June 2018	-	348,697	602,876	630,976	-	33%	-
	79,466	1 September 2015	30 June 2019	-	177,026	359,800	425,897	-	64%	-

2.7 Remuneration aligns with risk management

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

The ERMF lays the foundation for all risk management processes across the Group. The ERMF helps ensure the integration of effective risk management across the organisation and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy).

The Board sets the risk appetite for the Group and has ultimate responsibility for the effectiveness of the Group's risk management practices.

In addition, the Chairman of the Remuneration Committee is a member of the Risk Committee, and similarly the Chairman of the Risk Committee is a member of the Remuneration Committee.

1 Ms Pip Marlow was awarded 156,988 restricted shares under the restricted share plan upon commencement of employment in recognition of incentives foregone with previous employer. Vesting will occur annually over three years from 1 July 2017, subject to service criteria under the Suncorp Group's Equity Plan Rules.

2 Ms Fiona Thompson was awarded 5,718 restricted shares prior to commencing as a Senior Executive (this relates to Ms Fiona Thompson's previous Executive General Manager role). Vesting annually over three years from 1 September 2016, subject to service criteria and the Suncorp Group's Equity Plan Rules.

Business function leaders develop their business strategy and risk tolerance with an understanding of the Group's risk appetite and also what is happening in the market in which the Group operates. Financial returns delivered to the Group are commensurate with the risks the Group is willing to take in pursuit of the achievement of business objectives. Additionally, risk is embedded in the way performance is measured for all employees across Suncorp.

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

- Separately weighted risk measures in the Group scorecard and adherence to the agreed risk appetite by the Group, business function and individuals as assessed by the Risk Committee.
- Individual adherence to risk management policies is assessed to ensure that the CEO & Managing Director, Senior Executives and other employees adhere to the ERMF, demonstrating performance that is aligned to expected ethical standards.
- An assessment based on behavioural and cultural measures, which considers compliance with the Suncorp Group Risk Appetite Statement. This is a significant consideration of overall performance to deliver an organisation-wide focus on prudent management of the risks the Group faces.
- The Group scorecard is subject to the Board's application of a judgment overlay, with risk management considered as a key component of the overall performance outcome.

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

Clawback

Deferred STI and unvested LTI are both subject to potential clawback based on the Board's judgment, as summarised below.

Purpose	Clawback enables the Board to adjust performance-based remuneration (including deferred STI and unvested LTI) downwards (including to zero), to protect the Group's financial soundness and ability to respond to unforeseen significant issues.
Criteria[1]	Clawback will be applied if prior to the date of release, it is determined that: – there was, during the performance year in respect of which the incentive was awarded, a failure to comply with Suncorp's risk management policies and practices – the employee was aware of the abovementioned failure, or should reasonably have been aware of that failure, when the incentive was awarded – the matters referred to above, if known at the time, would have resulted in materially different assumptions being applied when determining the incentive to be awarded to the employee. In exercising its discretion, the Board will consider whether the awards are appropriate, given later individual or business performance and other reasonable considerations. Individual and business performance considerations include, but are not limited to, significant adverse outcomes that reflect on the original assessment of performance and incentive decisions and allocations that are determined to have been made based on materially inaccurate information.

1 The criteria was reviewed, updated and approved by the Board in November 2014 (effective January 2015) to ensure consistent and appropriate application of clawback for all executives. The final criterion was approved by the Board in July 2016, effective thereafter.

Approval process	The Chief Risk Officer (**CRO**) and Chief Financial Officer (**CFO**) produce a report on relevant matters to be considered for clawback and release of deferred incentives and unvested LTI awards for the CEO & Managing Director and Senior Executives. The Chairmen of the Remuneration, Risk and Audit Committees verify the report information and confirm that all relevant matters have been considered. Based on this report: – the CEO & Managing Director makes a recommendation to the Board via the Remuneration Committee, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Senior Executives – the Chairmen of the Remuneration, Risk and Audit Committees make a recommendation to the Board, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the CEO & Managing Director.

Minimum shareholding requirement

To further align the CEO & Managing Director and Senior Executives' interests with those of shareholders, in the 2013-14 financial year the Board introduced a minimum shareholding requirement which requires executives to have a shareholding in the Company of a value that is equal to at least 100% of one year's pre-tax (gross) fixed remuneration.

Executives who were in office at October 2013 are required to achieve the full amount by October 2017. Any executive appointed after October 2013 will have four years from the October following their appointment to achieve the 100% shareholding, with 50% to be achieved after two years. The value of the shares for the purposes of this requirement is the market value of the underlying shares.

Based on their shareholding as at 30 June 2017, all executives who were in office as at October 2013 are on track to hold sufficient shares to meet the October 2017 requirement. Detailed share ownership information for executives is shown in section 4.2.

Risk and financial control personnel

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

In these roles, performance measures are set and assessment occurs independently of their business function, the CRO or CFO oversees the process as appropriate.

In addition, employees working in risk roles typically have a comparatively higher percentage of risk-based measures in their scorecard.

Hedging prohibition

The Suncorp Group Securities Trading Policy prohibits directors, employees and contractors from dealing in a financial product which operates to limit the economic risk of a holding in the Company's securities (i.e. hedging), including unvested 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, Senior 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 2017 Corporate Governance Statement at suncorpgroup.com.au/about-us/governance.

2.8 Executive remuneration – statutory disclosures

This section provides full details of total remuneration for the CEO & Managing Director and Senior Executives for 2016-17 and 2015-16, as required under the Corporations Act.

The following table includes STI and LTI amounts during 2016-17 and 2015-16 which are 'share-based payment' amounts that reflect the amount required to be expensed in accordance with Australian Accounting Standards.

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

		Short-term benefits				Post-employment benefits	Long-term benefits			Share-based payments			
		Salary and fees	Cash incentives	Non-monetary benefits[1]	Other[2]	Superannuation benefits	Deferred incentives[3]	Other[4]	Termination benefits[5]	Deferred STI[6]	Equity Granted[7]	Total remuneration	Performance related
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Executive director													
M Cameron	2017	2,080	983	38	160	20	16	35	-	527	1,657	5,516	57.7
	2016	1,537	630	29	118	16	630	26	-	-	2,315	5,301	67.4
Senior Executives													
D Carter	2017	548	348	3	34	15	5	56	-	100	152	1,261	48.0
A Day	2017	1,077	699	14	(26)	20	19	47	-	202	479	2,531	55.3
	2016	930	481	14	16	19	284	34	-	-	439	2,217	54.3
G Dransfield	2017	997	639	13	45	20	17	84	-	184	458	2,457	52.8
	2016	864	437	46	8	19	256	21	-	-	393	2,044	53.1
S Harland	2017	515	328	32	25	20	-	9	-	95	303	1,327	54.7
S Johnston	2017	967	608	1	5	20	18	25	-	176	471	2,291	55.6
	2016	930	469	1	27	19	269	39	-	-	427	2,181	53.4
P Marlow	2017	254	165	-	3	10	-	4	-	48	1,271	1,755	84.6
K Olgers	2017	371	257	4	20	20	-	7	-	74	81	834	49.4
M Reinke	2017	735	471	13	25	20	13	27	-	136	349	1,789	54.2
	2016	680	346	9	29	19	200	38	-	-	322	1,643	52.8
A Revis	2017	772	487	15	28	20	15	15	-	141	379	1,872	54.6
	2016	679	379	13	45	19	224	24	-	-	346	1,729	54.9
P Smeaton	2017	808	487	8	110	25	7	30	-	141	245	1,861	47.3
	2016	571	288	108	18	18	159	31	-	-	100	1,293	42.3
F Thompson	2017	515	331	5	16	16	2	86	-	96	129	1,196	46.6
Former Senior Executives													
C Herbert	2017	436	-	9	(13)	15	16	34	775	-	222	1,494	15.9
	2016	755	383	15	30	19	226	38	-	-	360	1,826	53.1
A Lenahan	2017	169	-	4	(16)	17	9	3	-	-	(232)	(46)	-
	2016	670	-	18	13	19	15	32	-	-	283	1,050	28.3
J Nesbitt	2017	275	-	2	48	10	21	4	949	-	127	1,436	10.3
	2016	1,005	507	6	189	19	301	27	-	-	501	2,555	51.2

1 Non-monetary benefits represents costs met by the Suncorp Group for airfares and insurances.

2 Other short-term benefits represent:

- Annual leave accrued during the year
- Mr John Nesbitt's accommodation allowance
- Mr Paul Smeaton's relocation costs and the residual amount of Mr Paul Smeaton's relocation and repatriation allowance ($81,000)
- The annual leave balance for Mr Clayton Herbert, Ms Anna Lenahan and Mr John Nesbitt were paid out on termination.

3 The amount of deferred incentives awarded to the CEO & Managing Director and Senior Executives in 2017 relates only to the interest accrued in 2016-17 from the 2015-16 and 2014-15 cash-based deferral. The deferred equity portion of the 2016-17 STI is shown in 'Share-based payments – Deferred STI'.

4 Other long-term benefits represent long service leave accrued during the year. The long service leave balance for Mr Clayton Herbert was paid out on termination.

5 Termination benefits are paid in accordance with contractual commitments.

6 STI deferred into equity-settled rights is expensed to the profit and loss based on their fair value at 30 June 2017 over the accounting vesting period which commences 1 July 2016.

7 Equity granted represents grants under the LTI Plan and Restricted Share Plan (RSP). Awards 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 assumptions underpinning these valuations are set out in note 10 to the financial statements.

2.9 Employment agreements – summary

The CEO & Managing Director and Senior Executives are employed by Suncorp Staff Pty Limited (**SSPL**), a wholly-owned subsidiary of the Company, under a standard employment agreement with no fixed term. The agreements may be terminated at any time provided the relevant notice period is given. In the event of misconduct, the Group may terminate the agreement immediately, without notice (or any payment in lieu).

A payment in lieu of notice may be made for all or part of any notice period, calculated based on an individual's fixed remuneration less superannuation contributions (subject to it not being prohibited by law from making such a payment). Payment on termination will include payment of accrued annual leave and, where appropriate, long service leave. Where a change of control of the Company occurs, deferred STI and a pro-rata award of current year STI may be awarded for the CEO & Managing Director, 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.

	CEO & Managing Director, Michael Cameron	Senior Executives
Notice period/ termination payments	**Employer-initiated termination** Incapacity: 9 months Misconduct: none All other cases: 12 months **Employee-initiated termination:** 6 months	**Employer-initiated termination** Incapacity: 3 months Misconduct: none All other cases: 12 months **Employee-initiated termination**: 3 months
Treatment of STI cash on termination	**Employer-initiated and employee-initiated termination** Resignation or redundancy: Any cash STI award may be received, subject to performance, at Board discretion. Misconduct: No cash STI will be awarded. All other cases: Board discretion.	
Treatment of STI deferral on termination	**Employer-initiated and employee-initiated termination** ***Post 1 July 2016 (Equity- Based Deferral)*** Resignation: Any unvested deferral is forfeited. Redundancy: Any deferred equity award will generally vest at the end of the original deferral period and will remain subject to clawback. Misconduct: All unvested deferral is forfeited. All other cases: Board discretion. ***Pre 1 July 2016 (Cash-Based Deferral)[1]*** Resignation or redundancy: Any deferred STI award will generally vest 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. Misconduct: All unvested deferral is forfeited. All other cases: Board discretion.	
Treatment of LTI on termination	**Qualifying reason[2]** The Board has the discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures, unless otherwise determined by the Board. **Non-qualifying reason** All unvested awards are forfeited.	
Treatment of restricted shares on termination	**Qualifying reason[2]** The Board has the discretion to determine that any unvested restricted shares will be pro-rated for the time worked in the vesting period and those reduced number of restricted shares will vest at the termination date, unless otherwise determined by the Board. **Non-qualifying reason** All unvested awards are forfeited.	

1 'Grandfathered' for cash deferrals pertaining to 2014-15 and 2015-16 performance years.

2 Qualifying reasons include death, total and permanent disablement, retirement, redundancy as a result of a Suncorp Group restructure, or any other reason determined by the Board.

3. Non-executive director arrangements

3.1 Remuneration structure

Remuneration Policy

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

Fee structure

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

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

Suncorp Group Limited pays compulsory SGC of 9.5% of the director's fee on behalf of all eligible non-executive directors. The Company's general practice is to cap Superannuation Guarantee contributions at 9.5% of the Maximum Contribution Base. Non-executive directors are offered the choice to receive 9.5% of their fees as superannuation contributions or to receive superannuation at the capped amount of 9.5% of the Maximum Contribution Base with the balance in fees. This does not change the total director remuneration paid by the Group. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.

Regular reviews of fees

The Board periodically reviews the level of fees paid to non-executive directors. A review was undertaken for the 2016-17 financial year. It was determined that the Chairman and non-executive directors' fees remained appropriate. With the exception of the Remuneration Committee fees, the Board also considered that Committee fees remained appropriate.

In increasing the Remuneration Committee fee level, the Board concluded that the complexity, regulatory requirements, stakeholder engagement and general obligations of the Committee had increased. The Board also considered the fee level relative to other Committees and external comparators. Effective 1 July 2016, the Remuneration Committee fees were increased by $10,000 and $5,000 for the Chairman and members respectively.

The Board has determined that no changes to non-executive fees will be implemented for 2017-18.

Non-executive director fees and other benefits

The fees shown in the table below took effect from 1 July 2016 of the relevant financial year. For completeness, the table provides the level of fee (SGC excluded), together with the value of associated SGC that informs the total fee[1].

		2016-17 FEES p.a. $000				
Committee		**Board**	**Audit**	**Risk**	**Remuneration**	**Other[2]**
Chairman fees (C)	Ex-Superannuation	600[3]	60	60	50	70
	Associated SGC	57	6	6	5	7
	Total Fee	**657**	**66**	**66**	**55**	**77**
Member fees (✓)	Ex-Superannuation	220	30	30	25	-
	Associated SGC	21	3	3	2	-
	Total Fee	**241**	**33**	**33**	**27**	**-**
Dr Zygmunt Switkowski AO		C	ex officio[4]	ex officio[4]	ex officio[4]	
William Bartlett		✓	✓	✓	✓	
Audette Exel AO		✓		✓		
Sally Herman		✓	✓			
Ewoud Kulk		✓		C	✓	C
Christine McLoughlin		✓		✓	C	
Dr Douglas McTaggart		✓	C		✓	
Simon Machell		✓				

The Suncorp Group's minimum shareholding requirement introduced in October 2013 (refer to section 4.2) requires non-executive directors in office at 31 October 2013 to hold a minimum number of ordinary shares in the Company with a value at least equal to 50% after two years and 100% after four years of one year's pre-tax (gross) base fees[5].

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

Based on their shareholding as at 30 June 2017, all non-executive directors' who were in office as at October 2013 are on track to hold sufficient shares to meet the October 2017 requirement. Detailed share ownership information for the non-executive directors is shown in section 4.2.

3.2 Non-Executive Directors' Share Plan

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

The shares are fully vested and if acquired prior to 1 July 2009 can be held in the Plan for up to 10 years from the date of purchase or until retirement, whichever occurs first. Shares acquired after 1 July 2009 can be held for up to seven years.

1 Mr Geoffrey Ricketts CNZM ceased directorship from the Board effective 22 September 2016, however remains Chairman of Vero Insurance New Zealand Limited and other New Zealand insurance companies.

2 An additional fee is payable to Mr Ewoud Kulk for the Chairmanship of AA Insurance Limited, a joint venture in New Zealand.

3 Includes Board Member base fee.

4 Dr Ziggy Switkowski AO does not receive fees for attending Audit, Risk and Remuneration Committee meetings as an ex officio member.

5 Board member fee or Board Chairman fee only (excluding SGC), does not include Committee membership fees or Committee Chairmanship fees.

3.3 Non-executive directors' remuneration disclosures

Details of non-executive directors' remuneration for 2016-17 and 2015-16 are set out in the table below.

	Year	Short-term benefits		Post-employment benefits		Total
		Salary and fees	Non-monetary benefits[1]	Superannuation - Statutory	Superannuation - Other[2]	
		$000	$000	$000		$000
Non-executive directors in office as at 30 June 2017						
Dr Z Switkowski AO	2017	600	1	20	38	659
	2016	600	1	19	39	659
W Bartlett	2017	305	1	20	9	335
	2016	310	1	19	10	340
A Exel AO	2017	250	1	20	4	275
	2016	250	1	19	5	275
S Herman	2017	250	1	20	4	275
	2016	164	-	14	2	180
E Kulk	2017	375	1	20	16	412
	2016	370	1	19	16	406
C McLoughlin	2017	300	1	20	9	330
	2016	280	1	19	9	309
Dr D McTaggart	2017	305	1	20	10	336
	2016	290	1	19	9	319
S Machell[3]	2017	47	-	5	-	52
Former non-executive director						
G Ricketts CNZM[4]	2017	86	-	5	4	95
	2016	350	1	19	15	385

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 Superannuation in excess of the MCB is delivered in the form of additional superannuation contributions or the director may elect to take as fees.

3 Mr Simon Machell was appointed as a non-executive director on the 7 April 2017.

4 Mr Geoffrey Ricketts CNZM retired from the Board effective 22 September 2016, however remains Chairman of Vero Insurance New Zealand Limited and other New Zealand insurance companies and continues to receive subsidiary director fees. The disclosed fee does not include subsidiary director fees Mr Ricketts continues to receive after retiring from the Board.

4. Related party transactions

4.1 Loans to key management personnel and their related parties

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

	2016-17			
	Balance 1 July 2016	Balance 30 June 2017	Interest charged during the year[1]	Highest balance
	$000	$000	$000	$000
Senior Executives				
D Carter	-	955	47	1,413
A Day	-	1,540	8	1,540
S Johnston	1,200	1,200	-	1,200
M Reinke	183	163	8	183
A Revis	4,125	4,601	172	4,611
P Smeaton	298	680	13	900

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

	2016-17		
	Key management personnel	Other related parties	Total
	$000	$000	$000
Opening balance	5,138	668	5,806
Closing balance	8,090	1,050	9,140
Interest charged	230	18	248
	Number	Number	Number
Number of individuals at 30 June 2017	6	2	8

4.2 Movement in shares held by key management personnel

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

1 The loans may have offset facilities, in which case the interest charged is after the offset.

		Balance 1 July 2016[1]	1 July 2016 – 30 June 2017 Received as compensation[2]	Purchases (sales)	Other changes[3]	Balance 30 June 2017
		Number	Number	Number	Number	Number
DIRECTORS						
Executive director						
M Cameron	Ordinary	95,000	80,000	-	-	175,000
	Performance rights	386,639	235,017	-	(80,000)	541,656
Non-executive directors						
Dr Z Switkowski AO	Ordinary	311,599	-	-	-	311,599
W Bartlett	Ordinary	26,968	-	-	-	26,968
A Exel AO	Ordinary	8,812	-	5,800	-	14,612
S Herman	Ordinary	16,500	-	-	-	16,500
E Kulk	Ordinary	20,173	-	-	-	20,173
C McLoughlin	Ordinary	20,000	-	-	-	20,000
Dr D McTaggart	Ordinary	18,966	-	1,045	-	20,011
S Machell	Ordinary	-	-	-	25,000	25,000
Former non-executive director						
G Ricketts CNZM	Ordinary	32,314	-	1,780	(34,094)	-
SENIOR EXECUTIVES						
D Carter	Ordinary	-	-	-	-	-
	Performance rights	-	50,389	-	12,746	63,135
A Day	Ordinary	115,705	-	28	-	115,733
	Performance rights	187,218	74,422	-	(57,006)	204,634
G Dransfield	Ordinary	74,770	-	165	-	74,935
	Performance rights	175,808	72,463	-	(53,206)	195,065
S Harland	Ordinary	-	-	-	-	-
	Performance rights	-	70,504	-	-	70,504
S Johnston	Ordinary	72,879	-	-	-	72,879
	Performance rights	179,302	74,422	-	(52,625)	201,099
P Marlow	Ordinary	-	-	-	-	-
	Performance rights	-	156,988	-	-	156,988
K Olgers	Ordinary	-	-	-	-	-
	Performance rights	-	43,318	-	-	43,318
M Reinke	Ordinary	52,109	-	-	-	52,109
	Performance rights	135,890	54,837	-	(42,736)	147,991
A Revis	Ordinary	50,786	-	1,987	-	52,773
	Performance rights	146,708	60,712	-	(45,605)	161,815
P Smeaton	Ordinary	15,622	-	15,500	-	31,122
	Performance rights	65,625	61,406	-	(5,700)	121,331
F Thompson	Ordinary	-	1,325	-	742	2,067
	Performance rights	-	40,580	-	9,869	50,449
FORMER SENIOR EXECUTIVES						
C Herbert[4]	Ordinary	142,216	-	-	(142,216)	-
	Performance rights	153,412	60,712		(214,124)	-
A Lenahan[5]	Ordinary	53,164	-	(53,164)	-	-
	Performance rights	123,828	-	-	(123,828)	-
J Nesbitt[6]	Ordinary	187,314	-	42,314	(229,628)	-
	Performance rights	211,650	-	-	(211,650)	-

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

2 For the CEO & Managing Director and Senior Executives, compensation includes shares held under the LTI Plan and restricted shares awarded on commencement. These shares are recorded in the Company's share register in the name of the LTI Plan trustee and vest only when performance hurdles are met.

3 'Other Changes' for Mr Geoffrey Ricketts and Mr Simon Machell represent shares held upon termination and commencement respectively. For Mr David Carter and Ms Fiona Thompson, this represents shares and performance rights held upon appointment as KMP. Ms Sarah Harland, Ms Pip Marlow and Ms Kate Olgers held no shares or performance rights upon commencement.

4 Mr Clayton Herbert ceased employment on 20 January 2017. Shares and performance rights held upon termination are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 72,487 performance rights remained subject to performance hurdles.

5 Ms Anna Lenahan ceased employment on 15 September 2016. Shares held upon termination are shown in 'Other changes'. Performance rights held upon termination were forfeited and are shown in 'Other changes.'

6 Mr John Nesbitt ceased employment on 30 September 2016. Shares and performance rights held upon termination are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 71,314 performance rights remained subject to performance hurdles.

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

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.

	2016-17			
	1 July 2016	Purchases (sales)	Other Changes[1]	Balance 30 June 2017
	Number	Number	Number	Number
SUNPC[2]				
DIRECTORS				
Non-executive directors				
E Kulk	3,000	-	-	3,000
Senior Executives				
A Revis	1,500	(1,500)	-	-
Former Senior Executives				
C Herbert	400	-	(400)	-
A Lenahan	2,000	-	(2,000)	-
SUNPE[3]				
DIRECTORS				
Non-executive directors				
W Bartlett	323	-	-	323
Former Senior Executives				
C Herbert	323	-	(323)	-

1 'Other Changes' for Mr Clayton Herbert and Ms Anna Lenahan represent preference shares held upon termination.

2 The Company issued Suncorp Convertible Preference Shares (**SUNPC**) on 6 November 2012.

3 The Company issued Suncorp Convertible Preference Shares (**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 the Suncorp Group and 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 Suncorp Group employees and are deemed trivial or domestic in nature.

Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with the Company or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

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

DR ZIGGY SWITKOWSKI AO

Chairman of the Board

3 August 2017

MICHAEL CAMERON

CEO & Managing Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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

To the Directors of Suncorp Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Suncorp Group Limited for the financial year ended 30 June 2017 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

Chris Hall
Partner

Sydney
3 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2017

	Note	2017 $M	2016 $M
Revenue			
Insurance premium income		10,344	9,899
Reinsurance and other recoveries income		3,280	1,621
Interest income on			
financial assets not at fair value through profit or loss		2,464	2,622
financial assets at fair value through profit or loss		591	606
Net gains on financial assets and liabilities at fair value through profit or loss		91	-
Dividend and trust distribution income		74	171
Fees and other income		551	568
Total revenue		17,395	15,487
Expenses			
Claims expense and movement in policyowner liabilities		(9,228)	(7,561)
Outwards reinsurance premium expense		(1,445)	(1,220)
Underwriting and policy maintenance expenses		(2,387)	(2,334)
Interest expense on			
financial liabilities not at fair value through profit or loss		(1,369)	(1,493)
financial liabilities at fair value through profit or loss		(73)	(94)
Net losses on financial assets and liabilities at fair value through profit or loss		-	(160)
Impairment loss on loans and advances	15.2	(7)	(16)
Amortisation and depreciation expense		(168)	(165)
Fees, overheads and other expenses		(933)	(913)
Outside beneficial interests in managed funds		(177)	(24)
Total expenses		(15,787)	(13,980)
Profit before income tax		1,608	1,507
Income tax expense	11.1	(523)	(462)
Profit for the financial year		1,085	1,045
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges	24	(60)	26
Net change in fair value of available-for-sale financial assets	24	13	(2)
Exchange differences on translation of foreign operations	24	(1)	75
Income tax benefit (expense)	24	14	(7)
		(34)	92
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses) on defined benefit plans		8	(10)
Income tax (expense) benefit		(3)	3
		5	(7)
Total other comprehensive (loss) income		(29)	85
Total comprehensive income for the financial year		1,056	1,130
Profit for the financial year attributable to:			
Owners of the Company		1,075	1,038
Non-controlling interests		10	7
Profit for the financial year		1,085	1,045
Total comprehensive income for the financial year attributable to:			
Owners of the Company		1,046	1,123
Non-controlling interests		10	7
Total comprehensive income for the financial year		1,056	1,130
Earnings per share		**Cents**	**Cents**
Basic earnings per share	3	83.84	81.19
Diluted earnings per share	3	82.55	79.59

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 $M	2016 $M
Assets			
Cash and cash equivalents	26.2	1,840	1,798
Receivables due from other banks	26.2	567	552
Trading securities	12	1,520	1,497
Derivatives	13	188	676
Investment securities	12	22,327	23,384
Loans and advances	14	55,197	54,134
Premiums outstanding	30.2(a)	2,620	2,522
Reinsurance and other recoveries	30.2(b)	3,353	1,900
Deferred reinsurance assets		837	858
Deferred acquisition costs		704	678
Gross policy liabilities ceded under reinsurance	20	585	461
Property, plant and equipment		200	183
Deferred tax assets	11.3	226	205
Goodwill and other intangible assets	16	5,821	5,878
Other assets		1,124	1,022
Total assets		97,109	95,748
Liabilities			
Payables due to other banks	26.2	50	332
Deposits and short-term borrowings	17	45,105	44,889
Derivatives	13	376	628
Amounts due to reinsurers		799	745
Payables and other liabilities		1,999	1,843
Current tax liabilities	11.2	106	65
Unearned premium liabilities	18.1	4,965	4,870
Outstanding claims liabilities	19	10,952	9,734
Gross policy liabilities	20	2,917	2,912
Deferred tax liabilities	11.3	121	110
Managed funds units on issue		911	1,334
Securitised liabilities	27.3	3,088	2,535
Debt issues	21	9,216	9,841
Loan capital	22	2,714	2,340
Total liabilities		83,319	82,178
Net assets		13,790	13,570
Equity			
Share capital	23	12,766	12,679
Reserves	24	161	198
Retained profits		855	684
Total equity attributable to owners of the Company		13,782	13,561
Non-controlling interests		8	9
Total equity		13,790	13,570

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

		Equity attributable to owners of the Company					
	Note	Share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total equity $M
Balance as at 1 July 2015		12,684	167	632	13,483	35	13,518
Profit for the financial year		-	-	1,038	1,038	7	1,045
Total other comprehensive income for the financial year		-	92	(7)	85	-	85
Total comprehensive income for the financial year		-	92	1,031	1,123	7	1,130
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(1,025)	(1,025)	(16)	(1,041)
Share-based payments	23	4	-	(2)	2	-	2
Treasury share movements	23	(9)	-	-	(9)	-	(9)
Movement in non-controlling interests without a change in control		-	-	(13)	(13)	(17)	(30)
Transfers		-	(61)	61	-	-	-
Balance as at 30 June 2016		12,679	198	684	13,561	9	13,570
Profit for the financial year		-	-	1,075	1,075	10	1,085
Total other comprehensive loss for the financial year		-	(34)	5	(29)	-	(29)
Total comprehensive income for the financial year		-	(34)	1,080	1,046	10	1,056
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(911)	(911)	(10)	(921)
Shares issued	23	80	-	-	80	-	80
Share-based payments	23	11	-	-	11	-	11
Treasury share movements	23	(4)	-	-	(4)	-	(4)
Movement in non-controlling interests without a change in control		-	-	(1)	(1)	(1)	(2)
Transfers		-	(3)	3	-	-	-
Balance as at 30 June 2017		12,766	161	855	13,782	8	13,790

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2017

	Note	2017 $M	2016 $M
Cash flows from operating activities			
Premiums received		11,466	11,280
Claims paid		(9,186)	(11,767)
Interest received		3,056	3,239
Interest paid		(1,441)	(1,639)
Reinsurance and other recoveries received		2,213	2,298
Outwards reinsurance premiums paid		(1,495)	(1,325)
Fees and other operating income received		589	599
Dividends and trust distributions received		74	171
Fees and operating expenses paid		(3,715)	(3,403)
Income tax paid		(487)	(663)
Net increase in operating assets			
Trading securities		(23)	(113)
Loans and advances		(1,072)	(2,399)
Net increase in operating liabilities			
Deposits and short-term borrowings		216	990
Net cash from (used in) operating activities	26.1	195	(2,732)
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		29,178	24,808
Payments for acquisition of investment securities		(28,598)	(22,210)
Proceeds from other investing activities		690	1,101
Payments for other investing activities		(864)	(236)
Net cash from investing activities		406	3,463
Cash flows from financing activities			
Proceeds from debt issues and securitised liabilities		4,123	3,668
Repayment of debt issues and securitised liabilities		(3,830)	(2,830)
Proceeds from issue of loan capital		705	225
Payment on call of loan capital		(389)	(199)
Proceeds from other financing activities		4	2
Payments for other financing activities		(44)	(75)
Dividends paid		(831)	(1,025)
Net cash used in financing activities		(262)	(234)
Net increase in cash and cash equivalents		339	497
Cash and cash equivalents at the beginning of the financial year		2,018	1,514
Effect of exchange rate fluctuations on cash held		-	7
Cash and cash equivalents at the end of the financial year	26.2	2,357	2,018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

1. Reporting entity

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

The consolidated financial statements for the financial year ended 30 June 2017 comprise the Company and its subsidiaries (the **Suncorp Group, Suncorp** or the **Group**) and were authorised for issue by the Board on 3 August 2017.

The Group's principal activities during the financial year were the provision of insurance and banking and wealth products and services in Australia and New Zealand.

2. Basis of preparation

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

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

As the Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, all financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

The consolidated statement of financial position is prepared in a liquidity format. In the notes, amounts expected to be recovered or settled no more than 12 months after the reporting period are classified as 'current', otherwise they are classified as 'non-current'.

Significant accounting policies applied in the preparation of these consolidated financial statements are set out in note 36.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year. The Suncorp Group implemented a new operating model from 1 July 2016 resulting in changes to its operating segments. Note 5 to the consolidated financial statements contains information on the operating segments and comparatives have been restated to reflect the new basis of segmentation.

2.1 Statement of compliance

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

2.2 Use of estimates and judgments

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

Significant estimates, judgments and assumptions are discussed in the following notes:

- liability adequacy test relating to general insurance contracts (refer to note 18.2)
- general insurance outstanding claims liabilities and assets arising from reinsurance contracts (refer to note 19.3)
- specific and collective provisions for impairment (refer to note 30.1(e) and 36.12)
- life insurance contract liabilities (refer to note 20.2)
- impairment of goodwill and other intangible assets (refer to note 16)
- valuation of financial instruments (refer to note 27).

3. Earnings per share (EPS)

	2017 $M	2016 $M
Profit attributable to ordinary equity holders of the Company (basic)	1,075	1,038
Interest expense on convertible preference shares	40	43
Interest expense on convertible capital notes	2	-
Profit attributable to ordinary equity holders of the Company (diluted)	1,117	1,081

	No of shares	No of shares
Weighted average number of ordinary shares (basic)	1,282,167,879	1,278,537,834
Effect of conversion of convertible preference shares	66,852,101	79,666,795
Effect of conversion of convertible capital notes	4,078,093	-
Weighted average number of ordinary shares (diluted)	1,353,098,073	1,358,204,629

4. Dividends

	2017		2016	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2016 final dividend (2016: 2015 final dividend)	38	489	38	489
2015 special dividend	-	-	12	154
2017 interim dividend (2016: 2016 interim dividend)	33	426	30	386
Dividends paid on treasury shares		(4)		(4)
Total dividends on ordinary shares paid to owners of the Company	71	911	80	1,025
Dividends not recognised in the consolidated statement of financial position[1]				
Dividends determined since reporting date				
2017 final dividend (2016: 2016 final dividend)	40	517	38	489
	40	517	38	489
Dividend franking account[2]				
Amount of franking credit available for use in subsequent financial years excluding the effects of dividends determined since reporting date		456		355

1 The total 2017 final dividends determined but not recognised in the consolidated statement of financial position are estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 30 June 2017. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2018 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

2 The final dividends determined are expected to reduce the dividend franking accounting balance by $221 million (2016: $209 million).

5. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the CEO & Managing Director and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker (**CODM**), in assessing performance and determining the allocation of resources.

On 1 July 2016, the Suncorp Group implemented a revised operating model and organisational structure for its Australian and New Zealand operations. This has resulted in changes to the basis upon which the business is managed and accordingly the operating segments and basis of segmentation set out in note 5.1. Comparatives have been restated to reflect this basis. The former operating segments were Personal Insurance, Commercial Insurance, General Insurance New Zealand, Bank, Life and Corporate.

5.1 Operating segments

The Suncorp Group comprises the following operating segments.

Reportable segments	Segment information
Insurance	– Design, manufacture and delivery of general and life insurance products and services to customers in Australia. – Key products include home and contents, motor, marine, travel, commercial property, industrial special risk, public liability and professional indemnity, workers' compensation, compulsory third party, loan protection, equity and cash benefit, life, trauma, total and permanent disablement and income protection.
Banking & Wealth	– Design, manufacture and delivery of banking, financial planning, and superannuation and fund administration services to customers in Australia. – Key products include agribusiness, property and equipment finance, home, personal and small business loans, savings and transaction accounts, foreign exchange, treasury products and services, superannuation, funds administration services and financial planning.
Suncorp New Zealand	– Design, manufacture and delivery of general and life insurance products to customers in New Zealand. – Key products include home and contents, motor, commercial property, public liability and professional indemnity, life, trauma, total and permanent disablement and income protection.
Corporate	– Investment of the Suncorp Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

Only profit or loss information is reviewed by the CODM at an operating segment level.

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

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

	Insurance $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2017					
External revenue	11,698	2,946	2,669	18	17,331
Inter-segment revenue	11	-	28	36	75
Total segment revenue	11,709	2,946	2,697	54	17,406
Segment profit (loss) before income tax	1,025	588	118	(123)	1,608
Segment income tax (expense) benefit	(302)	(188)	(36)	3	(523)
Segment profit (loss) after income tax	723	400	82	(120)	1,085
Other segment					
Interest revenue	421	2,545	44	48	3,058
Interest expense	(47)	(1,350)	-	(85)	(1,482)
Amortisation and depreciation expense	(46)	(33)	(9)	(80)	(168)
Impairment loss on loans and advances	-	(7)	-	-	(7)
Goodwill	4,309	285	287	-	4,881

	Insurance $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2016					
External revenue	10,497	3,172	1,803	23	15,495
Inter-segment revenue	-	-	-	39	39
Total segment revenue	10,497	3,172	1,803	62	15,534
Segment profit (loss) before income tax	795	593	252	(133)	1,507
Segment income tax (expense) benefit	(237)	(175)	(69)	19	(462)
Segment profit (loss) after income tax	558	418	183	(114)	1,045
Other segment					
Interest revenue	411	2,727	53	52	3,243
Interest expense	(32)	(1,515)	-	(89)	(1,636)
Amortisation and depreciation expense	(44)	(29)	(8)	(84)	(165)
Impairment loss on loans and advances	-	(16)	-	-	(16)
Goodwill	4,306	285	345	-	4,936

5.2 Reconciliation of reportable segment revenues and profit before income tax

	2017	2016	2017	2016
	Revenue		Profit before income tax	
	$M	$M	$M	$M
Segment total	17,406	15,534	1,608	1,507
Elimination of intra-group investment income	146	(23)	(3)	(37)
Other consolidation eliminations	(157)	(24)	3	37
Consolidated total	17,395	15,487	1,608	1,507

5.3 Geographic segments

Suncorp Group operates predominantly in one geographical segment, which is Australia. Other business activities take place in New Zealand, which is represented by the Suncorp New Zealand operating segment.

5.4 Major customers

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

6. Underwriting result from general insurance contracts

	Note	2017 $M	2016 $M
Net earned premium			
Direct premium income		9,326	8,908
Outwards reinsurance premium expense		(1,155)	(970)
		8,171	7,938
Net incurred claims			
Claims expense		(8,572)	(7,000)
Reinsurance and other recoveries revenue		2,956	1,339
	7	(5,616)	(5,661)
Underwriting expenses			
Acquisition costs		(1,279)	(1,256)
Other underwriting expenses		(663)	(603)
		(1,942)	(1,859)
Reinsurance commission and other revenue		134	110
Underwriting result from general insurance contracts		747	528

7. Net incurred claims from general insurance contracts

	2017			2016		
	Current year $M	Prior year $M	Total $M	Current year $M	Prior year $M	Total $M
Gross claims incurred and related expenses						
Undiscounted	9,510	(804)	8,706	7,575	(763)	6,812
Discount movement	(208)	74	(134)	(132)	320	188
Gross claims incurred discounted	9,302	(730)	8,572	7,443	(443)	7,000
Reinsurance and other recoveries						
Undiscounted	(3,149)	118	(3,031)	(1,366)	80	(1,286)
Discount movement	82	(7)	75	31	(84)	(53)
Reinsurance and other recoveries	(3,067)	111	(2,956)	(1,335)	(4)	(1,339)
Net incurred claims	6,235	(619)	5,616	6,108	(447)	5,661

The $619 million decrease in prior year net provisions is primarily due to yield curve movements and valuation releases arising from favourable claim experience. The sensitivity of net profit to changes in claims assumptions, experience and risk margins is set out in note 19.5.

8. Sources of operating profit from life insurance and other contracts

	2017			2016		
	Life insurance contracts $M	Other contracts $M	Total statutory funds $M	Life insurance contracts $M	Other contracts $M	Total statutory funds $M
Shareholder's operating profit after tax in the statutory funds						
Represented by:						
Investment earnings on shareholder's retained profits and capital	5	-	5	56	2	58
Emergence of shareholder's planned profits	53	1	54	58	2	60
Experience profit	16	-	16	25	-	25
Losses reversed (capitalised)	17	-	17	(2)	-	(2)
Management services profit	-	7	7	-	11	11
	91	8	99	137	15	152
Policyowners' operating profit after tax in the statutory funds						
Represented by:						
Investment earnings on retained profits	12	-	12	11	-	11
Emergence of policyowners' planned profits	40	-	40	54	-	54
Experience profit (loss)	1	-	1	(12)	-	(12)
Revaluation of capitalised loss	8	-	8	(6)	-	(6)
	61	-	61	47	-	47

Total cumulative capitalised losses carried forward at 30 June 2017 was $114 million (30 June 2016: $168 million).

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

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

9. Employee benefits

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

	2017 $M	2016 $M
Wages, salaries, share-based payments and other staff costs[1]	1,704	1,577
Defined contribution superannuation expenses	104	106
Restructuring costs	-	60
Total employee expenses	1,808	1,743

1 Includes $26,175 thousand (2016: $18,304 thousand) relating to equity-settled share-based payment transactions.

10. Share-based payments

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

10.1 Long-term incentives (performance rights)

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

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

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

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

Grant date	Fair value at grant date	Inputs for measurement of fair value at grant date: Share price	Expected volatility	Vesting period	Risk-free interest rate	2017 Number of shares unvested	2016 Number of shares unvested
1 October 2013	$7.30	$12.94	23%	3 years	2.83%	-	702,084
24 October 2013	$7.13	$13.14	23%	3 years	2.92%	-	216,264
28 May 2014	$6.77	$13.40	23%	2.3 years	2.72%	-	83,756
1 October 2014	$8.19	$14.16	20%	3 years	2.71%	644,396	742,496
23 October 2014	$8.23	$14.23	20%	3 years	2.56%	92,279	92,279
1 September 2015	$6.16	$12.52	18%	3 years	1.76%	745,179	924,370
24 September 2015	$5.61	$12.38	18%	3 years	1.86%	226,639	226,639
23 March 2016	$6.16	$11.87	18%	3 years	1.76%	25,971	32,005
1 September 2016	$6.72	$12.76	20%	3 years	1.43%	728,004	-
29 March 2017	$6.72	$13.25	20%	2.4 years	1.43%	43,318	-
29 June 2017	$6.72	$15.06	20%	2.2 years	1.43%	77,692	-
						2,583,478	3,019,893

The number of performance rights granted during the financial year was 901,853 (2016: 1,370,126).

10.2 Other equity-settled share plans

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

Equity plans	Restricted shares	Suncorp employee share plan (tax exempt)	Suncorp equity participation plan	Suncorp equity-based deferral plan
Eligible plan participant	Employees in senior roles below executive level that satisfy the eligibility criteria, and executives as endorsed by the Board.	Employees not eligible for LTI awards.	Employees and non-executive directors can elect to participate.	CEO, Senior Leadership Team (**SLT**) and Executive General Manager (**EGM**) level roles.
Basis of share grant/issue	Value of restricted shares granted (offered) is determined by the Board based on the employee's remuneration and individual performance.	Market value of shares up to $1,000 per employee per year may be granted by the Board based on the Suncorp Group's overall performance.	Employees to fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000.	Total deferred short-term incentives (**STI**) are in the form of rights to shares approved by the Board based on Group and individual performance determined and prior to the ex-dividend date.
Vesting	Subject to remaining in employment with the Suncorp Group until the vesting date and not having given notice of intention to resign.	Fully vested, not subject to forfeiture.	As the acquisition of shares is funded through the employee's or non-executive director's remuneration, the shares are fully vested at the date of acquisition.	CEO and SLT: 2-year vesting period, 50% vesting on the 1st anniversary and the remaining 50% on the 2nd anniversary. EGMs: 3-year vesting period with 1/3 of the deferred incentive vesting on the 1st anniversary of deferral onwards.
Dividend entitlements	Full entitlement from when the shares are allocated to the participating employee and held in the Plan.	Full entitlement to dividend from when the shares are acquired and held in the Plan.	Full entitlement to dividend from when the shares are acquired and held in the Plan.	Full entitlement to dividend equivalents paid on vesting equal to the notional net dividends earned over the deferral period.
Fair value	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date.	Market value of the shares on the date they were acquired.	Market value of the shares on the date they were acquired.	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date.

1,177,578 restricted shares (2016: 419,074 shares) at fair value of $12.82 per share (2016: $12.41 per share) were granted during the financial year. A dividend yield of 5.5% (2016: 6.3%) is used in the calculation of the fair value per share.

The total number of shares acquired through the Suncorp Equity Participation Plan was 202,486 (2016: 249,469), with a fair value of $2,660 thousand (2016: $3,108 thousand).

The Board approved a grant to each eligible employee of ordinary shares of the Company to the value of $750 (2016: $750) under the Suncorp Employee Share Plan (tax exempt) for the financial year. These shares will be acquired on-market for allocation to employees by the share plan in October 2017 (2016: October 2016).

An equity-based deferral plan has been introduced for the CEO & Managing Director, the SLT and EGMs' short-term remuneration structure. This will apply to the STI award relating to the 2017 year. The fair value of the deferred equity instruments relating to the Suncorp equity-based deferral plan for the financial year is $3,411 thousand. It is included in 'Fees, overheads and other expenses' in the consolidated statement of comprehensive income.

11. Income tax

11.1 Income tax expense

	2017 $M	2016 $M
Reconciliation of prima facie to actual income tax expense		
Profit before income tax	1,608	1,507
Prima facie domestic corporate tax rate of 30% (2016: 30%)	482	452
Effect of tax rates in foreign jurisdictions	(2)	(5)
Effect of income taxed at non-corporate tax rate - Life companies	2	4
Tax effect of amounts not deductible (assessable) in calculating taxable income:		
Non-deductible expenses	27	14
Non-deductible expenses - Life companies	26	11
Amortisation of intangible assets	6	6
Dividend adjustments	21	9
Tax exempt revenues	(7)	(2)
Current year rebates and credits	(29)	(31)
Prior year over provision	(3)	(3)
Other	-	7
Total income tax expense on pre-tax profit	523	462
Effective tax rate	32.5%	30.7%
Income tax expense recognised in profit consists of:		
Current tax expense		
Current tax movement	556	523
Current year rebates and credits	(29)	(31)
Adjustments for prior financial years	(4)	(33)
Total current tax expense	523	459
Deferred tax expense		
Origination and reversal of temporary differences	(1)	(27)
Adjustments for prior financial years	1	30
Total deferred tax expense	-	3
Total income tax expense	523	462

Income tax of Life companies

Included in income tax expense is $55 million (2016: $62 million) attributable to the Life companies' statutory funds.

Australia

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

	2017 %	2016 %
Applicable tax rates for classes of business		
Annuity and pension business (Segregated Exempt Assets)	Exempt	Exempt
Complying superannuation business (includes Virtual Pooled Superannuation Trust)	15	15
Ordinary class of business	30	30
Shareholder funds	30	30

New Zealand

In New Zealand, a corporate tax rate of 28% (2016: 28%) applies for all classes of business.

11.2 Current tax liabilities and receivables

	2017 $M	2016 $M
Net current tax liability at the beginning of the financial year	65	272
Income tax paid net of refunds	(487)	(654)
Current year tax on operating profit	527	492
Adjustment for prior financial years	(4)	(33)
Government rebates	(4)	(12)
Net current tax liability at the end of the financial year	97	65
Balance at the end of the financial year relating to:		
Current tax receivables[1]	(9)	-
Current tax liabilities	106	65
	97	65

1 Current tax receivables are included in 'Other assets' in the consolidated statement of financial position.

11.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following.

	2017	2016	2017	2016	2017	2016
	Deferred tax assets		Deferred tax liabilities		Net	
	$M	$M	$M	$M	$M	$M
Trading securities and investment securities	-	-	47	87	(47)	(87)
Property, plant and equipment	14	13	-	-	14	13
Intangible assets	-	-	32	46	(32)	(46)
Provision for impairment on loans and advances	59	65	-	-	59	65
Outstanding claim liabilities	80	81	-	-	80	81
Employee benefits	105	105	-	-	105	105
Gross policy liabilities	30	45	106	99	(76)	(54)
Other items	61	67	59	49	2	18
Deferred tax assets and liabilities	349	376	244	281	105	95
Set-off of tax	(123)	(171)	(123)	(171)	-	-
Net deferred tax assets	226	205	121	110	105	95

Movement in deferred tax balances during the financial year.

	2017	2016	2017	2016
	Deferred tax assets		Deferred tax liabilities	
	$M	$M	$M	$M
Balance at the beginning of the financial year	376	425	281	321
Movement recognised in profit or loss	(26)	(50)	(26)	(47)
Movement recognised in other comprehensive income	(3)	3	(14)	7
Movement recognised in transactions with owners directly in equity	(1)	-	-	-
Reclassifications	3	-	3	-
Foreign currency exchange movement	-	(2)	-	-
Balance at the end of the financial year	349	376	244	281

12. Trading and investment securities

	2017 $M	2016 $M
Trading securities		
Interest-bearing securities:		
Bank bills, certificates of deposits and other negotiable securities – current	1,520	1,497
Investment securities		
Financial assets designated at fair value through profit or loss		
Interest-bearing securities	15,311	15,579
Equity securities	1,252	1,628
Unit trusts	1,204	952
	17,767	18,159
Available-for-sale financial assets		
Interest-bearing securities	3,677	3,867
Held-to-maturity investments		
Interest-bearing securities	883	1,358
Total investment securities	22,327	23,384
Current	18,073	17,918
Non-current	4,254	5,466
Total investment securities	22,327	23,384

13. Derivative financial instruments

	2017			2016		
	Notional value $M	Fair value Asset $M	Fair value Liability $M	Notional value $M	Fair value Asset $M	Fair value Liability $M
Interest rate-related contracts						
Interest rate swaps	54,093	141	220	56,517	345	450
Swaption	21	-	-	288	-	-
Interest rate futures	4,649	12	7	6,561	5	8
Interest rate options	130	-	-	78	1	1
	58,893	153	227	63,444	351	459
Exchange rate-related contracts						
Forward foreign exchange contracts	4,412	29	58	3,617	26	74
Cross currency swaps	2,746	-	84	3,194	298	94
Currency options	2	-	-	4	-	-
	7,160	29	142	6,815	324	168
Equity contracts						
Equity futures	71	1	-	29	-	-
Credit contracts						
Credit default swaps	571	5	7	133	1	1
Total derivative exposures	66,695	188	376	70,421	676	628

Derivatives are used in investments as well as a means of hedging against fluctuations in interest rate and foreign exchange rates. To prevent derivatives being used as a source of gearing, all derivatives have to be wholly or partly cash-covered, depending on the type of risk undertaken. The investment mandates specifically prohibit the use of derivatives for leveraged trading.

Investments

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

Hedging of fluctuations in interest rates

The Suncorp Group seeks to minimise volatility in net interest income through the use of interest rate derivatives, primarily vanilla interest rate swaps. The aggregate earnings exposure to interest rates is managed within the Board-approved risk limits. At reporting date, there are 24 (2016: 23) swaps designated as fair value hedges of fixed rate bonds held. All other interest rate swaps designated as hedges are cash flow hedges. The swaps designated as cash flow hedges are hedges of either variable rate mortgages or variable rate short-term debt issues.

Hedging of fluctuations in foreign exchange rates

The Suncorp Group ensures that the net exposures are kept to an acceptable level through participation in the spot and forward markets. Cross currency interest rate swaps entered into by the Suncorp Group are designated as hedges using the split approach. Under this approach the benchmark rate component of the swap is accounted for as a fair value hedge and the other components as a cash flow hedge.

The Group has elected to recognise its US Commercial Paper portfolio at fair value through the profit or loss on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward foreign exchange contracts and the debt are recognised in profit or loss. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies where hedge accounting is not applied as at 30 June 2017 is $48 million (2016: $41 million).

During the financial year, the Group deferred to equity $1 million (2016: $nil million), and released $nil million (2016: $nil million) of foreign currency loss previously deferred to equity to profit or loss on derivatives held in qualifying cash flow hedging relationships.

Consolidated losses of $78 million (2016: $77 million) on derivatives held in qualifying fair value hedging relationships, and gains of $78 million (2016: $77 million) representing changes in the fair value of the hedged items attributable to the hedged risk are recognised in profit or loss.

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

	2017		2016	
	Fair value hedges $M	Cash flow hedges $M	Fair value hedges $M	Cash flow hedges $M
Hedging of fluctuations in interest rates				
Notional value of interest rate swaps designated as hedges	1,250	41,422	1,200	46,206
Fair value:				
net receivable on interest rate swaps	-	95	-	217
net payable on interest rate swaps	(66)	(112)	(101)	(179)
	(66)	(17)	(101)	38

	2017 Split approach $M	2016 Split approach $M
Hedging of fluctuations in foreign exchange rates		
Notional value of cross currency swaps designated as hedges	2,744	2,839
Fair value:		
net receivable on cross currency swaps	-	299
net payable on cross currency swaps	(84)	(17)
	(84)	282

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

	Expected cash flows			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
2017				
Forecast receivable cash flows	715	1,389	52	2,156
Forecast payable cash flows	(712)	(1,392)	(72)	(2,176)
	3	(3)	(20)	(20)
2016				
Forecast receivable cash flows	673	891	6	1,570
Forecast payable cash flows	(661)	(884)	(10)	(1,555)
	12	7	(4)	15

14. Loans and advances

	Note	2017 $M	2016 $M
Financial assets at amortised cost			
Housing loans		44,844	44,252
Consumer loans		254	312
Business loans		10,226	9,716
Other lending		13	18
		55,337	54,298
Provision for impairment	15	(140)	(164)
Total loans and advances		55,197	54,134
Current		10,172	12,194
Non-current		45,025	41,940
Total loans and advances		55,197	54,134

15. Provision for impairment on loans and advances

15.1 Reconciliation of provision for impairment on loans and advances

	2017 $M	2016 $M
Collective provision		
Balance at the beginning of the financial year	108	126
Write-back against impairment losses	(12)	(18)
Balance at the end of the financial year	96	108
Specific provision		
Balance at the beginning of the financial year	56	82
New and increased individual provisioning	34	54
Write-back of provisions no longer required	(25)	(22)
Impaired provision written off	(16)	(53)
Unwind of discount	(5)	(5)
Balance at the end of the financial year	44	56
Total provisions	140	164

15.2 Impairment loss on loan and advances

	2017 $M	2016 $M
Decrease in collective provision for impairment	(12)	(18)
Increase in specific provision for impairment	9	32
Bad debts written off	13	14
Bad debts recovered	(3)	(12)
Total impairment loss on loans and advances	7	16

16. Goodwill and other intangible assets

	Goodwill $M	Brands $M	Customer contracts & other relationships $M	Outstanding claims liabilities intangible $M	Software $M	Internally generated software in development $M	Total $M
2016							
Gross carrying amount	5,360	655	1,281	187	430	295	8,208
Accumulated amortisation and impairment losses	(424)	(244)	(1,153)	(159)	(350)	-	(2,330)
Balance at the end of the financial year	4,936	411	128	28	80	295	5,878
Movements in intangible assets[1]							
Balance at the beginning of the financial year	4,921	431	145	32	44	210	5,783
Acquisitions	-	-	24	-	1	143	168
Amortisation	-	(20)	(41)	(4)	(23)	-	(88)
Transfers	-	-	-	-	58	(58)	-
Foreign currency exchange movement	15	-	-	-	-	-	15
Balance at the end of the financial year	4,936	411	128	28	80	295	5,878
Maximum remaining useful life	Indefinite	41 years	11 years	11 years	9 years	Indefinite	
2017							
Gross carrying amount	5,298	655	1,278	187	712	84	8,214
Accumulated amortisation and impairment losses	(417)	(264)	(1,169)	(162)	(381)	-	(2,393)
Balance at the end of the financial year	4,881	391	109	25	331	84	5,821
Movements in intangible assets							
Balance at the beginning of the financial year	4,936	411	128	28	80	295	5,878
Acquisitions	3	-	18	-	-	77	98
Disposal	(58)	-	(2)	-	(3)	-	(63)
Amortisation	-	(20)	(35)	(3)	(34)	-	(92)
Transfers	-	-	-	-	288	(288)	-
Balance at the end of the financial year	4,881	391	109	25	331	84	5,821
Maximum remaining useful life	Indefinite	40 years	10 years	10 years	10 years	Indefinite	

1 Software with gross carrying amount of $10 million and accumulated amortisation of $10 million was disposed of during the 2016 financial year.

16.1 Impairment test for cash-generating units containing goodwill

For the purpose of the annual impairment test, goodwill is allocated to groups of cash-generating units (**CGUs**) which represent the Suncorp Group's operating segments (refer to note 5.1). The carrying amount of each CGU is then compared to its recoverable amount. The accounting policy relating to impairment testing for CGUs containing goodwill is included in note 36.12(b).

The value of goodwill allocated to each of the Banking & Wealth and Suncorp New Zealand operating segments is not significant in comparison to Suncorp Group's total carrying amount of goodwill. The value of goodwill allocated to each group of CGUs is disclosed in note 5.1.

The recoverable amount for the Insurance operating segment is its value in use and is determined by the sum of the present value of future cash flows expected from the general insurance CGUs plus the life insurance CGU appraisal value.

Value in use for the general insurance CGUs

The recoverable amount of each general insurance CGU is its value in use and is determined by discounting the future cash flows generated from the continuing use of the units and are based on the three-year business plans approved by the Board, projected for years four and five based on key assumptions reviewed by management to cover a five-year period. A terminal growth rate of 2.8% (2016: 2.8%) is used to extrapolate cash flows beyond the five-year projections which does not exceed the long-term average growth rate for the industry.

The key assumptions for general insurance CGUs include gross earned premium growth, projected insurance loss ratios, operating expense growth, and expected operational and regulatory capital levels. The cash flow projections and values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

For the general insurance CGUs within the Insurance operating segment, the weighted average cost of capital is used as the post-tax discount rate. The discount rates reflect an equity beta and a market risk premium sourced from observable market inputs.

Discount rates	2017		2016	
	Post-tax %	Pre-tax equivalent %	Post-tax %	Pre-tax equivalent %
Insurance	8.2	10.4	8.2	10.4

Value in use for the life insurance CGU

The recoverable amount of the life insurance CGU is its value in use and has been determined by reference to an appraisal value which comprises the traditional embedded value of the Life companies and other relevant businesses and adds a component for the value of future new business. The embedded value of the Life companies and the value of one-year's new business were assessed using discounted cash flow techniques.

The life insurance appraisal value incorporates a risk-adjusted discount rate of 6.8% (2016: 6.0%) and the multiple of seven (2016: seven) which has been applied to the value of one-year's sales, discontinuance rates, claims rates and expenses.

17. Deposits and short-term borrowings

	2017 $M	2016 $M
Financial liabilities at amortised cost		
Call deposits	18,623	17,226
Term deposits	17,895	18,471
Short-term securities issued	6,118	6,511
Total deposits and short-term borrowings at amortised cost	42,636	42,208
Financial liabilities designated at fair value through profit or loss		
Offshore borrowings	2,469	2,681
Total deposits and short-term borrowings	45,105	44,889
Current	44,319	43,960
Non-current	786	929
Total deposits and short-term borrowings	45,105	44,889

Deposits and short-term borrowings outstanding at 30 June 2017 of $306 million (2016: $300 million) have been obtained under repurchase agreements with the Reserve Bank of Australia and disclosed within the above category of ‘Short-term securities issued’.

The contractual amount payable on financial liabilities designated at fair value through profit or loss at maturity is $2,485 million (2016: $2,690 million).

Interest expense of $32 million (2016: $17 million) on financial liabilities designated at fair value through profit or loss was recognised in the financial year.

Consolidated net gains of $1 million (2016: net losses of $1 million) on financial liabilities designated at fair value through profit or loss are recognised in profit or loss.

18. Unearned premium liabilities

18.1 Reconciliation of movement

	2017 $M	2016 $M
Unearned premium liabilities relating to general insurance contracts		
Balance at the beginning of the financial year	4,864	4,697
Premiums written during the financial year	9,456	9,031
Premiums earned during the financial year	(9,326)	(8,908)
Disposal of business during the financial year	(34)	-
Foreign currency exchange movement	(1)	44
Balance at the end of the financial year	4,959	4,864
Unearned premium liabilities relating to life insurance contracts	6	6
Total unearned premium liabilities	4,965	4,870
Current	4,931	4,812
Non-current	34	58
Total unearned premium liabilities	4,965	4,870

18.2 Liability adequacy test relating to general insurance contracts

	2017 $M	2016 $M
Central estimate of present value of expected future cash flows arising from future claims	3,888	3,733
Risk margin	85	83
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(237)	(161)
Expected present value of future cash flows for future claims including risk margin	3,736	3,655
	%	%
Risk margin	2.8	2.7
Probability of adequacy	57 – 64	57 – 64

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

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

As at 30 June 2017 and 30 June 2016, the LAT resulted in surpluses for all general insurance portfolios.

19. Outstanding claims liabilities

	2017 $M	2016 $M
General insurance contracts		
Gross central estimate – undiscounted	9,897	8,599
Risk margin	1,194	1,200
Claims handling expenses	362	319
	11,453	10,118
Discount to present value	(829)	(693)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	10,624	9,425
Gross outstanding claims liabilities relating to life insurance contracts – discounted	328	309
Total gross outstanding claims liabilities – discounted	10,952	9,734
	%	%
General insurance contracts		
Overall net risk margin applied	15.9	15.8
Probability of adequacy of the risk margin (approximately)	90	90

19.1 Reconciliation of movement in discounted outstanding claims liabilities on general insurance contracts

	2017 $M	2016 $M
Net outstanding claims liabilities relating to general insurance contracts at the beginning of the financial year	7,711	7,453
Prior periods		
Claims payments	(2,415)	(2,292)
Discount unwind	82	97
Margin release on prior periods	(297)	(306)
Incurred claims due to changes in assumptions and experience	(420)	(484)
Change in discount rate	(77)	180
Current period		
Incurred claims	6,235	6,108
Claims payments	(3,331)	(3,064)
Foreign currency exchange movement	1	19
Net outstanding claims liabilities relating to general insurance contracts at the end of the financial year	7,489	7,711
Reinsurance and other recoveries on outstanding claims liabilities		
Expected undiscounted outstanding reinsurance and other recoveries	3,299	1,799
Discount to present value	(164)	(85)
	3,135	1,714
Gross outstanding claims liabilities (discounted) on general insurance contracts at the end of the financial year	10,624	9,425

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

	Carrying amount $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2017	7,489	2,890	3,319	1,280	7,489
2016	7,711	3,031	3,269	1,411	7,711

19.2 General insurance contracts claims development table

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

	Accident Year											
	Prior $M	2008 $M	2009 $M	2010 $M	2011 $M	2012 $M	2013 $M	2014 $M	2015 $M	2016 $M	2017 $M	Total $M
Estimate of ultimate claims cost:												
At end of accident year		1,294	1,299	1,336	1,472	1,330	1,400	1,416	1,434	1,478	1,589	
One year later		1,156	1,286	1,235	1,394	1,320	1,370	1,411	1,377	1,436		
Two years later		1,119	1,176	1,150	1,363	1,250	1,255	1,309	1,280			
Three years later		1,075	1,156	1,124	1,389	1,166	1,156	1,242				
Four years later		1,015	1,145	1,117	1,326	1,114	1,120					
Five years later		1,003	1,109	1,038	1,251	1,087						
Six years later		999	1,077	1,010	1,223							
Seven years later		945	1,062	1,000								
Eight years later		958	1,054									
Nine years later		943										
Current estimate of cumulative claims cost		943	1,054	1,000	1,223	1,087	1,120	1,242	1,280	1,436	1,589	
Cumulative payments		(899)	(1,001)	(912)	(1,096)	(924)	(861)	(756)	(586)	(309)	(88)	
Outstanding claims liabilities – undiscounted	735	44	53	88	127	163	259	486	694	1,127	1,501	5,277
Discount to present value	(201)	(3)	(3)	(6)	(9)	(11)	(19)	(32)	(40)	(67)	(96)	(487)
Outstanding claims – long-tail	534	41	50	82	118	152	240	454	654	1,060	1,405	4,790
Outstanding claims – short-tail												1,333
Claims handling expense												340
Risk margin												1,026
Total net outstanding claims liabilities relating to general insurance contracts												7,489
Reinsurance and other recoveries on outstanding claims liabilities relating to general insurance contracts												3,135
Total gross outstanding claims liabilities relating to general insurance contracts												10,624

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

19.3 General insurance outstanding claims liabilities and assets arising from reinsurance contracts

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

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

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

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

19.4 Actuarial assumptions and methods relating to general insurance contracts

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

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

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

	2017		2016	
	Aust	**NZ**	**Aust**	**NZ**
Weighted average term to settlement (years)	4.0	0.9	4.3	1.0
Weighted average economic inflation rate	3.9%	2.2%	3.9%	2.3%
Superimposed inflation rate	2.1%	1.5%	2.4%	1.5%
Discount rate	2.5%	2.2%	2.1%	2.1%
Claims handling expense ratio	4.6%	10.6%	4.6%	9.2%
Risk margin	16.7%	20.8%	16.8%	18.7%

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

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

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

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

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

The assumptions regarding uncertainty for each class of business are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of sufficiency of 90% across the Suncorp Group (2016: 90%).

19.5 Impact of changes in key variables relating to general insurance contracts

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

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

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

	Movement in variable	2017 Profit (loss) $M	2016 Profit (loss) $M
Weighted average term to settlement (years)	+0.5 years	(115)	(117)
	–0.5 years	113	115
Inflation rate	+1%	(228)	(283)
	–1%	209	252
Discount rate	+1%	214	240
	–1%	(239)	(271)
Claims handling expense ratio	+1%	(55)	(62)
	–1%	55	62
Risk margin	+1%	(57)	(63)
	–1%	57	63

20. Life insurance and investment contract liabilities

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

	Liability				Asset	Net
	Insurance contracts $M	Unvested policy-owner benefits $M	Invest-ment contracts $M	Gross policy liabilities $M	Gross policy liabilities ceded under reinsurance $M	Net policy liabilities $M
Balance as at 30 June 2015	2,220	289	3,415	5,924	476	5,448
Movement recognised in profit or loss	(14)	(30)	-	(44)	(15)	(29)
Contributions and premiums recognised in policy liabilities	109	-	66	175	-	175
Withdrawals and claims expense recognised in policy liabilities[1]	(169)	-	(2,981)	(3,150)	-	(3,150)
Foreign currency exchange movement	(11)	2	16	7	-	7
Balance as at 30 June 2016	2,135	261	516	2,912	461	2,451
Movement recognised in profit or loss	158	-	25	183	124	59
Contributions and premiums recognised in policy liabilities	109	-	11	120	-	120
Withdrawals and claims expense recognised in policy liabilities	(219)	-	(56)	(275)	-	(275)
Deferred tax movement recognised in policy liabilities	-	-	-	-	-	-
Movement in unvested policyowner benefits	-	(13)	-	(13)	-	(13)
Foreign currency exchange movement	(8)	-	(2)	(10)	-	(10)
Balance as at 30 June 2017	2,175	248	494	2,917	585	2,332

1 $2,647 million of total withdrawals from investment contracts in 2016 was due to the Suncorp Group's Super Simplification Program. This involved superannuation funds associated with Suncorp Group brand names, which are not subsidiaries of the Suncorp Group, adopting a simplified investment holding structure and resulted in the withdrawal of investment contracts from the Group.

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

	Carrying amount $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	No term $M	Investment linked $M	Total cash flows $M
2017	2,332	62	304	1,242	248	476	2,332
2016	2,451	53	271	1,369	261	497	2,451

20.1 Life policy liability estimation process

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

Policy liabilities in New Zealand have been calculated in accordance with Professional Standard Number 20, *Determination of Life Insurance Policy Liabilities* issued by the New Zealand Society of Actuaries.

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

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

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

20.2 Actuarial assumptions, judgments and estimates used in calculating life insurance contract liabilities

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

- Investment earnings and discount rates: based on 10-year Australian and New Zealand Government bond yields. Adjustments made as necessary for participating contracts.
- Voluntary discontinuance: rates are based upon recent internal investigations. Allowance is made for cash withdrawals.
- Mortality – individual risk products: rates are based on recent internal investigations. SLSL retail rates are expressed as a multiple of FSC2004-2008 industry incidence tables, and direct rates are a multiple of the ALT2004-2006 population life table. ALLNZ rates are expressed as a multiple of IA95-97 industry incidence tables.
- Mortality – annuitants: rates are based on recent internal investigations. Mortality rates for annuitants have been determined using the standard table IM/IF80 with adjustments for assumed future age-related improvements. Table IM/IF80 was developed by the Institute and Faculty of Actuaries based on UK annuitant lives experience from 1979 to 1982.
- Morbidity: rates are based on recent internal investigations. SLSL retail rates are expressed as a multiple of FSC2004-2008 industry incidence tables. SLSL direct and ALLNZ rates are expressed as a multiple of population incidence rates with adjustments to reflect experience and policy conditions.

The following table shows the ranges of the adjustments to the base industry tables, ranges of investment earnings and actual annual lapse rates for 2017 and 2016.

	SLSL		ALLNZ	
	2017 %	2016 %	2017 %	2016 %
Investment earnings pre-tax for participating business	3.6 - 4.2	2.9 - 3.6	3.7	3.1
Risk-free pre-tax discount rates for non-participating business	1.6 - 2.9	1.5 - 2.3	1.9 - 4.1	2.0 - 3.4
Annual lapse rate (voluntary discontinuance)	4 - 40	4 - 40	1 - 26	3 - 30
Mortality – individual risk products retail adjustment[1]	67 - 182	67 - 121	60 - 120	60 - 120
Mortality – individual risk products other adjustment	50 - 121	50 - 121	n/a	n/a
Mortality – annuitants adjustment	60	60	73	73
Future improvements in mortality – annuitants adjustment	97	97	98	98
Group claims ratio	76 - 97	76 - 97	85	85
Income protection claims incidence adjustment[2]	65 - 278	65 - 278	89 - 309	73 - 98
Income protection claims termination adjustment[2]	75 - 100	75 - 100	71 - 115	30 - 80

1 For SLSL, the 2016 retail rates were expressed as a multiple of IA95-97 industry incidence tables.

2 For SLSL, retail disability income business rates are based on FSC ADI tables 2007-2011 and direct rates are based off the IAD tables. For ALLNZ, rates are based off retail disability income business ADI tables 2007-2011 (2016: rates were based of the IAD tables).

20.3 Life insurance contract policy liabilities

	Note	2017 $M	2016 $M
Best estimate liability			
Value of future policy benefits[1]		5,945	6,188
Value of future expenses		2,429	2,544
Value of unrecouped acquisition expenses		(1,065)	(1,001)
Balance of future premiums		(6,831)	(7,061)
		478	670
Value of future profits			
Policyowner bonuses[2]		434	395
Shareholder profit margins		605	531
		1,039	926
Total value of declared bonuses[3]		73	78
Total net life insurance policy liabilities		1,590	1,674
Gross policy liabilities ceded under reinsurance	20	585	461
Gross life insurance contract liabilities	20	2,175	2,135
Policy liabilities subject to capital guarantee		1,582	1,635

1 Future policy benefits include bonuses credited to policyowners in prior periods but exclude current period bonuses and future bonuses. Where business is valued by other than projection techniques, future policy benefits include the account balance.

2 Future bonuses exclude current period bonuses.

3 Declared bonuses are valued in accordance with APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* issued under section 230A(1) of the Life Act.

20.4 Sensitivity analysis on life insurance contract liabilities

The following table illustrates the impact in the current period of changes in key assumptions as at 30 June 2017 with all other variables remaining constant. The change in liability and profit (loss) after tax are shown net and gross of reinsurance (**RI**). There is no impact to equity reserves.

		Change in life insurance contract liability		Profit (loss) after tax	
Variable	**Change[1]**	**Net of RI $M**	**Gross of RI $M**	**Net of RI $M**	**Gross of RI $M**
2017					
Maintenance expense	10% increase	10	12	7	8
Mortality and lump sum morbidity	10% increase	62	286	44	(201)
Morbidity – disability income	10% increase in incidence and decrease in recovery rates	83	285	54	(208)
Discontinuance rates	10% increase	82	132	57	(92)
2016					
Maintenance expense	10% increase	18	29	(13)	(20)
Mortality and lump sum morbidity	10% increase	110	438	(78)	(308)
Morbidity – disability income	10% increase in incidence and decrease in recovery rates	106	313	(78)	(225)
Discontinuance rates	10% increase	130	258	(91)	(180)

1 Sensitivity changes are relative to current best estimate assumptions.

21. Debt issues

	Note	2017 $M	2016 $M
Financial liabilities at amortised cost			
Offshore borrowings		2,663	3,123
Domestic borrowings		4,062	3,569
Total unsecured debt issues		6,725	6,692
Domestic covered bonds	27.3	2,491	3,149
Total secured debt issues		2,491	3,149
		9,216	9,841
Current		1,972	3,362
Non-current		7,244	6,479
Total debt issues		9,216	9,841

22. Loan capital

The following table shows loan capital at amortised cost and categorised by capital type, class and instrument under Australian Prudential Regulation Authority (**APRA**) Life and General Insurance Capital (**LAGIC**) and Bank Basel III reporting standards. These instruments have been issued by Suncorp Group Limited (**SGL**), AAI Limited (**AAIL**), Suncorp-Metway Limited (**SML**) or Suncorp Insurance Funding 2007 Limited (**SIF07**).

	2017 $M	2016 $M
Additional Tier 1 loan capital		
$AUD 560 million SGL CPS2	559	556
$AUD 400 million SGL CPS3	396	395
$AUD 375 million SGL Capital Notes	368	-
Total Additional Tier 1 loan capital	1,323	951
Tier 2 loan capital		
LAGIC/Basel III fully compliant subordinated notes		
$AUD 770 million SGL Subordinated Notes	767	765
$AUD 330 million AAIL Subordinated Notes	328	-
$AUD 225 million AAIL Subordinated Notes	224	222
Total LAGIC/Basel III fully compliant subordinated notes	1,319	987
LAGIC/Basel III transitional subordinated notes		
$AUD 72 million SML Floating Rate Notes	72	72
£GBP 121 million SIF07 Subordinated Notes	-	231
$AUD 98 million AAIL Subordinated Notes	-	99
Total LAGIC/Basel III transitional subordinated notes	72	402
Total Tier 2 capital	1,391	1,389
Total loan capital[1]	2,714	2,340
Current	-	99
Non-current	2,714	2,241
Total loan capital	2,714	2,340

1 Total liability in relation to interest payment accrued for Suncorp Group to make payments under the subordinated notes as at the end of the financial year is $6 million (2016: $4 million). It is disclosed within the consolidated statement of financial position category of 'Payables and other liabilities'.

Additional Tier 1 Capital

	Margin above 90 day BBSW	Potential scheduled mandatory conversion date	Optional call/ exchange date	Issue date	2017 Number on issue	2016 Number on issue
SGL CPS2	465 bps	17 Dec 2019	17 Dec 2017	6 Nov 2012	5,600,000	5,600,000
SGL CPS3	340 bps	17 Jun 2022	17 Jun 2020	8 May 2014	4,000,000	4,000,000
SGL Capital Notes	410 bps	17 Jun 2024	17 Jun 2022	5 May 2017	3,750,000	-

The convertible preference shares and capital notes are eligible Additional Tier 1 instruments both in the transitional and post-transitional Basel III and LAGIC rules. They are fully paid, perpetual, subordinated, unsecured securities.

Convertible preference shares pay a dividend, while capital notes pay a distribution. Payments are floating rate, discretionary, non-cumulative, and scheduled to be paid quarterly, at the Company's discretion and are expected to be fully franked. They are calculated based on the sum of the three-month bank bill rate and the margin, adjusted for the corporate tax rate. If the Company does not make a payment in full, on a payment date (or within three business days of that date), then the dividend restriction applies to the Company in respect of the Suncorp Group's dividends on ordinary shares and ordinary share buy-backs.

Suncorp has the option to convert, redeem or resell the instruments on the call date, or following a regulatory or tax event or potential acquisition event, subject to APRA's prior written approval and certain conditions being fulfilled. If APRA determines that a non-viability event has occurred in relation the company, all (or in some circumstances, some) of the instruments will be immediately converted into the Company's ordinary shares (or, if conversion cannot by effected for any reason within five business days, immediately and irrevocably terminated). Conversion will be based on a volume weighted average price (**VWAP**) of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a maximum conversion number, equal to 20% of the VWAP over a 20-day period prior to the issue date.

If still outstanding on the mandatory conversion date, the instruments will mandatorily convert into a variable number of the Company's ordinary shares (subject to certain conditions being satisfied). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a maximum conversion number, equal to 50% of the VWAP over a 20-day period prior to the issue date.

In the event of the winding-up of the Company, the rights of the holders will rank equally, and in priority to the rights of the ordinary shareholders only.

LAGIC / Basel III fully compliant subordinated notes[1]

	Margin above 90 day BBSW	Maturity date	Holder conversion date	Optional redemption date	Issue date	2017 Number on issue	2016 Number on issue
SGL Subordinated Notes	285 bps	22 Nov 2023	n/a	22 Nov 2018	22 May 2013	7,700,000	7,700,000
$AUD 330 million AAIL Subordinated Notes	320 bps	6 Oct 2042	6 Nov 2024	6 Oct 2022	6 Oct 2016	33,000	-
$AUD 225 million AAIL Subordinated Notes	330 bps	18 Nov 2040	18 Nov 2022	18 Nov 2020	18 Nov 2015	22,500	22,500

1 No subordinated notes have been converted as at 30 June 2017 and 30 June 2016.

The subordinated notes pay quarterly, cumulative deferrable interest payments at a floating rate equal to the sum of the three-month bank bill swap rate and the margin.

The issuer has the option to redeem the instrument on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval). Holders of AAIL Subordinated Notes have the option to convert, into the Company's ordinary shares, on each interest payment date following the holder conversion date, assuming certain conditions are satisfied. Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a minimum conversion price, equal to 50% of the VWAP over a 20-day period prior to the issue date.

If APRA determines that a non-viability event has occurred in relation to the issuing entity and their parent, all (or in some circumstances, some) of the subordinated notes will be immediately converted into the Company's ordinary shares (or, if conversion cannot by effected for any reason within five business days, written off). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a minimum conversion price, equal to 20% of the VWAP over a 20-day period prior to the issue date. The rights of the holder will rank in preference to the rights of its ordinary and preference shareholders, and capital notes holders and will rank equally against all other subordinated note holders.

LAGIC / Basel III transitional subordinated notes

	Semi-annual coupon rate	Margin above 90 day BBSW	Optional redemption date	Issue date	2017 Number on issue	2016 Number on issue
SML Floating Rate Notes	n/a	75 bps	n/a	17 Dec 1998	715,383	715,383
SIF07 Subordinated Notes[1]	6.25%	n/a	13 Jun 2017	13 Jun 2007	-	121,218
AAIL Subordinated Notes	6.75%	n/a	6 Oct 2016	6 Oct 2006	-	9,814

1 Foreign currency borrowings are hedged back into Australian Dollars.

On 13 June 2017, SIF07 £GBP 121 million Subordinated Notes were redeemed in full, for cash.

On 6 October 2016, AAIL $AUD 98 million Subordinated Notes were redeemed in full, for cash.

On 17 December 1998, SML issued perpetual cumulative non-convertible notes with a floating rate coupon with callable features.

The rights of the holders will rank in preference to the rights of its subordinated and capital note holders, preference and ordinary shareholders.

23. Share capital

	Number of ordinary shares	Issued capital $M	Share-based payments $M	Treasury shares $M	Total share capital $M
Balance as at 30 June 2015	1,286,600,980	12,717	59	(92)	12,684
Share-based payments	-	-	4	-	4
Treasury share movements	-	-	-	(9)	(9)
Balance as at 30 June 2016	1,286,600,980	12,717	63	(101)	12,679
Shares issued	6,098,908	80	-	-	80
Share-based payments	-	-	11	-	11
Treasury share movements	-	-	-	(4)	(4)
Balance as at 30 June 2017	1,292,699,888	12,797	74	(105)	12,766

Ordinary shares

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

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

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

Dividend Reinvestment Plan

All eligible shareholders can elect to participate in the Dividend Reinvestment Plan to reinvest all or part of their dividends, with no brokerage or transaction costs.

Under the Dividend Reinvestment Plan, 2,502,558 ordinary shares were issued and allotted on 3 April 2017 for the 2017 interim dividend; 3,596,350 ordinary shares were issued and allotted on 21 September 2016 for the 2016 final dividend; 3,345,495 ordinary shares were allotted on 14 March 2016 for the 2016 interim dividend; and 3,908,498 ordinary shares were allotted on 2 September 2015 for the 2015 final and special dividends. Shares for the 14 March 2016 and 2 September 2015 allotments were acquired on market for delivery to shareholders and resulted in no issue of new shares.

Share-based payments

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

24. Reserves

	Equity reserve for credit losses $M	Hedging reserve $M	Assets available-for-sale reserve $M	Foreign currency translation reserve $M	Total reserves $M
Balance as at 30 June 2015	146	(7)	6	22	167
Transfer to retained profits	(61)	-	-	-	(61)
Amount recognised in equity	-	26	-	-	26
Amount transferred from equity to profit or loss	-	-	(2)	-	(2)
Income tax expense	-	(8)	1	-	(7)
Exchange differences on translation of foreign operations	-	-	-	75	75
Balance as at 30 June 2016	85	11	5	97	198
Transfer to retained profits	(3)	-	-	-	(3)
Amount recognised in equity	-	(57)	13	-	(44)
Amount transferred from equity to profit or loss	-	(3)	-	-	(3)
Income tax expense	-	18	(4)	-	14
Exchange differences on translation of foreign operations	-	-	-	(1)	(1)
Balance as at 30 June 2017	82	(31)	14	96	161

Equity reserve for credit losses

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

Hedging reserve

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

Assets available-for-sale reserve

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

Foreign currency translation reserve

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

25. Group capital management

The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to maintain and grow the business, in accordance with the Group's risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Suncorp Group and each regulated entity, is capitalised to meet internal and external requirements. The Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group. Capital targets are structured according to risk appetite, the regulatory framework and APRA's non-operating holding company (**NOHC**) conditions. Details relating to classification of capital for regulatory purposes and the capital positions of key regulated entities at the reporting date are provided in section 8.3 of the Directors' Report.

APRA has finalised the non-capital standards for the supervision of conglomerate groups, with implementation date effective from 1 July 2017. The capital standards have not been finalised and it is not expected to come into force until 2019. The Suncorp Group has been operating under a NOHC structure since 2011, with associated NOHC Conditions from APRA having much in common with the Level 3 conglomerate standards. The Suncorp Group is well placed to implement the requirements and does not expect material changes to the ICAAP as a result. As the NOHC, the Company holds capital in respect of the corporate service companies and a portion of the Suncorp Group's target capital above that held within the Insurance and Banking & Wealth businesses.

The NOHC Conditions include the following:

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

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

The following table summarises the capital position as at the reporting date.

	2017 $M	2016 $M
Common Equity Tier 1 Capital	6,625	6,338
Additional Tier 1 Capital	1,335	960
Tier 1 Capital	7,960	7,298
Tier 2 Capital	1,552	1,562
Total Capital	9,512	8,860
Excess to Common Equity Tier 1 Capital Target (ex dividend)	377	346
Excess Total Capital to target (ex dividend)	1,156	677

26. Notes to the consolidated statement of cash flows

26.1 Reconciliation of cash flows from operating activities

	2017 $M	2016 $M
Profit for the financial year	1,085	1,045
Non-cash items		
Impairment loss on loans and advances	7	16
Amortisation and depreciation expense	168	165
Change in fair value relating to investing and financing activities	54	115
Other non-cash items	80	37
Change in operating assets and liabilities		
Net movement in insurance assets and liabilities	(286)	(2,630)
Net movement in tax assets and liabilities	32	(201)
Increase in trading securities	(23)	(113)
Increase in loans and advances	(1,072)	(2,399)
Increase in other assets	(22)	(2)
Increase in deposits and short-term borrowings	216	990
(Decrease) increase in payables and other liabilities	(44)	245
Net cash used in operating activities	195	(2,732)

26.2 Reconciliation of cash and cash equivalents to the consolidated statement of cash flows

	2017 $M	2016 $M
Cash and cash equivalents at the end of the financial year in the consolidated statement of cash flows is represented by the following line items in the consolidated statement of financial position:		
Cash and cash equivalents	1,840	1,798
Receivables due from other banks[1]	567	552
Payables due to other banks	(50)	(332)
	2,357	2,018

1 Includes $192 million (2016: $212 million) of collateral representing credit support to secure the Suncorp Group's derivative liability position, as part of the standard International Swaps and Derivatives Association (**ISDA**) agreement.

26.3 Financing arrangements

	2017		2016	
	Program limit $M	Unused $M	Program limit $M	Unused $M
The Suncorp Group had the following debt programs available at the end of the financial year:				
$USD 5 billion Global Covered Bond Programme	6,500	4,000	6,735	3,585
$USD 15 billion Euro Medium Term Notes Program and Euro Commercial Paper	19,501	18,985	20,205	19,543
$USD 5 billion United States Commercial Paper Program	6,500	3,963	6,735	4,170
$USD 15 billion U.S. Medium Term Notes Program	19,501	17,273	20,205	17,853
AUD Transferable Certificate of Deposit Program	5,000	925	5,000	1,400
	57,002	45,146	58,880	46,551

27. Financial instruments

27.1 Fair value of financial instruments

Fair values are categorised by a three-level hierarchy which identifies the inputs to valuation techniques used to measure fair value:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Suncorp Group can access at the measurement date.
- 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.

Financial assets and liabilities measured at fair value

The following table presents the financial assets and liabilities that are measured at fair value categorised by fair value hierarchy.

	2017				2016			
	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	-	1,520	-	1,520	-	1,497	-	1,497
Fair value through profit or loss and available-for-sale financial assets[1,2]	4,881	16,552	11	21,444	4,011	18,008	7	22,026
Derivatives	11	177	-	188	5	671	-	676
	4,892	18,249	11	23,152	4,016	20,176	7	24,199
Financial liabilities								
Short-term offshore borrowings designated as financial liabilities at fair value through profit or loss[3]	-	2,469	-	2,469	-	2,681	-	2,681
Derivatives	7	369	-	376	8	620	-	628
	7	2,838	-	2,845	8	3,301	-	3,309

1 Disclosed within the consolidated statement of financial position category of 'Investment securities'.

2 The Level 3 financial asset relates to investment in unlisted equity securities. There have been no remeasurements through profit or loss or other comprehensive income during the period.

3 Disclosed within the consolidated statement of financial position category of 'Deposits and short-term borrowings'.

There have been no significant transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during the 2017 and 2016 financial years. Transfers are deemed to have occurred at the end of the financial year.

Financial assets and liabilities not measured at fair value

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

	Note	Carrying value	Fair value			
			Level 1	Level 2	Level 3	Total
		$M	$M	$M	$M	$M
2017						
Financial assets						
Held-to-maturity investments	12	883	-	897	-	897
Loans and advances	14	55,197	-	-	55,240	55,240
Financial liabilities						
Deposits and short-term borrowings at amortised cost	17	42,636	-	42,698	-	42,698
Securitised liabilities	27.3	3,088	-	3,092	-	3,092
Debt issues	21	9,216	-	9,252	-	9,252
Loan capital	22	2,714	2,159	638	-	2,797
2016						
Financial assets						
Held-to-maturity investments	12	1,358	-	1,374	-	1,374
Loans and advances	14	54,134	-	-	54,237	54,237
Financial liabilities						
Deposits and short-term borrowings at amortised cost	17	42,208	-	42,282	-	42,282
Securitised liabilities	27.3	2,535	-	2,532	-	2,532
Debt issues	21	9,841	-	9,904	-	9,904
Loan capital	22	2,340	1,732	606	-	2,338

Significant assumptions and estimates used to determine the fair values are described below.

Financial assets

Fair value of held-to-maturity investment securities are determined based on the quoted market price where available. Where quoted prices are not available, alternative valuation techniques are used. Valuation techniques used include discounted cash flow analysis using expected future cash flows and a market-related discount rate.

The carrying value of loans and advances is net of specific and collective provisions for impairment. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied are based on the rates offered by the Suncorp Group on current products with similar maturity dates.

Financial liabilities

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

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

27.2 Master netting or similar arrangements

The Suncorp Group has in place the following master netting or similar arrangements at reporting date.

Derivative assets and liabilities

– Offsetting has been applied to derivatives in the consolidated statement of financial position where the Suncorp Group has a legally enforceable right to set-off and there is an intention to settle on a net basis.

– Certain derivatives are subject to the ISDA Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Suncorp Group and the counterparty to apply close out netting across all outstanding transactions only if either party defaults or other pre-agreed termination events occur. As such, they do not meet the criteria for offsetting in the consolidated statement of financial position.

– The cash collateral pledged or received is subject to the ISDA Credit Support Annex and other standard industry terms.

Amounts due from and to reinsurers

– Some reinsurance treaties of the Suncorp Group include netting arrangements whereby the receivables from and payables to reinsurers are settled on a net basis. As such, the Suncorp Group has applied offsetting in the consolidated statement of financial position.

– Collateral received is subject to terms and conditions of the respective reinsurance treaties and provides regulatory capital relief on the Suncorp Group's credit exposures to reinsurers.

Repurchase agreements and reverse repurchase agreements

– Offsetting has been applied to repurchase agreements in the consolidated statement of financial position where the Group has a legally enforceable right to set-off and netting of payments or receipts apply or in some agreements netting only apply if both the Group and the respective counterparties agree.

– Provision is made for netting of payments/receipts of all amounts in the same currency payable by each party to the other and close-out netting on termination.

– Repurchase transactions are governed by the Global Master Repurchase Agreement (**GMRA**) published by the International Capital Markets Association (**ICMA**) and the Securities Industry and Financial Markets Association (**SIFMA**).

Outstanding investment settlements

– Offsetting has been applied to investment receivables and investment payables where the Group has a legally enforceable right to set-off and netting of payments or receipts apply. In the consolidated statement of financial position, investment receivables is included in 'Other assets' and the investment payables is included in 'Payables and other liabilities'.

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

	Amounts subject to master netting or similar arrangements						
			Related amounts not offset on the SoFP				
	Gross amounts $M	Offsetting applied $M	Financial instruments $M	Financial collateral received/ pledged $M	Net exposure $M	Amounts not subject to master netting or similar arrangements $M	Total $M
2017							
Financial assets							
Derivatives	177	-	(124)	(17)	36	11	188
Amounts due from reinsurers[1]	102	(72)	-	(7)	23	86	116
Reverse repurchase agreements [2]	639	-	-	(632)	7	-	639
Investment receivables[1]	523	(272)	-	-	251	-	251
Total	1,441	(344)	(124)	(656)	317	97	1,194
Financial liabilities							
Derivatives	326	-	(124)	(150)	52	50	376
Amounts due to reinsurers	87	(72)	-	-	15	784	799
Repurchase agreements	570	-	(570)	-	-	-	570
Investment payables[3]	512	(272)	-	-	240	-	240
Total	1,495	(344)	(694)	(150)	307	834	1,985
2016							
Financial assets							
Derivatives	635	-	(276)	(316)	43	41	676
Amounts due from reinsurers[1]	140	(90)	-	(21)	29	78	128
Reverse repurchase agreements[2]	349	-	-	(349)	-	-	349
Total	1,124	(90)	(276)	(686)	72	119	1,153
Financial liabilities							
Derivatives	564	-	(276)	(159)	129	64	628
Amounts due to reinsurers	133	(90)	-	-	43	702	745
Repurchase agreements	567	-	(567)	-	-	-	567
Total	1,264	(90)	(843)	(159)	172	766	1,940

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

2 Reverse repurchase agreements of duration less than 90 days and are included as part of 'Cash and cash equivalents' in the consolidated statement of financial position. If maturity is greater than 90 days, they are included in 'Loans and advances'. Details discussed in note 27.3.

3 Included as part of 'Payables and other liabilities' in the consolidated statement of financial position.

27.3 Transfers of financial assets and collateral accepted as security for assets

Transferred financial assets continue to be recognised in the consolidated statement of financial position if the Group is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Suncorp Group enters into repurchase agreements and conducts covered bond and securitisation programs.

Repurchase agreements

The Suncorp Group enters into repurchase agreements involving the sale of interest-bearing securities and equity securities and simultaneously agree to buy them back at a pre-agreed price on a future date. In the consolidated statement of financial position, the interest-bearing securities or equities securities transferred are included in 'Trading securities' and 'Investment securities'. The obligation to repurchase is included in 'Deposits and short-term borrowings' or 'Payables and other liabilities'.

Reverse repurchase agreements

Collateral has been accepted in relation to reverse repurchase agreements. The fair value of collateral accepted as security for assets is $632 million (2016: $353 million) against carrying amount of $639 million (2016: $349 million). These transactions are governed by standard industry agreements.

Covered bonds

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

Securitisation programs

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

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

	2017			2016		
	Repurchase agreements $M	Covered bonds $M	Securitised liabilities $M	Repurchase agreements $M	Covered bonds $M	Securitised liabilities $M
Carrying amount of transferred financial assets	838	2,926	3,195	570	3,836	2,712
Carrying amount of associated financial liabilities	570	2,491	3,088	567	3,149	2,535
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	n/a	n/a	3,198	n/a	n/a	2,713
Fair value of associated financial liabilities	n/a	n/a	3,092	n/a	n/a	2,532
Net position			106			181

Note: n/a = not applicable

28. Risk management objectives and structure

The Board and management recognise that effective risk management is critical to the achievement of Suncorp’s objectives. The Board Risk Committee (**Risk Committee**) has delegated authority from the Board to oversee the adequacy and effectiveness of the risk management frameworks and processes within Suncorp.

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

– Suncorp'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 risk management process.

The Three Lines of Defence model of accountability is outlined in the table below.

Line of defence	Responsibility of	Accountable for
First – Manage risk and comply with Suncorp frameworks, policies and risk appetite	All Functions (and staff)	– Identify and manage the risks inherent in their operations. – Ensure compliance with all legal and regulatory requirements and Suncorp policies. – Promptly escalate any significant actual and emerging risks for management attention.
Second – Independent Functions own and monitor the application of risk frameworks, and measure and report on risk performance and compliance	Chief Risk Officer, Function Chief Risk Officers	– Design, implement and manage the ongoing maintenance of Suncorp risk frameworks and related policies. – Advise and partner with the Function in the design and execution of risk frameworks and practices. – Develop, apply and execute Functions' risk frameworks that are consistent with Suncorp policies for the respective Functions. – Facilitate the reporting of the appropriateness and quality of risk management.
Third – Independent assurance over internal controls and risk management practices	Internal Audit	– Decide the level and extent of independent testing required to verify the efficacy of internal controls. – Validate the overall risk framework. – Provide assurance that the risk management practices are functioning as intended.

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

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

Suncorp has in place management committees, each with its own charter, to execute specific responsibilities within the risk framework. Management asset and liability committees provide effective governance over aspects of the risk framework designed to optimise the long-term returns achieved by asset portfolios within the risk appetite or parameters established by the Board.

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

The material risks addressed by the ERMF are defined below.

Key risks	Definition
Strategic risk	Strategic risk is the most fundamental of business risks. At its most basic, it is the risk associated with Suncorp's operating model and how it seeks to position itself strategically. Strategic risk threatens the viability of the operating model and our strategic position and emerges from external changes and the execution of Suncorp's strategy.
Financial risk	Financial risks include credit and counterparty, market, asset and liability and liquidity risks. Credit and counterparty risk is the risk that the other party in an agreement will default/will not meet its contractual obligations in accordance with agreed terms. Market risk is the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities. Asset and liability risk is the risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term. Liquidity risk is the risk that Suncorp will be unable to service its cash flow obligations today or in the future.
Insurance risk	The risk that for any class of risk insured, the present value of actual claims payable, will exceed the present value of actual premium revenues generated (net of reinsurance).
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk but excludes strategic and reputational risks.
Compliance risk	The risk of legal or regulatory sanctions, financial loss, or loss to reputation which Suncorp may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.

Suncorp is exposed to the following categories of market risk.

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

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

- note 29 insurance risk management
- note 30 risk management for financial instruments: credit, liquidity and market risks
- note 13 derivative financial instruments.

29. Insurance risk management

29.1 Policies and practices for mitigating insurance risk

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

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

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

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

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

29.2 Terms and conditions of insurance contracts

(a) General insurance contracts

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

(b) Life insurance and investment contracts

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

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

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

30. Risk management for financial instruments

30.1 Credit risk for Bank-related financial instruments

Suncorp Group conducts its banking business through SML and its subsidiaries, they are collectively referred as Bank. Due to the nature of the Bank's business, credit risk exposure arising from the Bank's financial assets is managed separately to other business areas of the Suncorp Group.

(a) Credit risk exposures

The Bank is exposed to credit risk from traditional lending to customers and receivables from interbank, 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 setting and maintenance of detailed credit policies, and standards is undertaken by an independent function. The Chief Risk Officer, Banking & Wealth, has responsibility for the independent management of credit functions, to monitor trends impacting the credit quality of lending portfolios, and the management of troublesome and impaired assets.

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

The statistically managed portfolio covers consumer business (personal loans, housing loans and small business loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank'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 commercial, agribusiness, property investment and development finance exposures. Within these portfolio, exposures are individually assessed and an internal risk grade is assigned depending on the discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are generally subject to annual (or more frequent) review, including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the relationship manager including regular performance monitoring, reporting and if required, transfer to the Business Customer Support or Business Loan Recovery teams.

A Portfolio Quality Review team is in place to review the acceptance and management of credit risk in accordance with the approved risk management framework.

The Bank manages its exposures to potential credit losses on over-the-counter (OTC) derivative contracts by entering into netting arrangements with its derivative counterparties. The ISDA Master Agreement and Credit Support Annex provides a contractual framework for derivatives dealing across a full range of over-the-counter products. This agreement contractually binds both parties to apply close out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-agreed termination events occur. The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date, except for derivatives and off-balance sheet commitments.

The fair value of derivatives recognised in the consolidated statement of financial position represents the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 13.

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

- No adjustments are made for any collateral held or credit enhancements.
- Impaired loans are those for which the Bank 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, the Bank fully considers the customer's capacity to repay and security valuation position before a loan is considered impaired.
- An asset is considered past due when any payment under the contractual terms is overdue by 90 days or more. The amount included as past due is the entire contractual balance, not just the overdue portion.

Bank	Receivables due from other banks $M	Trading securities $M	Investment securities $M	Loans and advances $M	Credit commitments[1] $M	Derivatives[1] $M	Total risk $M
2017							
Agribusiness	-	-	-	3,966	283	-	4,249
Construction	-	-	-	578	252	-	830
Financial services	567	-	2,300	99	207	138	3,311
Hospitality	-	-	-	948	64	-	1,012
Manufacturing	-	-	-	274	24	-	298
Professional services	-	-	-	274	21	-	295
Property investment	-	-	-	2,080	146	-	2,226
Real estate - Mortgages	-	-	-	44,841	2,161	-	47,002
Personal	-	-	-	259	4	-	263
Government and public authorities	-	1,520	2,260	-	-	-	3,780
Other commercial and industrial	-	-	-	2,018	183	-	2,201
Total gross credit risk	567	1,520	4,560	55,337	3,345	138	65,467
Impairment provisions							(140)
Total credit risk							65,327

1 Credit commitments and derivative instruments represent the credit equivalent amount of Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Bank	Receivables due from other banks $M	Trading securities $M	Investment securities $M	Loans and advances $M	Credit commitments[1] $M	Derivatives[1] $M	Total risk $M
2016							
Agribusiness	-	-	-	3,952	187	-	4,139
Construction	-	-	-	528	125	-	653
Financial services	552	199	2,937	92	173	217	4,170
Hospitality	-	-	-	902	36	-	938
Manufacturing	-	-	-	278	20	-	298
Professional services	-	-	-	252	12	-	264
Property investment	-	-	-	1,953	93	-	2,046
Real estate - Mortgages	-	-	-	44,270	1,668	-	45,938
Personal	-	-	-	376	6	-	382
Government and public authorities	-	1,298	2,288	-	-	-	3,586
Other commercial and industrial	-	-	-	1,695	190	-	1,885
Total gross credit risk	552	1,497	5,225	54,298	2,510	217	64,299
Impairment provisions							(164)
Total credit risk							64,135

1 Credit commitments and derivative instruments represent the credit equivalent amount of Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Bank	2017				2016			
	Individually provisioned impaired assets $M	Past due > 90 days but not impaired $M	Remaining assets[1] and not impaired $M	Total risk $M	Individually provisioned impaired assets	Past due > 90 days but not impaired	Remaining assets[1] and not impaired	Total risk $M
Agribusiness	71	8	4,170	4,249	105	11	4,023	4,139
Construction	3	-	827	830	8	2	643	653
Financial services	-	-	3,311	3,311	-	-	4,170	4,170
Hospitality	40	-	972	1,012	21	-	917	938
Manufacturing	2	-	296	298	1	-	297	298
Professional services	7	1	287	295	7	1	256	264
Property investment	5	2	2,219	2,226	14	3	2,029	2,046
Real estate - Mortgages	34	379	46,589	47,002	24	347	45,567	45,938
Personal	-	7	256	263	8	11	363	382
Government and public authorities	-	-	3,780	3,780	-	-	3,586	3,586
Other commercial and industrial	11	29	2,161	2,201	18	29	1,838	1,885
Total gross credit risk	173	426	64,868	65,467	206	404	63,689	64,299
Impairment provisions	(44)	(23)	(73)	(140)	(56)	(26)	(82)	(164)
Total credit risk	129	403	64,795	65,327	150	378	63,607	64,135

1 Not past due or past due ≤ 90 days.

(b) Credit quality

Credit quality of loans and advances are classified as follows:

- Performing loans are loans that are not impaired and neither past due or past due less than or equal to 90 days.
- Non-performing loans – 'not impaired' are loans that are past due for greater than 90 days but the Bank considers that principal and interest plus any associated costs will be recovered in full.
- Non-performing loans – 'impaired' are loans for which an individually-assessed provision for impairment has been raised.

Restructured loans are facilities whereby the original contractual terms have been modified in a manner that would not be commercially available to other customers in good standing due to the financial difficulties or hardship of the customer. Examples of restructuring include:

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

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

Bank	2017 $M	2016 $M
Performing loans		
Loans and advances	55,053	53,983
Loans and advances with restructured terms	1	-
Collective provision for impairment	(73)	(82)
	54,981	53,901
Non-performing loans – not impaired		
Non-performing loans – not impaired	426	404
Collective provision for impairment	(23)	(26)
	403	378
Non-performing loans – impaired		
Gross impaired loans	173	206
Specific provision for impairment	(44)	(56)
	129	150
Less: loans to intra-group entities	(316)	(295)
Total loans and advances	55,197	54,134

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

Bank	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
2017						
Loans and advances						
Retail banking	736	247	164	216	170	1,533
Business banking	63	9	24	30	10	136
	799	256	188	246	180	1,669
2016						
Loans and advances						
Retail banking	854	215	116	181	177	1,543
Business banking	68	37	18	22	24	169
	922	252	134	203	201	1,712

(c) Collateral management

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

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

More than 81% (2016: 82%) of the Bank's lending is consumer in nature and 99% (2016: 99%) of that lending is secured by residential property. Residential Lenders Mortgage Insurance (**LMI**) is obtained by the Bank to cover any shortfall in outstanding loan principal and accrued interest. LMI is obtained for residential mortgages with a Loan to Valuation Ratio of more than 80%. The financial effect of these measures is that remaining credit risk on residential loans is significantly reduced.

For the business banking portfolio, the Bank will take collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

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

An estimate of the fair value of collateral and other security enhancements held by the Bank against 'Non-performing loans – impaired' which have a specific provision raised against them is $132 million (2016: $146 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 Bank mitigates the maximum credit exposure to credit risk.

(d) Concentration of credit risk

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

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

Bank	2017 Number	2016 Number
25% and greater	1	1
20% to less than 25%	-	2
15% to less than 20%	2	2
10% to less than 15%	-	2
5% to less than 10%	4	2

A concentration risk management framework is in place to monitor exposure levels set at levels which are considered acceptable in line with the Bank's lending appetite.

(e) Provision for impairment – specific and collective provisions

The credit provisions raised (specific and collective) represent management's best estimate of the losses incurred in the loan portfolio at reporting date. The independent Credit Recovery teams provide the Credit Risk Officer, Banking & Wealth and the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability.

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

The Suncorp Group's policy requires the level of impairment allowances on individual facilities that are above internal thresholds to be reviewed at least quarterly, 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.

Loans with similar credit risk characteristics are grouped as follows:

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

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

Each model determines an impairment loss based on the Suncorp Group's historical experience, and an evaluation of current economic conditions, with adjustments made for additional systemic factors. It is possible that the estimated impairment loss will differ from the actual losses to be incurred from the groups of identified impaired loans.

30.2 Credit risk for non-bank-related financial instruments

Exposure to credit risk from other functions of non-bank-related financial instruments arises primarily from:

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

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

(a) Premiums outstanding

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

The ageing analysis is as follows.

	2017 $M	2016 $M
Neither past due nor impaired	2,416	2,444
Past due 0-3 months	136	48
Past due >3 months	62	24
Impaired	6	6
	2,620	2,522

(b) Reinsurance and other recoveries

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

Collateral arrangements exist for non-regulated reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. The Group holds $145 million (2016: $169 million) in collateral to support reinsurance recoveries on outstanding claims.

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

	2017 $M	2016 $M
AAA	440	398
AA	1,699	728
A	724	333
Not rated	490	441
Total	3,353	1,900

The ageing analysis is as follows.

	2017 $M	2016 $M
Neither past due nor impaired	3,302	1,866
Past due 0-3 months	42	20
Past due >3 months	9	14
	3,353	1,900

(c) Investments in interest-bearing securities and derivatives

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

Certain derivatives issuers have signed ISDA Credit Support Annex documentation to facilitate derivative transactions and manage credit risk (refer to note 27.2).

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

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

	2017	2016	2017	2016
	Interest-bearing investment securities		Derivative asset	
	$M	$M	$M	$M
AAA	5,885	4,689	-	-
AA	4,451	5,811	40	62
A	3,419	4,076	13	5
BBB	1,453	859	1	-
Non-investment grade	49	20	-	-
Not rated	42	15	-	-
Investment-linked business	12	109	1	-
Total	15,311	15,579	55	67

30.3 Liquidity risk

The key objective of the Group's liquidity and funding management is to ensure that it has sufficient available liquidity to meet the Suncorp Group's current and future obligations under both normal and stressed liquidity environments, and does not introduce an unacceptable level of funding risk.

The following key facilities and arrangements are in place to mitigate non-bank-related liquidity risks:

– Investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations.
– Investment funds set aside within the investment portfolios can be realised to meet significant claims payment obligations.
– In the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements.
– Mandated liquidity limits.
– Regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise.

For Bank activities, executive management of liquidity and funding risk is delegated to the Bank Asset and Liability Committee which reviews risk measures and limits, endorses and monitors funding and liquidity strategy and ensures stress tests, the contingency funding plan and holdings of high-quality assets are effective and appropriate. Operational management of liquidity risk is delegated to both the Balance Sheet and Cash Management teams within Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Treasury Control. Market and Financial Risk Analytics provide Second Line of Defence oversight of liquidity and funding management activities.

In conjunction with Group policies, the Bank has separate documents and processes to mitigate liquidity and funding risk which are approved by the Risk Committee and subject to APRA review. These include:

– a liquidity and funding risk appetite statement as well as relevant risk limits
– a framework that includes control practices, early warning indicators and appropriate management notification structures, including, but not limited to: deposit concentration, liquidity coverage ratio, net stable funding ratio and liquidity concentration metrics limits
– sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration given to product, tenor, geography and customer concentrations
– a contingency funding plan that outlines strategies to address liquidity shortfalls in emergency situations.

(a) Maturity analysis

The contractual maturity information is not necessarily used in the liquidity management of the balance sheet. Additional factors as described above are considered when managing the maturity profiles of the business.

The maturity profile of payables due to other banks and deposits and short-term borrowings uses a different timing profile to other financial liabilities. The maturity profile of payables due to other banks and deposits and short-term are shown in the following table.

	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
2017							
Payables due to other banks	50	50	-	-	-	-	50
Deposits and short-term borrowings	45,105	18,453	13,348	12,863	1,033	-	45,697
2016							
Payables due to other banks	332	332	-	-	-	-	332
Deposits and short-term borrowings	44,889	17,347	15,104	11,746	1,375	-	45,572

The maturity profile for the Group's remaining financial liabilities are set out in the table below.

	Carrying amount $M	At call $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2017						
Payables and other liabilities	1,637	-	1,637	-	-	1,637
Amounts due to reinsurers	799	-	799	-	-	799
Managed funds units on issue	911	911	-	-	-	911
Securitised liabilities	3,088	-	865	2,026	509	3,400
Debt issues	9,216	-	2,199	7,282	546	10,027
Loan capital[1]	2,714	-	97	1,803	1,580	3,480
	18,365	911	5,597	11,111	2,635	20,254
Derivatives						
Contractual amounts receivable (gross settled)		-	(845)	(3,180)	(42)	(4,067)
Contractual amounts payable (gross and net settled)		-	1,050	3,377	65	4,492
	376	-	205	197	23	425
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	115	-	-	-	115
Commitments to provide loans and advances	-	9,356	-	-	-	9,356
	-	9,471	-	-	-	9,471
2016						
Payables and other liabilities	1,451	-	1,451	-	-	1,451
Amounts due to reinsurers	745	-	711	34	-	745
Managed funds units on issue	1,334	1,334	-	-	-	1,334
Securitised liabilities	2,535	-	789	1,667	359	2,815
Debt issues	9,841	-	3,654	7,005	-	10,659
Loan capital[1]	2,340	-	169	1,194	1,261	2,624
	18,246	1,334	6,774	9,900	1,620	19,628
Derivatives						
Contractual amounts receivable (gross settled)		-	(313)	(843)	(14)	(1,170)
Contractual amounts payable (gross and net settled)		-	623	1,136	75	1,834
	628	-	310	293	61	664
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	95	-	-	-	95
Commitments to provide loans and advances	-	8,201	-	-	-	8,201
	-	8,296	-	-	-	8,296

1 The cash flows for subordinated notes in the category of 'Loan capital' 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 reporting date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the reporting date.

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

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

Bank	2017 $M	2016 $M
Australian funding sources		
Retail deposits	36,668	36,142
Wholesale funding	6,118	6,511
Covered bond programme	2,491	3,149
Australian domestic program	4,804	4,330
Securitisation	3,088	2,544
	53,169	52,676
Overseas funding sources		
FX retail deposits	172	87
United States Commercial Paper and European Medium-Term Note market	2,904	3,452
United States 144a Medium-Term Note market	2,228	2,352
	5,304	5,891
Total funding	58,473	58,567
Comprised of the following items on the statement of financial position:		
Deposits and short-term borrowings	45,427	45,421
Securitised liabilities	3,088	2,544
Debt issues	9,216	9,860
Subordinated notes[1]	742	742
Total funding	58,473	58,567

1 Disclosed within the consolidated statement of financial position category of 'Loan capital'.

30.4 Market risk for bank-related financial instruments

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

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

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

(a) Traded market risk

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

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

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

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

Bank	2017			2016		
	Interest rate risk[1] $M	FX risk $M	Combined risk[2] $M	Interest rate risk $M	FX risk $M	Combined risk[2] $M
VaR at the end of the financial year	0.06	0.01	0.15	0.65	0.16	0.63

1 Does not include the Balance Sheet Management Tactical portfolio VaR ($0.15 million)

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

(b) Non-traded interest rate risk

Non-traded interest rate risk in the banking book (IRRBB) is defined as all on-balance sheet items and off-balance sheet items that create an interest rate risk exposure within the Bank. 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 Bank to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

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

– yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve)

– basis risk: resulting from differences between the actual and expected interest margins on banking book items

– optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the remeasurement of repricing, yield curve or basis risks.

(i) IRRBB – Net interest income sensitivity (NIIS)

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

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

The following table indicates the potential adverse change in NIIS from a 2% parallel movement on the Bank's financial position. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2017 $M	2016 $M
Exposure at the end of the financial year	(36)	(37)

(ii) Present value sensitivity

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

The following table indicates the potential adverse change in PVS on the Bank's financial position. The change in PVS is based on an adverse 2% parallel instantaneous shock to the yield curve.

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

Bank	2017 $M	2016 $M
Exposure at the end of the financial year	(67)	(45)

(iii) Value at Risk (VaR)

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

Bank	2017 $M	2016 $M
Exposure at the end of the financial year	(22)	(19)

(c) Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking portfolio, 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 to note 13).

30.5 Market risk for non-bank related financial instruments

(a) Foreign exchange risk

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

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

The movements in foreign exchange rates used in the sensitivity analysis for 2017 have been revised to reflect an updated assessment of the reasonable possible changes in foreign exchange rates over the next 12 months, given renewed observations and experience in the investment markets during the financial year.

	2017			2016		
	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M
USD	874	+10	59	297	+12	23
		–10	(62)		–12	(26)
Other	425	+12	31	221	+15	22
		–12	(38)		–15	(25)

(b) Interest rate risk

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

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

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

Investment-linked business is excluded from the analysis as there is no residual interest rate exposure to the shareholder. The movements in interest rates used in the sensitivity analysis for 2017 have remained unchanged based on an updated assessment of the reasonable possible changes in interest rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2017			2016		
	Exposure at 30 June $M	Change in interest rate bp	Profit (loss) after tax $M	Exposure at 30 June $M	Change in interest rate bp	Profit (loss) after tax $M
Interest-bearing investment securities (including derivative financial instruments)	15,650	+100	(244)	15,743	+100	(254)
		– 50	130		– 50	127
Loan capital	2,660	+100	(19)	1,955	+100	(17)
		– 50	6		– 50	7

(c) Equity risk

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

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

The movements in equity prices used in the sensitivity analysis for 2017 have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next 12 months, given renewed observations and experience in the investment markets during the financial year.

	2017			2016		
	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M
Listed Australian equities and unit trusts	691	+10	48	1,293	+15	136
		–20	(97)		–15	(136)
Listed international equities and unit trusts	874	+10	62	864	+15	91
		–20	(123)		–15	(91)

(d) Credit spread risk

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

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

The movements in credit spread used in the sensitivity analysis for 2017 have been revised to reflect an updated assessment of the reasonable possible changes in credit spread over the next 12 months, given renewed observations and experience in the investment markets during the financial year.

	2017			2016		
	Exposure at 30 June $M	Change in credit spread bp	Profit (loss) after tax $M	Exposure at 30 June $M	Change in credit spread bp	Profit (loss) after tax $M
Credit exposure (excluding semi-government)	9,263	+70	(110)	9,827	+50	(93)
		–30	50		–40	76
Credit exposure (semi-government)	1,200	+40	(13)	1,506	+40	(32)
		–15	5		–20	18

31. Commitments

31.1 Credit commitments

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

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

	2017 $M	2016 $M
Notional amounts		
Guarantees entered into in the normal course of business	115	95
Commitments to provide loans and advances	9,356	8,201
	9,471	8,296
Credit equivalent amounts		
Guarantees entered into in the normal course of business	103	93
Commitments to provide loans and advances	3,086	2,261
	3,189	2,354

31.2 Operating lease expenditure commitments

The Suncorp Group leases property under operating leases expiring from 1 to 12 years. Leases generally provide the Suncorp Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or other operating criteria.

	2017 $M	2016 $M
Aggregate non-cancellable operating lease rentals payable but not provided in the financial statements:		
Less than one year	130	127
Between one and five years	399	379
More than five years	279	280
	808	786

Total operating lease rental expense recognised in the consolidated statement of comprehensive income as part of 'Fees, overheads and other expenses' was $110 million (2016: $102 million).

31.3 Capital and expenditure commitments

Expenditure for the acquisition of property, plant and equipment and other expenditure contracted for but not provided in the consolidated financial statements was $6 million (2016: $13 million).

32. Parent entity and composition of the Suncorp Group

32.1 Ultimate parent entity

Company	2017 $M	2016 $M
Results of the Company for the financial year:		
Revenue		
Dividend and interest income from subsidiaries	888	1,019
Interest and trust distribution income on financial assets at fair value through profit or loss	15	18
Other income	4	4
Total revenue	907	1,041
Expenses		
Interest expense on financial liabilities at amortised cost	(85)	(89)
Operating expenses	(5)	(5)
Total expenses	(90)	(94)
Profit before income tax	817	947
Income tax expense	(5)	(4)
Profit for the financial year	812	943
Total comprehensive income for the financial year	812	943

Company	2017 $M	2016 $M
Financial position of the Company as at the end of the financial year:		
Current assets		
Cash and cash equivalents	18	2
Financial assets designated at fair value through profit or loss	516	520
Due from subsidiaries	152	140
Other assets	5	3
Total current assets	691	665
Non-current assets		
Investment in subsidiaries	14,288	13,909
Due from subsidiaries	770	770
Deferred tax assets	8	6
Other assets	81	79
Total non-current assets	15,147	14,764
Total assets	15,838	15,429
Current liabilities		
Payables and other liabilities	21	7
Current tax liabilities	103	62
Due to subsidiaries	21	31
Total current liabilities	145	100
Non-current liabilities		
Loan capital	2,090	1,716
Total non-current liabilities	2,090	1,716
Total liabilities	2,235	1,816
Net assets	13,603	13,613
Equity		
Share capital	12,869	12,776
Retained profits	734	837
Total equity	13,603	13,613

Capital and expenditure commitments

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

Contingent liabilities

There are no parent entity contingent liabilities.

Parent entity guarantees

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

32.2 Material subsidiaries of Suncorp Group Limited

Material subsidiaries of Suncorp Group Limited	Class of shares	Country of incorporation	2017 Equity holding %	2016 %
Suncorp Insurance Holdings Limited	Ordinary	Australia	100	100
AAI Limited[1]	Ordinary	Australia	100	100
Australian Associated Motor Insurers Pty Limited	Ordinary	Australia	100	100
Suncorp Insurance Funding 2007 Limited	Ordinary	Australia	100	100
Suncorp Insurance Services Limited	Ordinary	Australia	100	100
Suncorp Insurance (General Overseas) Pty Ltd	Ordinary	Australia	100	100
Vero Insurance New Zealand Limited	Ordinary	New Zealand	100	100
SBGH Limited	Ordinary	Australia	100	100
Suncorp-Metway Limited	Ordinary	Australia	100	100
APOLLO Series Trusts (various)[2]	Units	Australia	100	100
Suncorp Covered Bond Trust	Units	Australia	100	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	100	100
SME Management Pty Limited	Ordinary	Australia	100	100
Suncorp Life Holdings Limited[3]	Ordinary	Australia	100	100
Guardian Financial Planning Pty Limited	Ordinary	Australia	100	100
Suncorp Insurance (Life Overseas) Pty Ltd	Ordinary	Australia	100	100
Asteron Life Limited	Ordinary	New Zealand	100	100
Suncorp Group Investment Trusts (various)[3]	Units	Australia	100	100
Suncorp Life & Superannuation Limited[3]	Ordinary	Australia	100	100
Suncorp Portfolio Services Limited	Ordinary	Australia	100	100
Suncorp Staff Pty Ltd	Ordinary	Australia	100	100
Suncorp Corporate Services Pty Ltd	Ordinary	Australia	100	100
Suncorp Group Employee Share Plan Trust[4]	Units	Australia	100	100
Suncorp Group Employee Incentive Plan Trust[4]	Units	Australia	100	100

1 Also registered as an overseas company in New Zealand.

2 These trusts are structured entities created as part of the Suncorp Group's loan securitisation program. As at 30 June 2017, the Suncorp Group held interests in 10 trusts (2016: 9). Refer to note 36.1 for the basis of consolidation.

3 The Suncorp Group has seven (2016: eight) unregistered managed investment schemes. They are consolidated by the Suncorp Group's subsidiary which has control of the managed investment scheme (when the controlling subsidiary is assessed as a separate entity). On consolidation, the non-controlling interest recognised by the controlling subsidiary is eliminated against other subsidiaries' holdings in the managed investment schemes.

4 These trusts are structured entities established to operate the Suncorp Group's employee share plans (refer to note 10). These trusts are controlled by the Company.

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

32.3 Unconsolidated structured entities

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

The trusts are governed by the terms under which they were created, as set out in their trust deeds. Suncorp Group is deemed a sponsor of these entities through normal terms and conditions and by the association of its brand names. Compensation received by the Suncorp Group from sponsored entities for the financial year ended 30 June 2017 related to fees from trust fiduciary activities of $59 million (2016: $56 million).

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

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

Trustee/Fund Manager	2017 $M	2016 $M
Asteron Life Limited (New Zealand), Asteron Retirement Investment Limited & Asteron Trust Services Limited[1]	332	320
Suncorp Funds Pty Ltd[2]	1,364	1,275
Suncorp Portfolio Services Limited[3]	6,895	6,806

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

2 Trustee for various investment unit trusts.

3 Trustee for various internal and external superannuation funds.

33. Key management personnel (KMP) and related party disclosures

33.1 KMP disclosures

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

KMP compensation is included in 'Employee benefits expense' (refer to note 9). Its categorisation is as follows.

	2017 $000	2016 $000
Short-term employee benefits	19,465	18,485
Long-term employee benefits	624	3,181
Post-employment benefits	504	495
Share-based payments	8,010	5,779
Termination benefits	1,724	2,207
	30,327	30,147

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

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

	2017		2016	
	Key management personnel $000	Other related parties $000	Key management personnel $000	Other related parties $000
Closing balance	8,090	1,050	5,138	668
Interest charged	230	18	196	18

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

33.2 Related party transactions with associates, joint venture entities and other related parties

	2017 $000	2016 $000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Associates	-	226
Joint ventures	13,665	22,833
Other expenses paid or due and payable:		
Joint ventures	7,903	9,343
Aggregate amounts receivable from, and payable to, each class of related parties at reporting date:		
Receivables:		
Associates	-	300
Joint ventures	69	134
Payables:		
Joint ventures	-	72

34. Auditors' remuneration

	2017	2016	2017	2016
	KPMG Australia		Overseas KPMG firms	
	$000	$000	$000	$000
Audit and review services				
Audit and review of financial reports	5,089	4,959	1,541	1,517
Other regulatory audits	977	1,085	264	273
	6,066	6,044	1,805	1,790
Other services				
In relation to other assurance, actuarial, taxation and other non-audit services	1,774	2,244	150	23
Total auditors' remuneration	7,840	8,288	1,955	1,813

35. Contingent assets and liabilities

35.1 Contingent assets

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

35.2 Contingent liabilities

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

Contingent liabilities for which no provisions are included in these financial statements are as follows:

- The Suncorp Group has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 31 sets out the details of these guarantees.
- Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business, the Suncorp Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.

36. Significant accounting policies

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

36.1 Basis of consolidation

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

(a) Subsidiaries

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

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

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

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

(b) Business combination of entities under common control

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

36.2 Foreign currency

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency of the Group using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into the functional currency using the spot exchange rates current on that date. The resulting differences on monetary items are recognised as exchange gains or losses in the financial year in which the exchange rates difference arises. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the date of the transaction.

Foreign currency non-monetary assets and liabilities that are stated at fair value are translated using exchange rates at the dates the fair value was determined. Where a non-monetary asset is classified as an available-for-sale financial asset, the gain or loss is recognised in other comprehensive income.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the hedge accounting rules set out in note 36.8.

(b) Foreign operations

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

36.3 Revenue and expense recognition

(a) Premium revenue

General insurance contracts

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

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

Life insurance and investment contracts

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

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

(b) Claims expenses and movements in policy liabilities

General insurance contracts

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

Life insurance and investment contracts

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

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

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

(c) Outward reinsurance premium expense

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

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

(d) Interest income and expense

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

(e) Dividends and distribution income

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

(f) Other income

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

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

36.4 Income tax

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

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

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

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

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

Tax consolidation

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

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

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

Taxation of financial arrangements

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

36.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the RBA, highly liquid short-term investments, money at short call, and securities held under reverse repurchase agreements with an original maturity of three months or less. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

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

36.6 Non-derivative financial assets

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

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

– If the Suncorp Group manages such investments, evaluates the performance and makes purchase and sale decisions based on their fair value in accordance with the Suncorp Group's documented risk management or investment strategy.

– It eliminates or significantly reduces a measurement or recognition inconsistency.

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

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

The Suncorp Group has designated financial assets held in portfolios that match the average duration of a corresponding insurance liability, as assets backing general insurance liabilities.

(b) Held-to-maturity investments

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

(c) Loans and other receivables

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

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

(d) Available-for-sale financial assets

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

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

(e) Derecognition of financial assets

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

(f) Repurchase agreements and reverse repurchase agreements

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

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and cash equivalents or loans and advances if the original maturity is greater than 90 days. The security is not included in the statement of financial position. Interest income is accrued on the underlying cash and cash equivalents or loan and advances.

36.7 Derivative financial instruments

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

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss (note 36.6) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 36.8).

Embedded derivatives

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

36.8 Hedge accounting

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

(a) Cash flow hedges

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

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

(b) Fair value hedges

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

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

36.9 Reinsurance and other recoveries receivable

General insurance contracts

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

Life insurance contracts

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

36.10 Deferred acquisition costs

General insurance contracts

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

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

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

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

Life insurance and investment contracts

DAC related to life insurance contracts represent the fixed and variable costs of acquiring new business and include commissions, certain advertising and underwriting costs. DAC related to life insurance contracts are implicitly deferred through Margin on Services (**MoS**) methodology (note 36.16(b)). The deferred amounts are recognised in the consolidated statement of financial position as a reduction in life insurance policy liabilities. The amount deferred is subject to an overall limit such that the value of future profits at inception cannot be negative.

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

36.11 Intangible assets

(a) Initial recognition and measurement

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

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

Internally generated intangible assets

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

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

(b) Amortisation

Intangible assets with finite lives are amortised over the estimated useful lives from the date the asset is available for use. Amortisation is charged to profit or loss in a manner that reflects the pattern in which the asset’s future economic benefits are expected to be consumed using straight-line or diminishing balance methods. All intangible assets except goodwill have finite useful lives. The maximum remaining useful lives as outlined in note 16 are reviewed annually.

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

36.12 Impairment

(a) Financial assets

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

Loans and receivables

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

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

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

(b) Non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit (**CGU**)) which may be an individual asset or a group of assets. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

An impairment loss recognised for goodwill is not reversed.

36.13 Non-derivative financial liabilities

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

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

(b) Financial liabilities at amortised cost

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

(c) Hybrid instruments

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

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

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

(d) Derecognition of financial liabilities

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

36.14 Employee entitlements

(a) Short-term employee benefits

Liabilities for short-term employee benefits are those expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services. They are measured at the amounts expected to be paid when the liabilities are settled. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(b) Long service leave and annual leave

The liabilities for long service leave and annual leave are those not expected to be settled wholly before 12 months after the end of the reporting period. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(c) Share-based payments

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

(d) Termination benefits

Termination benefits are recognised as an expense when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure. Termination benefits for voluntary redundancies are recognised as an expense if the Group can no longer withdraw the offer as an employee has accepted the offer or when a restriction on the Group's ability to withdraw the offer takes effect.

36.15 Unearned premium liabilities

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

36.16 Insurance liabilities

(a) General insurance contracts

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

(b) Life insurance contracts

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

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

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

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

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyowners by applying the MoS principles in accordance with the Life Act and the New Zealand Society of Actuaries Professional Standard Number 20 *Valuation of Life Insurance Liabilities*.

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

(c) Life investment contracts

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

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

36.17 Other significant accounting policies specifically applicable to life insurance contracts

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

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

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

Basis of expense apportionment

Life insurance expenditure has been apportioned to the different classes of business in accordance with Division 2 of Part 6 of the Life Act. The expense apportionment basis is in line with the principles set out in APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* and the New Zealand Society of Actuaries Professional Standard Number 20 *Determination of Life Insurance Policy Liabilities*.

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

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

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

36.18 Treasury shares

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

36.19 Leases

A distinction is made between finance leases (which effectively transfer substantially all the risks and benefits incidental to ownership of leased non-current assets from the lessor to the lessee) and operating leases (under which the lessor effectively retains substantially all such risks and benefits).

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

36.20 Contingent liabilities and contingent assets

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

Contingent assets are not recognised, but are disclosed in the consolidated financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

36.21 New accounting standards and interpretation not yet adopted

AASB 9 *Financial Instruments* was issued in December 2014 and addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard becomes mandatory for the Suncorp Group's 30 June 2019 financial statements. The Suncorp Group is in the process of assessing the impact of AASB 9 and is not yet able to reasonably estimate the impact on its financial statements.

AASB 15 *Revenue from Contracts with Customers* was issued in December 2014 and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures about revenue. It replaces AASB 118 *Revenue and related interpretations*. This standard will become mandatory for the Group's 30 June 2019 financial statements. While it is expected that a significant portion of the Suncorp Group's revenue will be outside the scope of AASB 15, the Suncorp Group is in the process of assessing the impact of AASB 15 and is not yet able to reasonably estimate the impact on its financial statements.

AASB 16 *Leases* was issued in February 2016 and introduced changes to lessee accounting. It requires a lessee to recognise a right-of-use asset representing its rights to use the underlying lease asset and a lease liability representing its obligations to make lease payments other than short-term leases or leases of low-value assets on statement of financial position. This will replace the operating/finance lease distinction and accounting requirements prescribed in AASB 117 *Leases*. This standard will become mandatory for the Suncorp Group's 30 June 2020 financial statements. The potential effects on adoption of the standard are currently being assessed.

AASB 17 *Insurance Contracts* was issued in July 2017 and under the AASB 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. It replaces AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. This standard will become mandatory for the Suncorp Group's 30 June 2022 financial statements. The potential effects on adoption of the standard are currently being assessed.

AASB 9, AASB 15, AASB 16 and AASB 17 are available for early adoption but have not been applied by the Suncorp Group in this financial report.

37. Subsequent events

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

DIRECTORS' DECLARATION

1. In the opinion of the directors of Suncorp Group Limited (the **Company**):

   a. the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 22 to 50, are in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**), including:

      i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2017.

3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

DR ZIGGY SWITKOWSKI AO

Chairman

3 August 2017

MICHAEL CAMERON

CEO & Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNCORP GROUP LIMITED

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Independent Auditor's Report

To the shareholders of Suncorp Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Suncorp Group Limited (the Company) and its subsidiaries (the Group).

In our opinion the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 30 June 2017;
- Consolidated statement of comprehensive income, the Consolidated statement of changes in equity and the Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Measurement of outstanding claims liabilities and related assets arising from reinsurance contracts and other recoveries
- Specific and collective impairment provisions for loans and advances
- Valuation of life insurance contract liabilities
- Valuation of goodwill and other intangible assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Outstanding claims liabilities and related assets arising from reinsurance contracts and other recoveries (AUD 7,489m)

Refer to Note 19, Note 36.9 and Note 36.16(a) to the Financial Report

The key audit matter	How the matter was addressed in our audit
The estimation of outstanding claims liabilities and related assets, including reinsurance assets, is a key audit matter and involves significant judgement given the high degree of uncertainty that is inherent in estimating the expected future payments for claims incurred. Judgement arises over the estimation of payments for claims that have been incurred at the reporting date but have not yet been reported to the Group as it may take many years to finalise the cost of a claim and the ultimate cost may be influenced by factors unknown at 30 June 2017 or outside of the control of the Group. As the auditor, challenging this estimation process requires deep understanding of the industry and specialist actuarial knowledge. The long tail liability classes of business such as Compulsory Third Party ("CTP") experience greater levels of uncertainty in the estimation for outstanding claims and related assets. We focused on CTP liabilities given the size of the liability and the complexity of the judgements regarding assumptions. This included key assumptions such as average claim size, future wage and superimposed inflation and risk margins applied.	We involved our actuarial specialists and performed audit procedures, which included: • testing controls over a sample of claims payments and case estimates, as well as the key actuarial controls, including key data reconciliations and the review of the outstanding claims liability valuations. • challenging the appropriateness of the Group's actuarial methods and key assumptions for CTP and a sample of other classes of business. We assessed the selection of methods and key assumptions to consider evidence of management bias. We challenged the actuarial methods and key assumptions by performing an assessment of the: – accuracy of previous estimates; – consistency across the Group's operations; and – comparability to the broader insurance industry and with previous periods. • performing our own independent re-estimation of claims liabilities using industry accepted actuarial methods to assess the reasonableness of the Group's outstanding claims liability valuations for a sample of classes of business.

Outstanding claims liabilities and related assets arising from reinsurance contracts and other recoveries (AUD 7,489m) (continued)	
The key audit matter	**How the matter was addressed in our audit**
Valuation of reinsurance assets arising from reinsurance contracts involves a high degree of judgement due to the implicit dependence on the estimate of gross outstanding claims and the complexity of the most material contracts (such as coverage for natural hazards and catastrophes).	• assessing the Group's estimation of risk margins with a view to identifying management bias. We evaluated the Group's actuarial methodologies for consistency with those used in the industry and with prior periods. We also compared the risk margins methods to the framework recommended by the Risk Margin Task Force from the Institute of Actuaries of Australia in the paper titled "*A Framework for Assessing Risk Margins*" (Nov 2008). • testing material reinsurance contracts to ensure that recoveries recognised in the financial statements align with the terms of those contracts and extending our procedures in respect of gross outstanding claims to the related reinsurance asset.

Specific and collective impairment provisions for loans and advances (AUD 140m)	
Refer to Note 15, Note 30.1 and Note 36.12(a) to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Impairment provisions are considered to be a key audit matter owing to the significance of loans and advances, the high degree of complexity and judgement applied by the Group in determining the provisions and the judgement required by us in challenging these estimates. Specific impairment provisions are based on the Group's judgement in estimating when an impairment event has occurred and the present value of expected future cash flows, which are inherently uncertain. This is particularly challenging in relation to business and agribusiness loans as the forecast cash flows include estimated timing and proceeds from the future sale of assets securing the debt.	Our audit procedures included: • testing key controls over arrears calculations, customer loan ratings, annual loan reviews, credit risk reviews and credit risk model validations. • performing credit assessments for a sample of business and agribusiness loans with deteriorating credit risk factors or that have a specific impairment provision. Our credit assessments included inspection of the latest loan strategy papers, correspondence with the borrower, provision estimates prepared by credit risk officers and consideration of the resolution period estimated for the impaired loan. We challenged assumptions and recovery strategies based on our experience and industry knowledge. We assessed collateral values with reference to valuations performed by the Group's panel of approved valuers. We also re-performed key impairment calculations.

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Specific and collective impairment provisions for loans and advances (AUD 140m) (continued)	
The key audit matter	**How the matter was addressed in our audit**
Collective impairment provisions are determined either on a ratings based approach at a customer level for business and agribusiness loans, or segmenting the portfolio into pools with homogenous risk profiles for retail loans. Based on the assigned rating or pool, an estimate of the likelihood of default and the potential loss given default will be applied to determine the collective provision. This estimation is challenging due to the use of complex models to predict probability of default and loss given default estimates and the application of judgement to the determination of model overlays.	• testing key inputs used in the collective impairment provision calculation for significant asset classes. This included the customer loan rating for business and agribusiness loans, arrears profile for retail loans and reconciliation of loan balances to source systems. • working with our credit risk specialists to test the collective provision models for compliance with the Group's model governance policies and the requirements of accounting standards. We re-performed the collective provision calculations for the business, agribusiness and mortgage loan portfolios. • independently assessing judgements in the application of overlays for management bias by applying sensitivities to assumptions underlying the overlays, and evaluating current economic, climatic and portfolio-specific conditions linked to the overlays, such as agribusiness loans impacted by drought conditions or commodity prices.

Life insurance contract liabilities (AUD 2,175m)	
Refer to Note 20 and Note 36.16(b) to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Life insurance contract liabilities is a key audit matter because of the judgement required to challenge the assessment of estimates determined by projecting expected cash flows long into the future. Specific audit and actuarial expertise is required to evaluate complex and judgemental actuarial methodologies and assumptions. The assumptions include the likelihood of policyholders discontinuing their policies, the incidence of policyholder sickness or death, and developments such as changes in legal practice and new medical treatments. These assumptions are used in conjunction with policyholder details to project the expected future cash flows related to the liabilities over the expected life of the in-force policies.	Our procedures included: • evaluating the key controls in the life insurance contract liabilities measurement process. This included controls over the integrity of the base data used in the estimation process. The base data is projected over the expected life of the policy which may be a period of many years. • using our actuarial specialists to challenge the appropriateness of the actuarial methods and assumptions used by the Group. We focused on classes of business that were in loss recognition. We assessed the selection of methods and assumptions with a view to identifying management bias. We also compared assumptions and expected experience to: – actual historical experience;

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Life insurance contract liabilities (AUD 2,175m) (continued)	
The key audit matter	**How the matter was addressed in our audit**
In recent years, the Group strengthened claims and lapse assumptions for its Australian business with the result that some classes of business entered loss recognition. We focused on the classes of businesses in loss recognition, as changes in assumptions directly impact profit.	– observable market data, including industry averages and experience for certain classes of business and assumptions; and – actuarial and accounting standard requirements. • challenging the analysis of profit from life insurance contracts by considering the consistency of movements compared with our understanding of the business and our expectations derived from industry experience.

Goodwill and other intangible assets (AUD 5,821m)	
Refer to Note 16 and Note 36.12(b) to the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The Group's annual testing of goodwill and other intangible assets for impairment is a key audit matter owing to the high level of judgement required by us in assessing the assumptions the Group applied in their valuation models. The most significant assumptions incorporated in the Group's assessment of impairment of the Group's goodwill and other intangible assets include forecast cash flows, discount rates applied, and the assumptions underlying forecast growth. In particular, the net interest income and lending assets growth for the Banking CGU and the forecast Insurance Trading Result for the Insurance and New Zealand CGUs, and the terminal growth rate assumptions. The Group restructured during the year, necessitating our consideration of the Group's allocation of goodwill to the CGUs to which they relate based on the management reporting and monitoring of the business.	Our procedures included: • assessing the Group's determination of their CGUs based on our understanding of the operations of the Group's business and the organisational restructure effective 1 July 2016. We also analysed how operating results are aggregated and are monitored and reported internally. • using our valuation specialists, we challenged the Group's key forecast cash flow and growth assumptions, including those relating to forecast cash flows, discount rates, growth assumptions, and terminal growth rates. This included comparing the Group's assumptions to external data, such as published economic growth projections and interest rates, as well as our own assessments in relation to key inputs such as discount rates. • comparing the cash flow forecasts to Board approved business plans. We also compared previous forecasts to actual results to assess the performance of the business and the historical accuracy of forecasting.

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Goodwill and other intangible assets (AUD 5,821m) (continued)	
The key audit matter	**How the matter was addressed in our audit**
Other intangible assets include a significant amount of capitalised software, the majority of which relate to the development of a new core banking system. Judgement is required in assessing the extent that costs can be recognised as an asset in respect of the modules relating to the core banking system that remain under development. This involved consideration of estimated costs to complete and the economic benefits the project is expected to generate.	• performing a sensitivity analysis on key assumptions such as discount rates, forecast growth rates and terminal growth rates to identify those CGUs at higher risk of impairment, to inform our further procedures to identify management bias. • assessing the evaluation of indicators that capitalised software intangible assets may be impaired and the estimated useful lives of the assets. With respect to the capitalised software intangible asset specific to the new core banking system, we focused our testing on the evaluation of the technical and commercial feasibility of the system, taking into consideration the future major deployment milestones to be achieved prior to legacy system decommissioning. Our information technology specialists were involved in reading project documentation and management reports relating to the technical functionality and performance of modules in test phases. We compared the expected benefits case to costs to complete to evaluate the Group's view that the benefits associated with the continued development support the capitalisation of costs. • evaluating the recognition criteria applied to the software costs incurred and capitalised during the financial year against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Suncorp Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Suncorp Group Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited Sections 2, 3 and 4 of the Remuneration Report included in pages 27 to 50 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Chris Hall
Partner

Sydney
3 August 2017

SHAREHOLDER INFORMATION

Suncorp Group Limited is a publicly listed company limited by shares and incorporated in Australia. Suncorp Group Limited shares are listed on the Australian Securities Exchange (**ASX**). The securities of Suncorp Group Limited, and its subsidiary Suncorp-Metway Limited, listed on the ASX as at 30 June 2017 (and their respective codes) are as follows.

1. Listed securities

Suncorp Group Limited		Suncorp-Metway Limited	
Security code	**Number of securities**	**Security code**	**Number of securities**
SUN	1,292,699,888 ordinary shares	SBKHB	715,383 floating rate capital notes
SUNPC	5,600,000 convertible preference shares		
SUNPD	7,700,000 subordinated notes		
SUNPE	4,000,000 convertible preference shares		
SUNPF	3,750,000 capital notes		

2. Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (**DRP**) allows eligible shareholders to reinvest all or part of their dividends in the Company's shares, with no brokerage or transaction costs. Shareholders who have elected to join the DRP will automatically have their dividends credited to their bank/building society/credit union account.

Shareholders wishing to join the DRP for future dividends should advise Link Market Services (see section 6 for details) by no later than 5pm on the business day following the record date for each dividend payment.

Shareholders may vary their participation or withdraw from the DRP at any time. Further information is available on the Suncorp Group website or by contacting Link Market Services.

3. Voting rights

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

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

Convertible preference shareholders (SUNPC and SUNPE) have no voting rights at general meetings of holders of ordinary shares, except in certain limited circumstances.

Subordinated note and capital note holders (SUNPD, SUNPF and SBKHB) have no voting rights at general meetings of holders of ordinary shares.

4. Substantial shareholders

A person has a 'substantial holding' of a company's shares within the meaning of the Corporations Act if the total votes attached to their voting shares (in which they or their associates have relevant interests) is 5% or more of any class of voting shares. As at 21 July 2017 the following substantial shareholdings were recorded in the Company's register of substantial shareholdings.

Substantial shareholder	Number of ordinary shares	% issued capital
FIL Limited	86,240,856	6.67
BlackRock Group	78,157,113	6.05

5. Shareholder analysis

The tables below, showing the top 20 shareholders in each class of security, include shareholders that may hold shares for the benefit of third parties. This information is current as at 21 July 2017.

TOP 20 HOLDERS OF ORDINARY SHARES (SUN)

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	351,783,883	27.21
J P Morgan Nominees Australia Limited	237,410,553	18.37
Citicorp Nominees Pty Limited	88,836,115	6.87
National Nominees Limited	67,823,892	5.25
BNP Paribas Nominees Pty Ltd	26,249,108	2.03
BNP Paribas Noms Pty Ltd	19,636,767	1.52
Citicorp Nominees Pty Limited	10,677,102	0.83
HSBC Custody Nominees (Australia) Limited	10,319,477	0.80
Pacific Custodians Pty Limited	4,743,103	0.37
Argo Investments Limited	4,260,838	0.33
AMP Life Limited	4,218,369	0.33
Pacific Custodians Pty Limited	3,893,800	0.30
National Nominees Limited	3,588,501	0.28
Milton Corporation Limited	3,314,232	0.26
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,258,958	0.17
Pacific Custodians Pty Limited	2,145,345	0.17
Australian Foundation Investment Company Limited	1,997,000	0.15
IOOF Investment Management Limited	1,932,826	0.15
Australian Foundation Investment Company Limited	1,912,991	0.15
BNP Paribas Noms (NZ) Ltd	1,678,108	0.13

DISTRIBUTION/ANALYSIS BY RANGE OF HOLDINGS OF ORDINARY SHARES (SUN)

Range	Investors	Number of securities	% issued capital
1 to 1,000	90,090	44,076,029	3.41
1,001 to 5,000	70,432	154,801,460	11.98
5,001 to 10,000	10,584	74,750,220	5.78
10,001 to 100,000	5,889	121,257,473	9.38
100,001 and over	176	897,814,706	69.45

The number of investors holding less than a marketable parcel ($500) of 35 securities (based on a market price of $14.39 on 21 July 2017) is 3,661 and they hold 54,528 securities.

TOP 20 HOLDERS OF CONVERTIBLE PREFERENCE SHARES (SUNPC)

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	253,512	4.53
IOOF Investment Management Limited	180,188	3.22
J P Morgan Nominees Australia Limited	123,422	2.2
BNP Paribas Noms Pty Ltd	91,178	1.63
Navigator Australia Ltd	80,607	1.44
HSBC Custody Nominees (Australia) Limited	80,157	1.43
Eastcote Pty Ltd	80,000	1.43
Navigator Australia Ltd	77,655	1.39
Nulis Nominees (Australia) Limited	65,169	1.16
Dimbulu Pty Ltd	60,000	1.07
RBC Investor Services Australia Nominees Pty Limited	57,050	1.02
Mr Walter Lawton and Mr Brett Lawton	56,310	1.01
National Nominees Limited	53,203	0.95
Australian Executor Trustees Limited	33,894	0.61
IOOF Investment Management Limited	31,459	0.56
EST Mr Walter Lawton	27,725	0.50
INVIA Custodian Pty Limited	21,900	0.39
BNP Paribas Nominees Pty Ltd	21,771	0.39
The Walter and Eliza Hall Institute of Medical Research	20,000	0.36
Mr John Harrison Valder and Mrs Kay Ormonde Valder	20,000	0.36

DISTRIBUTION/ANALYSIS BY RANGE OF HOLDINGS OF CONVERTIBLE PREFERENCE SHARES (SUNPC)

Range	Investors	Number of securities	% issued capital
1 to 1,000	8,228	2,522,616	45.05
1,001 to 5,000	599	1,264,942	22.59
5,001 to 10,000	33	252,705	4.51
10,001 to 100,000	26	1,002,615	17.9
100,001 and over	3	557,122	9.95

The number of investors holding less than a marketable parcel ($500) of five securities (based on a market price of $102.23 on 21 July 2017) is two and they hold three securities.

TOP 20 HOLDERS OF CONVERTIBLE PREFERENCE SHARES (SUNPE)

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	415,295	10.38
J P Morgan Nominees Australia Limited	270,281	6.76
National Nominees Limited	74,752	1.87
Navigator Australia Ltd	60,705	1.52
Willimbury Pty Ltd	50,000	1.25
Sandhurst Trustees Ltd	41,453	1.04
Australian Executor Trustees Limited	41,292	1.03
Navigator Australia Ltd	39,807	1.00
Eastcote Pty Ltd	39,000	0.98
FOPAR Nominees Pty Ltd	25,000	0.63
HSBC Custody Nominees (Australia) Limited	24,190	0.60
Federation University Australia	20,151	0.50
Churches of Christ Life Care Inc	20,000	0.50
Seymour Group Pty Ltd	19,594	0.49
GCF Investments Pty Ltd	19,500	0.49
Nulis Nominees (Australia) Limited	17,655	0.44
G C F Investments Pty Ltd	16,509	0.41
Mrs Frances Claire Fox	15,000	0.38
Cavillwood Investments Pty Ltd	14,670	0.37
IOOF Investment Management Limited	14,648	0.37

DISTRIBUTION/ANALYSIS BY RANGE OF HOLDINGS OF CONVERTIBLE PREFERENCE SHARES (SUNPE)

Range	Investors	Number of securities	% issued capital
1 to 1,000	5,298	1,556,971	38.92
1,001 to 5,000	455	949,473	23.74
5,001 to 10,000	31	209,705	5.24
10,001 to 100,000	22	598,275	14.96
100,001 and over	2	685,576	17.14

The number of investors holding less than a marketable parcel ($500) of five securities (based on a market price of $102.02 on 21 July 2017) is two and they hold five securities.

6. Share registry contact details

Link Market Services Limited
PO Box A50
Sydney South, NSW 1235
Australia

suncorp@linkmarketservices.com.au
linkmarketservices.com.au

1300 882 012 (inside Australia) or
+61 2 8767 1219 (outside Australia)

7. Changing shareholder details[1]

Shareholders can go to the Link Market Services website (or the Suncorp Group website at suncorpgroup.com.au/investors/manage-my-shareholding) to:

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

8. Electronic shareholder communications

The 2016-17 Directors' Report and Financial Statements forms part of the Suncorp Group's 2016-17 annual reporting suite. Shareholders can elect to receive the following communications electronically:

- Annual Review and/or Directors' Report and Financial Statements
- Notice of Meeting and voting forms
- dividend statements when paid by direct credit or via the DRP.

Shareholders are also encouraged to have dividend payments credited directly into their bank/building society/credit union account. This is more cost effective, convenient and secure.

1 Shareholders will need their securityholder reference number (SRN) or holder identification number (HIN) to update their details. Issuer-sponsored holders can change their address via the Link Market Services website (some conditions apply) or by notifying Link Market Services. Shareholders who are sponsored by a broker (CHESS) should advise their broker of their change of address.

FINANCIAL CALENDAR AND KEY DIVIDEND DATES

16 AUGUST 2017	Ex-dividend date for final ordinary dividend
17 AUGUST 2017	Record date for final ordinary dividend
20 SEPTEMBER 2017	Payment date for final ordinary dividend
21 SEPTEMBER 2017	Annual General Meeting, 2.30pm, Sofitel Brisbane Central, 249 Turbot Street, Brisbane
15 FEBRUARY 2018	Half-year results announcement
21 FEBRUARY 2018	Ex-dividend date for interim ordinary dividend
22 FEBRUARY 2018	Record date for interim ordinary dividend
5 APRIL 2018	Payment date for interim ordinary dividend

The financial calendar may be updated from time to time throughout the year. Please refer to suncorpgroup.com.au for up-to-date details. Dates for dividends may be subject to change.

5-YEAR SUMMARY STATISTICS

30 June		2017	2016	2015	2014	2013
Ordinary share price at end of year	($million)	14.82	12.18	13.43	13.54	11.92
Number ordinary shares issued at end of period	(million)	1,293	1,287	1,287	1,287	1,287
Market capitalisation	($million)	19,158	15,671	17,279	17,421	15,336
Dividend per ordinary share, fully franked	(cents)	73	68	88	105	75
- Interim		33	30	38	35	25
- Final		40	38	38	40	30
- Special		-	-	12	30	20

ENQUIRIES

SHAREHOLDER ADMINISTRATION

suncorp@linkmarketservices.com.au

COMPANY PERFORMANCE

investor.relations@suncorp.com.au

MEDIA

suncorpgroupmediarelations@
suncorp.com.au

CORPORATE RESPONSIBILITY

responsible@suncorp.com.au

GENERAL PRODUCT ENQUIRIES

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AUDITORS

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To see more, go online
suncorpgroup.com.au

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Shareholder enquiries

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