SUNCORP GROUP LIMITED ABN 66 145 290 124

ANALYST PACK

Financial results for the

HALF YEAR ENDED 31 DECEMBER 2016

SUNCORP

Basis of preparation

Suncorp Group ('Group', 'the Group', 'the Company' or 'Suncorp') is comprised of Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities.

The structure of this report has been amended to align to the revised Suncorp Group operating model which took effect on 4 July 2016. The Group's results and historical financial information are now reported across its three new operational functions: Insurance, Banking & Wealth and New Zealand.

Net profit after tax (NPAT) for the Group is measured in accordance with Australian Accounting Standards. Profit after tax from business lines, associated ratios and key statistics are based on the segment reporting disclosures that follow Suncorp's revised operating model implemented during 2016.

All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. The New Zealand section reports the Profit Contribution table in both A$ and NZ$ and all other New Zealand tables and commentary in NZ$.

All figures relate to the half year ended 31 December 2016 and comparatives are for the half year ended 31 December 2015, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. In financial summary tables, where there has been a percentage movement greater than 500% or less than (500%), this has been labelled 'large'. If a line item changes from negative to positive (or vice versa) between periods, this has been labelled "n/a".

This report has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with the Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards. In the context of ASIC's Regulatory Guide 230, this report contains information that is 'non-IFRS financial information', such as the General Insurance Underlying Insurance Trading Result and the Life underlying profit after tax. The calculation of these metrics is outlined in the report and they are shown as they are used internally to determine operating performance within the various businesses.

This report should be read in conjunction with the definitions in Appendix 10.

Disclaimer

This report contains general information which is current as at 9 February 2017. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

Registered office

Level 28, 266 George Street
Brisbane Queensland 4000
Telephone: (07) 3362 1222
suncorpgroup.com.au

Investor Relations

Mark Ley
Head of Investor Relations
Telephone: 0411 139 134
mark.ley@suncorp.com.au

Table of Contents

Financial results summary

- **Group** net profit after tax (NPAT) of $537 million (HY16: $530 million)
- Profit after tax from business lines* of $613 million (HY16: $544 million)
- Group top line growth of 4.3%
- Total operating expenses flat at $1,360 million
- Cash Return on Average Shareholders' Equity (ROE) of 8.5% (HY16: 8.3%). Statutory ROE of 7.8% (HY16: 7.9%)
- Interim ordinary dividends of 33 cents per share fully franked (HY16: 30 cents)
- The Bank Common Equity Tier 1 (CET1) capital ratio of 9.20% and General Insurance holds CET1 of 1.23 times the Prescribed Capital Amount (PCA) are both above the top end of their target ranges
- The combined Australia and New Zealand General Insurance underlying insurance trading ratio (ITR)* was 11.0% (HY16:10.1%)
- Life Embedded Value (EV) increased to $2,036 million (HY16: $1,936 million)
- **Insurance (Australia)** NPAT up 42.5% to $369 million (HY16: $259 million)
- Net reserve releases of $149 million (HY16: $140 million) were well above the long-run expectation of 1.5% of net earned premium (NEP), driven by improved long-tail claims management and a benign inflationary environment
- Gross written premium (GWP) up 6.2% to $4,031 million (HY16: $3,796 million)
- Life underlying profit of $25 million (HY16: $26 million) with $2 million of negative claims and lapse experience
- **Banking & Wealth** NPAT was $208 million (HY16: $207 million)
- Bank lending growth was 2.5% over the past twelve months. Half year growth was broadly flat with second quarter home lending increasing following a targeted campaign
- Continues to benefit from robust credit quality and risk management, with impairment losses of $1 million, less than 1 basis point of gross loans and advances
- **New Zealand** NPAT was A$36 million (HY16: A$78 million) impacted by the Kaikoura earthquake and additional claims from the 2010/11 Canterbury earthquake
- New Zealand General Insurance GWP increased 4.8% and Life in-force premiums grew 8.1% in NZ$ terms
- Disposal of the Autosure motor insurance business results in a A$30 million release of capital and a A$25 million loss on disposal in the Group non-cash items
- New Zealand Life Insurance profit of $17 million included $5 million of positive lapse and claims experience

* Refer Appendix 10 for definition of 'profit after tax from business lines' and page 65 for underlying ITR.

Operational summary

— Suncorp's purpose is to 'Create a better today' for its customers, shareholders, employees and communities with the 'One Suncorp' business model. The Group has refined its strategy to create value for customers, which will drive growth and increase resilience to volatility. Key priorities are to maintain stability and momentum, elevate the customer and recalibrate costs

— Suncorp is focused on delivering solutions that meet its customers' needs and providing its customers with access to all products, services and brands through any medium or channel, through the Suncorp marketplace

— The Group organisational restructure has been completed with operating structures confirmed across all functions. The restructure removed constraints and is influencing behaviours to drive the customer strategy

— During the half, Suncorp has deepened its relationship with customers by launching white-labelled annuities and health insurance, Suncorp Startcompany, Suncorp Business Toolbox, AAMI SmartPlates and a Life Insurance offering for Austbrokers advisors

— In December, Suncorp opened the first Concept Store in Parramatta – open seven days a week, it is an interactive experience that takes customers on a new retail journey

— Suncorp has put in place a Natural Hazard Aggregate cover for FY17 which provides $300 million of protection after the retained portion of natural hazard events greater than $5 million reaches a total of $460 million

— Implemented measures are restoring Suncorp's consumer insurance claims management capability. In Motor this includes improving SMART shop capacity utilisation and motor assessment processes. In Home, resourcing and rigour around claims processing has been increased resulting in a reduction in the number of outstanding claims. As a result, loss ratios in both portfolios have improved

— The successful launch into the South Australian compulsory third party (CTP) market on 1 July 2016 introduced 270,000 new customers to the Suncorp Group under the AAMI brand

— The Group's core operating subsidiaries have retained an issuer credit rating of 'A+/A1' with a stable outlook

— Configuration and product migration continues for the core banking platform. The key milestones achieved during the period included migration of personal loans, commencement of home loan origination and functionality for a range of deposit products

— Discussions continue with Australian Prudential Regulation Authority (APRA) in the pursuit of Basel II Advanced Accreditation. The Bank continues to operate as an Advanced Bank, with strong risk management and advanced models

— The Super Simplification Project is on track for completion in the second half of FY17 with 21 legacy superannuation and pension products rationalised, 78,000 customers and $3.9 billion of assets migrated onto the new administration platform

— Suncorp's GIO website ranked first place for Insurance in the Global Reviews 2016 Customer Experience Index. AAMI was also named as having the best online experience for life insurance customers

— Vero New Zealand was awarded Intermediated Insurance Company of the Year

— New Zealand opened two SMART shops to improve average repair costs and customer turnaround times

— Disposal of the Autosure motor insurance business will be accretive to the New Zealand business's long term ROE

— Remediation of 2010/11 Canterbury earthquakes impacted by notification of additional 'over-cap' EQC claims

Result overview

For the half year ended 31 December 2016, Suncorp Group delivered an NPAT of $537 million, up 1.3% and a dividend of 33 cents, up 10%.

Suncorp's three functions (Insurance, Banking & Wealth, and New Zealand) delivered solid underlying performances demonstrating the value of operating a diversified business model with multiple earnings streams.

Suncorp maintained a disciplined approach to **top-line growth**, capitalising on market opportunities in some segments but remaining cautious where irrational competitive behaviour would have resulted in unsustainable returns. Over the past twelve months, the Group has delivered:

- **Insurance (Australia)** growth with GWP up 6.2% and Life in-force up 0.4%;
- **Banking & Wealth** growth with Bank lending up 2.5%; and
- **New Zealand** growth with GWP up 4.8% and Life in-force growth up 8.1%.

The Group remains focused on expense management and has held total operating costs flat at $1,360 million despite seeing an increase in acquisition commission costs as a result of top-line growth.

The Suncorp Group continues to drive margins with the General Insurance underlying ITR increasing to 11% as improvements in the Home and Motor portfolios were partially offset by a deterioration in Commercial classes. The Bank net interest margin of 1.78% was impacted by the lower cash rate and aggressive competitive behaviour, but remains within the target range of 1.75% to 1.85%. In Life Insurance, underlying profit across Australia and New Zealand increased 14% to $48 million.

Insurance (Australia) NPAT of $369 million was up 42% due to top-line growth, lower claims costs and disciplined expense management.

In Australian General Insurance, remediating claims cost issues has been the Group's top priority and good progress continues with operational metrics returning to normal levels leading to early signs of margin improvement. GWP growth of 6.2% was primarily driven by the CTP portfolio supported by strong claims management performance.

Australian Life insurance was impacted by an industry deterioration in lapse and claims trends. Suncorp's conservative approach to setting assumptions has resulted in negative experience of just $2 million.

Banking & Wealth NPAT was $208 million.

The Bank achieved a profit after tax of $203 million, up 4.6%, with a focus on sustainable profitable growth through the optimisation of price and volume. The net interest margin (NIM) of 1.78% was impacted by a number of regulatory and economic factors, including a reduction in the RBA cash rate. Operating expenses reduced by 5.8% resulting in an improvement in the cost to income ratio to 51.4%. Impairment losses reduced to $1 million, which represents less than 1 basis point of gross loans and advances.

The Wealth business achieved an NPAT of $5 million, with funds under management and administration increasing by 0.9%.

New Zealand NPAT of $36 million was impacted by the Kaikoura earthquake in November and new 'over-cap' claims from the 2010/11 Canterbury earthquakes being notified by the Earthquake Commission (EQC).

New Zealand General Insurance profit fell to A$19 million due to the one-off items but continues to deliver an underlying ITR above the Group's 12% target. GWP growth of 4.8% was primarily driven from Motor and Home segments across all channels.

New Zealand Life Insurance returned A$17 million with a 44% increase in underlying profit to A$23 million offset by negative market adjustments due to increasing discount rates.

During the half, the New Zealand business disposed of its Autosure motor insurance business. The sale results in a release of capital of $30 million and will be accretive to the New Zealand long-term Return on Equity (ROE). A goodwill write-off of $25 million is included as a non-cash item in the Group result.

Dividend and capital

The Board has determined a fully franked **interim dividend** of 33 cents per share, up 10%, representing a cash earnings payout ratio of 72%.

After payment of the dividend, the franking account balance will be $230 million. The Group remains well capitalised with $448 million in CET1 capital held above its operating targets.

Outlook

While the Australian economy continues to experience headwinds, including subdued business investment, the outlook is for moderate growth assisted by strong exports, improved profits and a firmer labour market. The volatile yield environment, impacted by geopolitical events, creates challenges for product pricing and investment management. Competition, regulatory and political reform continue to create ongoing headwinds to the financial services sector, while emerging fintech companies are driving change and disruption to traditional business models.

In this context, the Suncorp Group has refined its strategy to drive growth and increase resilience to volatility. The Group is well capitalised and has a diversified earnings base that provides a strong foundation to create value for customers, shareholders, employees and communities with the 'One Suncorp' business model. By maximising its strategic assets of cost, capital and culture, the Group will create greater value for customers, leading to higher customer retention and revenues.

Key priorities for the Group are to maintain stability and momentum, elevate the customer, and recalibrate costs.

Maintaining stability and momentum in Suncorp's existing businesses is being achieved through execution of key programs such as working claims remediation, the core banking platform, Super Simplification and Optimisation.

Suncorp's priority to elevate the customer is focused on broadening relationships with existing customers. The new operating model is now in place which places customers at the centre of the Group. All customers are now considered Group customers and the next phase of Suncorp's strategy centres on creating more Connected Customers. A core element of the refined strategy is the creation of the Suncorp marketplace. The marketplace will help customers navigate complexity, make better choices and allow them to interact with the Group in any way they choose, through both digital and physical channels.

Recalibrating costs has enabled the Group to reinvest for future growth while maintaining a flat operating cost base.

In an industry that is increasingly reliant on technology, protecting the customer from growing cyber security risk is a key priority. Suncorp maintains a diligent program of activities to help mitigate any potential impacts to customers.

Across its various businesses, Suncorp has a positive margin outlook.

— Insurance's GWP growth, remediation of working claims and strong focus on claims management is expected to deliver an improvement in the underlying ITR in the second half. New Zealand's pricing response to the Kaikoura earthquake will mitigate the impact of additional reinsurance reinstatement costs.
— Suncorp Bank's recent increase in mortgage rates, combined with less aggressive competitor behaviour is also expected to deliver an improved second half NIM.
— Life planned margins are expected to remain stable, however lapse and claims experience may be impacted by volatile industry trends.

Offering customers a broad range of Life insurance solutions through direct and intermediary channels is core to Suncorp's financial services Marketplace strategy. Following a portfolio review, Suncorp is implementing an Optimisation program for its Australian Life insurance business. This is designed to improve competitiveness, and achieve better outcomes for customers and intermediaries.

Alongside this program, Suncorp is exploring strategic alternatives for this business to better meet customer needs and maximise shareholder value.

Suncorp's key targets remain:

— Broadening of customer relationships
— Flat cost base in FY17 and FY18
— Improving underlying NPAT
— Sustainable ROE of at least 10%, which implies an underlying ITR of at least 12%
— Maintaining a dividend payout ratio of 60% to 80% of cash earnings and returning surplus capital to shareholders

Contribution to profit by division

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Insurance (Australia)					
Gross written premium	4,031	4,007	3,796	0.6	6.2
Net earned premium	3,552	3,413	3,480	4.1	2.1
Net incurred claims	(2,374)	(2,553)	(2,546)	(7.0)	(6.8)
Operating expenses	(722)	(687)	(724)	5.1	(0.3)
Investment income - insurance funds	35	143	93	(75.5)	(62.4)
Insurance trading result	491	316	303	55.4	62.0
Other income	17	46	25	(63.0)	(32.0)
Profit before tax	508	362	328	40.3	54.9
Income tax	(150)	(108)	(92)	38.9	63.0
General Insurance profit after tax	**358**	**254**	**236**	**40.9**	**51.7**
Life Insurance profit after tax	**11**	**45**	**23**	**(75.6)**	**(52.2)**
Insurance (Australia) profit after tax	**369**	**299**	**259**	**23.4**	**42.5**
Banking & Wealth					
Net interest income	558	563	566	(0.9)	(1.4)
Net non-interest income	39	39	49	-	(20.4)
Operating expenses	(307)	(313)	(326)	(1.9)	(5.8)
Profit before impairment losses on loans and advances	290	289	289	0.3	0.3
Impairment losses on loans and advances	(1)	(5)	(11)	(80.0)	(90.9)
Bank profit before tax	289	284	278	1.8	4.0
Income tax	(86)	(85)	(84)	1.2	2.4
Bank profit after tax	**203**	**199**	**194**	**2.0**	**4.6**
Wealth profit after tax	**5**	**12**	**13**	**(58.3)**	**(61.5)**
Banking & Wealth profit after tax	**208**	**211**	**207**	**(1.4)**	**0.5**
New Zealand					
Gross written premium	679	607	621	11.9	9.3
Net earned premium	557	533	512	4.5	8.8
Net incurred claims	(354)	(286)	(276)	23.8	28.3
Operating expenses	(186)	(170)	(168)	9.4	10.7
Investment income - insurance funds	4	12	6	(66.7)	(33.3)
Insurance trading result	21	89	74	(76.4)	(71.6)
Other income	5	12	10	(58.3)	(50.0)
Profit before tax	26	101	84	(74.3)	(69.0)
Income tax	(7)	(28)	(23)	(75.0)	(69.6)
General Insurance profit after tax	**19**	**73**	**61**	**(74.0)**	**(68.9)**
Life Insurance profit after tax	**17**	**32**	**17**	**(46.9)**	**-**
New Zealand profit after tax	**36**	**105**	**78**	**(65.7)**	**(53.8)**
Profit after tax from business lines	**613**	**615**	**544**	**(0.3)**	**12.7**
Other profit (loss) before tax (1)	(27)	(106)	30	(74.5)	n/a
Income tax	(2)	24	(18)	n/a	(88.9)
Other profit (loss) after tax	**(29)**	**(82)**	**12**	**(64.6)**	**n/a**
Cash earnings	**584**	**533**	**556**	**9.6**	**5.0**
Acquisition amortisation (after tax) (2)	(47)	(25)	(26)	88.0	80.8
Net profit after tax	**537**	**508**	**530**	**5.7**	**1.3**

(1) 'Other' includes investment income on capital held at the Group level (Dec-16: $6 million, Jun-16: $11 million), consolidation adjustments (Dec-16: loss $4 million, Jun-16: loss $3 million), recognition of deferred consideration on Tyndall disposal (Dec-16: nil, Jun-16: $10 million), Group short-term incentive adjustment (Dec-16: nil, Jun-16: loss $40 million), non-controlling interests (Dec-16: loss $5 million, Jun-16: loss $4 million), external interest expense and transaction costs (Dec-16: loss $24 million, Jun-16: $25 million) and operating model restructuring costs (Dec-16:nil, Jun-16: $55 million).

(2) Acquisition amortisation in Dec-16 includes a $25 million impact from goodwill write-off from the disposal of New Zealand's Autosure motor insurance business.

Statement of financial position

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,870	1,798	1,203	4.0	55.4
Receivables due from other banks	473	552	464	(14.3)	1.9
Trading securities	1,597	1,497	1,119	6.7	42.7
Derivatives	696	676	691	3.0	0.7
Investment securities	23,984	23,384	25,025	2.6	(4.2)
Loans and advances	54,047	54,134	52,673	(0.2)	2.6
Premiums outstanding	2,428	2,522	2,366	(3.7)	2.6
Reinsurance and other recoveries	2,630	1,900	2,204	38.4	19.3
Deferred reinsurance assets	644	858	582	(24.9)	10.7
Deferred acquisition costs	691	678	656	1.9	5.3
Gross policy liabilities ceded under reinsurance	408	461	419	(11.5)	(2.6)
Property, plant and equipment	200	183	180	9.3	11.1
Deferred tax assets	228	205	176	11.2	29.5
Goodwill and other intangible assets	5,836	5,878	5,845	(0.7)	(0.2)
Other assets	1,069	1,022	842	4.6	27.0
Total assets	96,801	95,748	94,445	1.1	2.5
Liabilities					
Payables due to other banks	512	332	401	54.2	27.7
Deposits and short-term borrowings	46,048	44,889	43,504	2.6	5.8
Derivatives	508	628	478	(19.1)	6.3
Amounts due to reinsurers	360	745	366	(51.7)	(1.6)
Payables and other liabilities	1,559	1,843	1,362	(15.4)	14.5
Current tax liabilities	99	65	14	52.3	large
Unearned premium liabilities	4,925	4,870	4,687	1.1	5.1
Outstanding claims liabilities	10,234	9,734	9,713	5.1	5.4
Gross policy liabilities	2,843	2,912	5,699	(2.4)	(50.1)
Deferred tax liabilities	118	110	109	7.3	8.3
Managed funds units on issue	1,601	1,334	279	20.0	473.8
Securitisation liabilities	2,204	2,535	3,144	(13.1)	(29.9)
Debt issues	9,585	9,841	8,871	(2.6)	8.0
Subordinated notes	1,600	1,389	1,423	15.2	12.4
Preference shares	953	951	949	0.2	0.4
Total liabilities	83,149	82,178	80,999	1.2	2.7
Net assets	13,652	13,570	13,446	0.6	1.5
Equity					
Share capital	12,722	12,679	12,675	0.3	0.4
Reserves	186	198	185	(6.1)	0.5
Retained profits	734	684	570	7.3	28.8
Total equity attributable to owners of the Company	13,642	13,561	13,430	0.6	1.6
Non-controlling interests	10	9	16	11.1	(37.5)
Total equity	13,652	13,570	13,446	0.6	1.5

Insurance (Australia)

Result overview

Insurance (Australia) achieved an after tax profit of $369 million for the half year ended 31 December 2016. General Insurance GWP increased 6.2% and Life in-force annual premiums increased by 0.4%.

In General Insurance, the insurance trading result was up 62% to $491 million, representing an ITR of 13.8%. ITR benefitted from premium increases and lower natural hazard claims.

GWP increased by 6.2% to $4,031 million following the successful entry into South Australian CTP market, strong growth in NSW CTP and premium increases in Home and Motor products.

The Consumer portfolio (consisting of Home and Motor) achieved GWP growth of 1.9% in a competitive market. The Commercial portfolio was broadly flat with price increases and strong retention in the SME segment offset by lower retention in the corporate segment.

CTP GWP grew 27.3%, supported by successful entry into the South Australian CTP market and growth in NSW CTP that was driven by premium increases, strong organic volume growth and the successful tender of new large business accounts.

Net incurred claims were $2,374 million, down 6.8% primarily due to an increase in discount rates. Significant progress has been made in Consumer claims, with operational metrics now back to normal levels. Strong claims performance continues across CTP in NSW and Queensland with claims frequency remaining stable. One-off large losses in the Commercial portfolio and higher than expected fire losses in the Home portfolio negatively impacted claims costs during the half.

Reserve releases of $149 million remain well above long-term expectations of 1.5% of NEP. This was primarily attributable to a continued focus on management of long-tail claims and a benign environment for wage and super-imposed inflation.

Total operating expenses remained flat at $722 million, with an operating expense ratio of 20.3%.

Overall investment income has decreased due to mark-to-market losses from the fixed-income portfolio as bond yields increased. These were partially offset by the relative outperformance of inflation-linked bonds, credit spreads narrowing, and improved returns from equities in shareholders' funds.

In Life Insurance, in-force premium growth was 0.4% with new business volumes subdued across all channels partly due to increased regulatory scrutiny. Underlying profit of $25 million remained stable.

Insurance (Australia)

Outlook

Insurance (Australia) continues to target profitable growth through pricing discipline, continued focus on meeting customer and broker needs, and successfully entering new markets.

The Consumer and Commercial portfolios expect low single digit GWP growth as the business balances growth and margin in respective market segments.

CTP GWP is likely to be impacted by ongoing government and regulator focus on scheme operation, as well as the potential for further competitive underwriting. Suncorp continues to support industry reform including the current implementation in Queensland of the National Injury Insurance Scheme as well as NSW CTP reform, expected in the near future.

With operational metrics in Consumer Claims now back to normal levels, focus has turned to implementing further improvement to the claims management process. These initiatives will enable the Insurance business to deliver an improvement in underlying margin in the second half of the financial year.

Claims management and disciplined underwriting are expected to result in reserve releases remaining above long-run expectations (1.5% of NEP) in the short to medium term provided the low inflationary environment continues.

Life planned margins and experience have remained relatively stable, however recent elevated claim incidence within income protection and trauma business are being carefully monitored by management. Insurance (Australia) remains committed to improving Life profitability, focusing on long-term sustainable returns despite ongoing industry disruption and regulatory scrutiny.

Profit contribution including discount rate movements and FSL

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
General Insurance					
Gross written premium	4,031	4,007	3,796	0.6	6.2
Gross unearned premium movement	(17)	(183)	77	(90.7)	n/a
Gross earned premium	4,014	3,824	3,873	5.0	3.6
Outwards reinsurance expense	(462)	(411)	(393)	12.4	17.6
Net earned premium	3,552	3,413	3,480	4.1	2.1
Net incurred claims					
Claims expense	(2,911)	(3,118)	(3,064)	(6.6)	(5.0)
Reinsurance and other recoveries revenue	537	565	518	(5.0)	3.7
Net incurred claims	(2,374)	(2,553)	(2,546)	(7.0)	(6.8)
Total operating expenses					
Acquisition expenses	(462)	(452)	(454)	2.2	1.8
Other underwriting expenses	(260)	(235)	(270)	10.6	(3.7)
Total operating expenses	(722)	(687)	(724)	5.1	(0.3)
Underwriting result	456	173	210	163.6	117.1
Investment income - insurance funds	35	143	93	(75.5)	(62.4)
Insurance (Australia) trading result	491	316	303	55.4	62.0
Managed schemes net contribution	2	7	10	(71.4)	(80.0)
Joint venture and other income	(2)	(2)	3	-	n/a
General Insurance operational earnings	491	321	316	53.0	55.4
Investment income - shareholder funds	35	56	24	(37.5)	45.8
General Insurance profit before tax and capital funding	526	377	340	39.5	54.7
Capital funding	(18)	(15)	(12)	20.0	50.0
General Insurance profit before tax	508	362	328	40.3	54.9
Income tax	(150)	(108)	(92)	38.9	63.0
General Insurance profit after tax	**358**	**254**	**236**	40.9	51.7
Life Insurance					
Underlying profit after tax	25	27	26	(7.4)	(3.8)
Market adjustments	(14)	18	(3)	n/a	366.7
Life Insurance profit after tax	**11**	**45**	**23**	(75.6)	(52.2)
Insurance (Australia) profit after tax	**369**	**299**	**259**	23.4	42.5

General Insurance ratios

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	%	%	%
Acquisition expenses ratio	13.0	13.2	13.0
Other underwriting expenses ratio	7.3	6.9	7.8
Total operating expenses ratio	20.3	20.1	20.8
Loss ratio	66.8	74.8	73.2
Combined operating ratio	87.1	94.9	94.0
Insurance trading ratio	**13.8**	**9.3**	**8.7**

Profit contribution excluding discount rate movements and FSL

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
General Insurance					
Gross written premium	3,935	3,926	3,717	0.2	5.9
Gross unearned premium movement	(5)	(178)	83	(97.2)	n/a
Gross earned premium	3,930	3,748	3,800	4.9	3.4
Outwards reinsurance expense	(462)	(411)	(393)	12.4	17.6
Net earned premium	3,468	3,337	3,407	3.9	1.8
Net incurred claims					
Claims expense	(3,055)	(2,947)	(3,035)	3.7	0.7
Reinsurance and other recoveries revenue	537	565	518	(5.0)	3.7
Net incurred claims	(2,518)	(2,382)	(2,517)	5.7	0.0
Total operating expenses					
Acquisition expenses	(462)	(452)	(454)	2.2	1.8
Other underwriting expenses	(176)	(159)	(197)	10.7	(10.7)
Total operating expenses	(638)	(611)	(651)	4.4	(2.0)
Underwriting result	312	344	239	(9.3)	30.5
Investment income - insurance funds	179	(28)	64	n/a	179.7
Insurance (Australia) trading result	491	316	303	55.4	62.0
Managed schemes net contribution	2	7	10	(71.4)	(80.0)
Joint venture and other income	(2)	(2)	3	-	n/a
General Insurance operational earnings	491	321	316	53.0	55.4
Investment income - shareholder funds	35	56	24	(37.5)	45.8
General Insurance profit before tax and capital funding	526	377	340	39.5	54.7
Capital funding	(18)	(15)	(12)	20.0	50.0
General Insurance profit before tax	508	362	328	40.3	54.9
Income tax	(150)	(108)	(92)	38.9	63.0
General Insurance profit after tax	**358**	**254**	**236**	**40.9**	**51.7**
Life Insurance					
Underlying profit after tax	25	27	26	(7.4)	(3.8)
Market adjustments	(14)	18	(3)	n/a	366.7
Life Insurance profit after tax	**11**	**45**	**23**	(75.6)	(52.2)
Insurance (Australia) profit after tax	**369**	**299**	**259**	23.4	42.5

General Insurance ratios

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	%	%	%
Acquisition expenses ratio	13.3	13.5	13.3
Other underwriting expenses ratio	5.1	4.8	5.8
Total operating expenses ratio	18.4	18.3	19.1
Loss ratio	72.6	71.4	73.9
Combined operating ratio	91.0	89.7	93.0

General Insurance

Gross Written Premium

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,293	1,295	1,273	(0.2)	1.6
Home	1,123	1,096	1,097	2.5	2.4
Commercial	787	793	784	(0.8)	0.4
Compulsory third party	722	648	567	11.4	27.3
Workers compensation and other	106	175	75	(39.4)	41.3
Total	**4,031**	**4,007**	**3,796**	**0.6**	**6.2**

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium by geography					
Queensland	1,058	1,116	1,120	(5.2)	(5.5)
New South Wales	1,401	1,364	1,254	2.7	11.7
Victoria	857	863	824	(0.7)	4.0
Western Australia	287	312	250	(8.0)	14.8
South Australia	217	128	129	69.5	68.2
Tasmania	77	81	81	(4.9)	(4.9)
Other	134	143	138	(6.3)	(2.9)
Total	**4,031**	**4,007**	**3,796**	**0.6**	**6.2**

Gross Written Premium (continued)

Consumer

Motor GWP grew 1.6% to $1,293 million driven by low single digit price increases offset by modest unit reductions. Retention has remained strong however new business opportunities remain subdued in a competitive market. Bingle, Shannons and CIL have grown strongly in their target markets.

Home GWP increased by 2.4% to $1,123 million, also driven by low to mid single digit premium increases offset by moderate unit reductions. Similar to the Motor portfolio, retention has remained strong while new business opportunities remain subdued. Niche brands Shannons and Terri Scheer continued to perform strongly.

Commercial

Commercial GWP was broadly flat.

Commercial lines comprise multiple markets in Australia ranging from large corporate clients to small to medium enterprises. Packaged products which are aimed at SME and the middle market implemented rate increases through the intermediated channel, where volumes have held. The top end corporate market remains highly competitive with both domestic and overseas carriers participating. Where possible, Suncorp has increased price throughout the calendar year, which has impacted volumes in some classes. Suncorp will continue to prioritise margin over growth and maintain a disciplined approach to underwriting.

Compulsory Third Party (CTP)

CTP GWP increased 27.3% to $722 million.

Suncorp successfully entered the South Australian market, becoming one of the four providers of CTP cover from 1 July 2016. AAMI has been allocated 30% market share for the next three years as the scheme transitions to become fully competitive.

Suncorp is a significant participant in the NSW CTP market. Diverse new business growth was driven by pricing increases across the scheme, increased volumes and the successful tender of new business accounts. Volume growth was underpinned by Suncorp’s two-brand strategy, motor dealer initiatives and a competitive pricing position due to strong claims performance and risk selection.

In the Queensland CTP market Suncorp has around 50% market share and continues to achieve strong underwriting results.

Suncorp’s market share in the ACT CTP scheme has continued to grow, reaching 42% since entering the market in 2013.

Workers Compensation and other

GWP growth was driven by new business growth in Western Australian workers compensation in the non-mining sector. This was slightly offset by lower renewals from a flat wage environment and a continuing soft market cycle.

Net incurred claims

Net incurred claims costs decreased 6.8% to $2,374 million.

Natural hazards

Natural hazard event costs were $319 million, $19 million over the allowance. This includes a $28 million impact from the Kaikoura earthquake in New Zealand where an internal reinsurance arrangement operated for group capital efficiency purposes. The allowance has also been reduced by $35 million compared to last year following the purchase of a natural hazards aggregate cover.

Major natural hazard events are shown in the table below.

Date	Event	Net Costs $M
Jul 2016	Southern winds	9
Sep 2016	South Australian and Victorian flooding	7
Sep 2016	Southern wind and rain	13
Oct 2016	Victorian wind storm	17
Oct 2016	Young and Parkes hail	6
Nov 2016	South Australian and Victorian storms	57
Nov 2016	Maryborough storm	6
Nov 2016	Internal reinsurance on Kaikoura earthquake	28
Nov 2016	Gympie hail	10
Dec 2016	Ipswich hail	9
Dec 2016	South Australian and Victorian storms	50
Total events over $5 million		**212**
Other natural hazards attritional claims		107
Total natural hazards		**319**
	Less: allowance for natural hazards	(300)
	Natural hazards costs above allowance	**19**

Working and large claims

Home and motor working claims have been subject to an intensive period of rectification and the business is now seeing stable to improving operational metrics. Specifically:

— Active claim volumes reduced in Home by 4,000 to 22,500 and in Motor by 38,500 to 163,000;

— Pathing of motor vehicle repairs to SMART and aligned repairers continues to improve;

— Motor average claims size improving from the previous six months; and,

— Increasing Home average claim size due to escalating water damage claims costs has been contained with average costs flat when adjusted for above average incidents of large losses

While lead operational metrics are improving, these benefits are yet to fully flow through to the financial performance in the first half.

In the Commercial portfolio, current year loss ratios have been impacted by a number of large claims and sustained competition over a number of years negatively impacting industry pricing.

CTP claims frequency has been a major focus of the industry and the regulator. Suncorp continues to benefit from market leading claims management within the long tail classes.

Outstanding claims provision breakdown

The valuation of outstanding claims resulted in central estimate releases of $149 million, well above the Group's long-run expectation for reserve releases of 1.5% of net earned premium.

Short-tail strengthening was primarily due to unfavourable prior year average claims size cost in Motor across both the Consumer and Commercial portfolios, offset by favourable claim development in the property portfolios.

Long-tail claims reserve releases were primarily attributable to favourable claims experience. The majority of the release relates to the CTP portfolios and includes the impact of benign wage inflation.

	Actual	Net Central Estimate (Discounted)	Risk Margin (90th Percentile Discounted)	Change In Net Central Estimate (1)
	$M	$M	$M	$M
Short-tail	1,569	1,429	140	8
Long-tail	5,603	4,775	828	(157)
Total	**7,172**	**6,204**	**968**	**(149)**

(1) This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on the net central estimate. A negative sign (–) implies that there has been a release from outstanding reserves.

Outstanding claims provisions over time

The following table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate (90th percentile, discounted) and the risk margin components.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross outstanding claims liabilities	8,445	8,610	8,580	(1.9)	(1.6)
Reinsurance and other recoveries	(1,273)	(1,170)	(1,404)	8.8	(9.3)
Net outstanding claims liabilities	**7,172**	**7,440**	**7,176**	**(3.6)**	**(0.1)**
Expected future claims payments and claims handling expenses	6,791	6,902	6,725	(1.6)	1.0
Discount to present value	(587)	(470)	(558)	24.9	5.2
Risk margin	968	1,008	1,009	(4.0)	(4.1)
Net outstanding claims liabilities	**7,172**	**7,440**	**7,176**	**(3.6)**	**(0.1)**
Short-tail	1,569	1,709	1,490	(8.2)	5.3
Long-tail	5,603	5,731	5,686	(2.2)	(1.5)
Total	**7,172**	**7,440**	**7,176**	**(3.6)**	**(0.1)**

Risk margins

Risk margins represent approximately 16% of outstanding claims reserves giving an approximate level of confidence of 90%.

Risk margins decreased $40 million during the period to $968 million. The assets notionally backing risk margins had a net return of $22 million. The net impact was therefore $18 million, which is excluded in the underlying ITR calculation.

Operating expenses

The total operating expense ratio has remained flat compared to previous periods. Insurance (Australia)'s expense base has continued to benefit from recalibrating costs as well as Simplification and Optimisation initiatives. These benefits have been partly offset by an increased focus on meeting customer needs and targeting profitable growth.

Managed schemes

Managed schemes contribution of $2 million is attributable to administering various governments' Worker's Compensation schemes.

Joint venture and other income

The Group participates in a joint venture with the motoring club in Tasmania. Joint venture income was partially offset by the amortisation of intangibles and other net income.

Investment income

Insurance (Australia)'s investment portfolio includes Insurance Funds that explicitly back insurance liabilities in a capital efficient way and Shareholders' Funds that further support the capital position. Insurance Funds are designed to match the insurance liabilities and are managed separately from Shareholders' Funds.

Asset allocation

In the Insurance funds, Suncorp continues to invest in line with the Group's risk appetite.

In the Shareholders' Funds, to increase asset class diversification and reduce risk, additional investments to commercial property were made. Further asset class diversification is planned over the near future.

	Half Year Ended				Asset allocation	
	Dec-16		Jun-16	Dec-15	Jun-16	Dec-15
	$M	%	$M	$M	%	%
Insurance funds						
Cash and short-term deposits	185	2	220	119	2	1
Inflation-linked bonds *	2,131	23	1,816	2,190	19	25
Corporate bonds	5,909	65	6,590	5,601	71	65
Semi-Government bonds	497	5	631	788	7	9
Commonwealth Government bonds	429	5	67	-	1	0
Total Insurance funds	**9,151**	**100**	**9,324**	**8,698**	**100**	**100**
Shareholders' funds						
Cash and short-term deposits	109	4	229	74	9	3
Interest-bearing securities	2,030	74	1,734	2,034	70	77
Equities	369	13	306	349	12	13
Infrastructure and property	249	9	218	173	9	7
Total shareholders' funds	**2,757**	**100**	**2,487**	**2,630**	**100**	**100**
Total	**11,908**		**11,811**	**11,328**		

* The total effective exposure to inflation-linked securities in the Insurance Funds is Dec-16: $2.9b, Jun-16: $2.9b and Dec-15: $3.2b after accounting for both physical bonds and derivatives.

Credit quality

The average credit rating for the Insurance investment assets remained stable at AA.

	Dec-16	Jun-16	Dec-15
AVERAGE	%	%	%
AAA	43.0	37.9	41.3
AA	21.8	25.5	22.4
A	27.3	28.9	28.1
BBB	7.9	7.7	8.2
	100.0	**100.0**	**100.0**

Duration

The interest rate duration of the Insurance Funds continues to closely match the duration of insurance liabilities, which are comprised of outstanding claims and premium liabilities.

Duration

	Dec-16	Jun-16	Dec-15
Insurance funds			
Interest rate duration (Yrs)	3.0	2.3	2.7
Credit spread duration (Yrs)	1.3	1.5	1.2
Shareholders' funds			
Interest rate duration (Yrs)	2.2	2.1	1.9
Credit spread duration (Yrs)	2.1	2.5	2.8

Investment performance

Total investment income was $70 million representing an annualised return of 1.2% for the half year.

Insurance funds

Investment income on Insurance Funds was $35 million including mark-to-market impacts from:

— losses of $163 million from an increase in risk-free rates;

— gains of $22 million from a narrowing of credit spreads; and

— gains of $69 million from the outperformance of inflation-linked bonds relative to Commonwealth Government nominal bonds as break-even inflation rose.

After removing the above mark-to-market impacts, the underlying yield income was $107 million, or 2.3% annualised.

Investment income on Insurance Funds and the changes in the value of outstanding claims are reported in the ITR. The increase in risk-free rates decreased the value of outstanding claims by $144 million and led to mark-to-market losses on investment assets of $163 million. The net impact of risk-free rate changes was $19 million and is due to differences in the asset/liability matching process and the treatment of liabilities on the balance sheet. This amount is primarily mark-to-market losses on the assets backing unearned premiums which are not discounted.

In calculating the underlying ITR, an adjustment of $60 million has been made to materially remove the impact of investment market volatility. This adjustment unwinds mark-to-market volatility aspects:

— $22 million gain from the narrowing of credit spreads;

— $69 million gain from inflation-linked bond outperformance;

— $19 million net reduction from changes in risk-free rates and;

— A timing adjustment of $12 million from the unwind of prior risk-free changes on assets backing unearned premium.

Shareholders’ funds

Investment income on Shareholders’ Funds was $35 million representing an annualised return of 2.7%. The portfolio was impacted by rising bond yields, slightly offset by improving equity markets and narrower credit spreads.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	3	-	-	n/a	n/a
Interest-bearing securities and other	32	143	93	(77.6)	(65.6)
Total	**35**	**143**	**93**	**(75.5)**	**(62.4)**
Investment income on shareholder funds					
Cash and short-term deposits	1	-	-	n/a	n/a
Interest-bearing securities	1	55	14	(98.2)	(92.9)
Equities	24	(4)	1	n/a	large
Infrastructure and property	9	5	9	80.0	-
Total	**35**	**56**	**24**	**(37.5)**	**45.8**
Total investment income	**70**	**199**	**117**	**(64.8)**	**(40.2)**

Life Insurance

Underlying profit is in line with prior period, reflecting reduced experience profits, offset by the timing of one-off experience items. The reduced experience profits compared to prior periods is due to the implementation of revised income protection and lapse assumptions at the end of FY16, as well as some natural volatility in the lump sum claims portfolio.

In-force growth of 0.4% was driven by new business in Retail and Direct offset by lapse rates across all products, in particular the run-off of the closed Group Risk portfolio. New business volumes were subdued across all channels reflecting challenging market conditions, including increased regulatory scrutiny.

Profit contribution

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Planned profit margin release [1]	9	8	7	12.5	28.6
Experience	(2)	10	9	n/a	n/a
Other and investments	18	9	10	100.0	80.0
Underlying profit after tax	**25**	**27**	**26**	**(7.4)**	**(3.8)**
Market adjustments [2]	(14)	18	(3)	n/a	366.7
Net profit after tax	**11**	**45**	**23**	**(75.6)**	**(52.2)**

(1) Planned profit margin release includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time.
(2) Market adjustments consist of life risk policy discount rate changes and investment income experience.

Life Risk in-force annual premium by channel

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Advised	653	652	642	0.2	1.7
Direct via General Insurance brands	66	64	60	3.1	10.0
Group and other	82	97	96	(15.5)	(14.6)
Total	**801**	**813**	**798**	**(1.5)**	**0.4**
Total new business	**33**	**36**	**38**	**(8.3)**	**(13.2)**

Market adjustments

Market adjustments consist of balance sheet revaluations of policy liabilities and investment income experience, both of which are expected to neutralise through the cycle. Over the half, market adjustments were negative as higher bond yields resulted in mark to market losses.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Life risk policy liability impact (DAC)	1	25	4	(96.0)	(75.0)
Investment income experience	(15)	(7)	(7)	114.3	114.3
Total market adjustments	**(14)**	**18**	**(3)**	**n/a**	**366.7**

Life Risk policy liability impact

Life Risk policy liabilities are future cash flows discounted using risk-free rates and are negative in aggregate (i.e. an asset as premiums are greater than claims and expense outgo). Movements in interest rates are reflected in a revaluation of policy liabilities.

- A parallel increase in interest rates results in a reduction in the absolute value of the policy liability (i.e. a reduction in the asset) leading to a P&L loss, while a parallel decrease leads to a P&L gain.
- A non-parallel change in interest rates leads to a combination of gains and losses due to the different duration exposures of future liability cash flows associated with active lives relative to incurred claim liability cash flows.

Given the material increase and steepening of the yield curve over the first half of the financial year, the net P&L impact was $1 million as it is a combination of these two effects.

Investment income experience

Investment income experience represents the difference between longer term investment return assumption and actual market rates.

The increase in bond yields has seen negative investment returns on fixed interest investments that contribute the majority of shareholder investment income returns. As a result, investment income experience profit is negative.

Sensitivity of policy liability impacts from changes in longer duration yields (15 years +) has reduced. This is due to changes in assumptions implemented at 30 June 2016. The result is less volatility through market adjustment profits.

Life Insurance shareholder investment income

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Shareholder investment income on invested assets	(3)	6	7	n/a	n/a
Less underlying investment income:	(12)	(13)	(14)	(7.7)	(14.3)
Investment income experience	**(15)**	**(7)**	**(7)**	**114.3**	**114.3**

Banking & Wealth

Result overview

In a heavily price driven market, the Bank has focused on achieving sustainable profitable growth through optimisation of price and volume, while managing expenses and creating value for the customer. The Bank has delivered a solid result with net profit after tax of $203 million for the half, underpinned by strong risk management and credit quality. Wealth profit after tax was $5 million, contributing to the total Banking & Wealth profit of $208 million (HY16: $207 million).

Total lending assets remained broadly flat over the half, following the Bank's decision to refrain from participating in intense market competition during a period of unsustainable deposit and lending pricing across the industry. Second quarter growth in home lending was driven by a targeted lending campaign, and is expected to continue into the second half. Business lending continued to grow, increasing by 1.3% over the half, supported by a prudent risk appetite and a focus on segment diversification.

The NIM declined 7 basis points compared with the prior corresponding reporting period and remains within the target operating range at 1.78%. Cumulative impacts from regulatory and economic factors led to a reduction in net interest income. Challenging market conditions continued due to reductions to the RBA cash rate and sharp industry competition for customer deposits. The impact was partially mitigated through active use of diversified wholesale funding programs.

A focus on cost management has offset the effects of reduced margins resulting in a moderate improvement in the cost to income ratio to 51.4% for the half year.

The Bank continues to benefit from robust credit quality and risk management during the half, with impairment losses on loans and advances of $1 million. Credit losses experienced by the Bank during the half were partially mitigated by reductions in provisions from the settlement of non-performing loans. The Bank has conducted detailed analysis of inherently higher risk portfolio segments and is confident in the credit quality across its loan portfolio. A very limited exposure to inner-city apartments and the resources sector has been maintained during the half.

Periods of heightened volatility demonstrate the benefit of access to a range of funding instruments in both domestic and offshore markets. The Bank's long-term issuer ratings of 'A+/A1/A+' and well-diversified wholesale funding position create a genuine competitive advantage.

The CET1 capital ratio continued to be strong at 9.20% and remains above the target range of 8.5% to 9.0%. Return on CET1 capital increased to 13.5% and remains within the target range of 12.5% to 15.0%.

The Wealth business has continued to focus on simplification and leveraging existing product offerings while investing in enhanced technology to create value for customers. To date, the Super Simplification Project has rationalised 21 legacy superannuation and pension products, with 78,000 customers and $3.9 billion of assets migrated onto the new administration platform.

Banking & Wealth

Outlook

The Banking & Wealth business is committed to driving sustainable profitable growth using the strength of the Suncorp Group to deepen relationships and provide increased value to customers. The business remains focused on leveraging its significant investments in technology and capability.

Banking & Wealth is uniquely positioned for success in a price driven market where financial institutions are subject to ongoing political and regulatory scrutiny. The combination of the Group's customer strategy coupled with the Bank's balance sheet strength, funding flexibility, risk management and focus on cost recalibration differentiates the business going forward.

The core banking platform remains a foundation for the Group's customer strategy and will allow the delivery of innovative banking solutions. Configuration and product migration has taken longer than expected and the Bank is working closely with the vendor Oracle to ensure a phased and controlled delivery approach.

The Bank remains on track to comply with the Net Stable Funding Ratio (NSFR) requirements before their introduction in 2018. The Bank is focused on increasing stable sources of funding towards lower Basel III run-off deposits and lengthening the duration of wholesale liabilities to reinforce the resilience of the funding profile.

Discussions continue with the APRA as part of progressing towards Advanced Accreditation. In parallel the Bank has undertaken changes to its processes and retail credit models as part of an industry wide alignment of the treatment of hardship. The Bank expects these changes to have some effect on reporting but no material impact to the risk or loss experience.

The Wealth Super Simplification Project is on track to complete in the second half of the financial year. This project will materially simplify the Wealth business including enhanced data security, systems, products and pricing, enabling better product and service offerings for customers.

Banking & Wealth expects growth in the second half supported by ongoing sound risk management practices and prudent margin management. While the full benefits of key initiatives will not be realised until future periods, Banking & Wealth will focus on leveraging the Suncorp Marketplace and efficiencies gained from the investment in technology. These are expected to improve the customer experience and create opportunities to recalibrate costs. This will continue to support the Bank's operating targets of:

- NIM of 1.75% to 1.85%;
- disciplined cost management and ongoing investment in strategic programs to support a cost to income ratio of below 50%, contingent upon external economic and regulatory factors;
- sustainable growth at or above system;
- a retail deposit to lending ratio of 60% to 70% supported by the Bank's ability to leverage its 'A+/A1/A+' credit ratings to raise diverse wholesale funding; and
- a return on CET1 capital of 12.5% to 15.0%.

Profit contribution

	Half Year Ended Dec-16 $M	Jun-16 $M	Dec-15 $M	Dec-16 vs Jun-16 %	Dec-16 Dec-15 %
Net interest income	558	563	566	(0.9)	(1.4)
Net non-interest income					
Net banking fee income and commission	35	32	35	9.4	-
Gain on derivative and other financial instruments	2	2	2	-	-
Other income	2	5	12	(60.0)	(83.3)
Total net non-interest income	39	39	49	-	(20.4)
Total income	597	602	615	(0.8)	(2.9)
Operating expenses	(307)	(313)	(326)	(1.9)	(5.8)
Profit before impairment losses on loans and advances	290	289	289	0.3	0.3
Impairment losses on loans and advances	(1)	(5)	(11)	(80.0)	(90.9)
Bank profit before tax	**289**	**284**	**278**	**1.8**	**4.0**
Income tax	(86)	(85)	(84)	1.2	2.4
Bank profit after tax	**203**	**199**	**194**	**2.0**	**4.6**
Wealth profit after tax	**5**	**12**	**13**	**(58.3)**	**(61.5)**
Bank & Wealth profit after tax	**208**	**211**	**207**	**(1.4)**	**0.5**

Bank ratios and statistics

	Half Year Ended Dec-16 %	Jun-16 %	Dec-15 %
Lending growth (annualised)	(0.34)	5.43	3.58
Net interest margin (interest-earning assets)	1.78	1.86	1.85
Cost to income ratio	51.4	52.0	53.0
Impairment losses to gross loans and advances (annualised)	0.00	0.02	0.04
Common Equity Tier 1	9.20	9.21	9.45
Return on Common Equity Tier 1	13.5	13.3	13.1
Deposit to loan ratio	67.2	66.7	66.1

Loans and advances

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Housing loans	38,743	37,704	36,691	2.8	5.6
Securitised housing loans and covered bonds	5,332	6,548	6,355	(18.6)	(16.1)
Total housing loans	44,075	44,252	43,046	(0.4)	2.4
Consumer loans	268	312	345	(14.1)	(22.3)
Retail loans	44,343	44,564	43,391	(0.5)	2.2
Commercial (SME)	5,462	5,356	5,203	2.0	5.0
Agribusiness	4,383	4,360	4,258	0.5	2.9
Total Business loans	9,845	9,716	9,461	1.3	4.1
Total lending	**54,188**	**54,280**	**52,852**	**(0.2)**	**2.5**
Other lending	7	18	-	(61.1)	n/a
Gross loans and advances	54,195	54,298	52,852	(0.2)	2.5
Provision for impairment	(148)	(164)	(179)	(9.8)	(17.3)
Total loans and advances	**54,047**	**54,134**	**52,673**	**(0.2)**	**2.6**
Credit-risk weighted assets	**26,459**	**26,444**	**25,613**	**0.1**	**3.3**
Geographical breakdown - Total lending					
Queensland	28,935	29,132	28,735	(0.7)	0.7
New South Wales	13,925	13,808	13,162	0.8	5.8
Victoria	5,532	5,499	5,295	0.6	4.5
Western Australia	3,707	3,747	3,660	(1.1)	1.3
South Australia and other	2,089	2,094	2,000	(0.2)	4.5
Outside of Queensland loans	25,253	25,148	24,117	0.4	4.7
Total lending	**54,188**	**54,280**	**52,852**	**(0.2)**	**2.5**

Total lending

Total lending receivables, including securitised assets remained flat over the half.

Retail loans

The Bank saw steady growth in the home loan portfolio during the second quarter, driven by a targeted home lending campaign. This momentum is expected to continue into the second half of the financial year. There was a moderate reduction in the home lending portfolio over the half as the Bank focused on managing volumes and margin to ensure profitable and sustainable lending in a largely price driven market.

The Bank continued to maintain a high quality lending portfolio as indicated through a range of measures including serviceability, credit quality and loan to value ratio.

Strong relationships with intermediaries are integral to building a presence outside traditional Queensland markets, with approximately 50% of the home lending portfolio interstate and a growing proportion of new business coming from New South Wales and Victoria.

Commercial (SME)

The commercial portfolio continued to build momentum over the half, growing by 2.0% or $106 million.

The Bank remains focused on considered and disciplined growth whilst ensuring there is an appropriate return. Growth continued to be targeted within selected industry segments. The portfolio is heavily weighted towards less than $5 million lending, with the majority of customer groups within this range.

Lending to inner-city apartment developments is low, well controlled and closely monitored. The Bank has an exposure to inner-city development finance of approximately $150 million, which is 1.5% of the total business lending portfolio. The Bank maintained a very limited exposure to the resources sector and closely monitored customers affected by downstream impacts from the industry slowdown.

Commercial (SME) portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	27%	4%	4%	35%	1,912
Hospitality & Accommodation	14%	1%	1%	16%	874
Construction & Development	8%	0%	1%	9%	492
Services (Inc. professional services)	11%	5%	3%	19%	1,038
Retail	5%	1%	1%	7%	382
Manufacturing & Mining	2%	1%	1%	4%	218
Other	7%	2%	1%	10%	546
Total %	**74%**	**14%**	**12%**	**100%**	
Total $M	**4,042**	**765**	**655**		**5,462**

Agribusiness

The agribusiness portfolio grew 0.5% during the half to $4.4 billion. Pursuit of growth in the portfolio is balanced with loan quality and economic conditions.

The Bank remains proud of its long heritage in agribusiness. While operating conditions for many customers across Australia have improved, the Bank continues to utilise a collaborative customer approach to supporting customers, employees and communities under stressed conditions.

The Bank will continue to pursue diversified growth across regions and industries, targeting family operated farms, while exercising prudent risk selection. A clear risk appetite continues to guide decisions around new business.

Agribusiness portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Agribusiness breakdown					
Beef	27%	2%	0%	29%	1,271
Grain & Mixed Farming	12%	16%	3%	31%	1,359
Sheep & Mixed Livestock	5%	5%	1%	11%	482
Cotton	4%	4%	0%	8%	351
Sugar	3%	0%	0%	3%	131
Fruit	3%	0%	0%	3%	131
Other	7%	2%	6%	15%	658
Total %	**61%**	**29%**	**10%**	**100%**	
Total $M	**2,674**	**1,271**	**438**		**4,383**

Bank funding composition

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Customer funding					
Customer deposits					
At-call deposits	18,951	17,758	18,109	6.7	4.6
Term deposits	17,451	18,471	16,809	(5.5)	3.8
Total customer funding	36,402	36,229	34,918	0.5	4.2
Wholesale funding					
Domestic funding					
Short-term wholesale	6,972	6,511	6,571	7.1	6.1
Long-term wholesale	3,913	3,588	3,592	9.1	8.9
Covered bonds	2,490	3,149	2,648	(20.9)	(6.0)
Subordinated notes	742	742	742	-	-
Total domestic funding	14,117	13,990	13,553	0.9	4.2
Overseas funding[(1)]					
Short-term wholesale	3,103	2,681	2,533	15.7	22.5
Long-term wholesale	3,182	3,123	2,651	1.9	20.0
Total overseas funding	6,285	5,804	5,184	8.3	21.2
Total wholesale funding	20,402	19,794	18,737	3.1	8.9
Total funding (excluding securitisation)	**56,804**	**56,023**	**53,655**	**1.4**	**5.9**
Securitisation					
APS 120 qualifying[(2)]	2,051	2,345	2,911	(12.5)	(29.5)
APS 120 non-qualifying	153	199	243	(23.1)	(37.0)
Total securitisation	2,204	2,544	3,154	(13.4)	(30.1)
Total funding (including securitisation)	**59,008**	**58,567**	**56,809**	**0.8**	**3.9**
Total funding is represented on the balance sheet by:					
Deposits	36,402	36,229	34,918	0.5	4.2
Short-term borrowings	10,075	9,192	9,104	9.6	10.7
Securitisation	2,204	2,544	3,154	(13.4)	(30.1)
Debt issues	9,585	9,860	8,891	(2.8)	7.8
Subordinated notes	742	742	742	-	-
Total funding	59,008	58,567	56,809	0.8	3.9
Deposit to loan ratio	**67.2%**	**66.7%**	**66.1%**		

(1) Foreign currency borrowings are hedged back into Australian dollars.

(2) Qualifies for capital relief under APS120.

Funding

The Bank has a conservative approach to managing funding and liquidity risk aimed at ensuring a strong and sustainable funding profile that supports balance sheet growth. The Bank's key funding and liquidity management strategies include:

- increasing stable deposits coupled with an appropriate deposit to lending ratio;
- improving the diversity within risk appetite for short-term wholesale funding;
- lengthening the weighted average duration of long-term wholesale funding;
- ensuring ongoing access to wholesale funding markets by maintaining various programs across multiple jurisdictions; and
- managing high quality liquid assets comfortably above net cash outflows under various stress scenarios.

Customer funding

The Bank's deposit-to-loan ratio of 67.2% is within the target operating range. Customer deposits remained broadly flat at $36.4 billion as the Bank actively managed its funding base. During the half, the Bank optimised its funding mix with a 5.5% reduction in retail term deposits and an increase of 6.7% in at-call deposits primarily driven by growth in personal transaction accounts.

Liquidity Coverage Ratio (LCR)

The Bank has a tiered management limit structure for the LCR to ensure that an adequate buffer to the APRA prudential limit of 100% is held. The LCR is managed to market conditions and has been maintained comfortably above the prudential minimum since being introduced in January 2015. The average LCR for the half ending 31 December 2016 was 133%, ending the half at 130%.

The Bank holds a portfolio of high-quality liquid assets, available to meet balance sheet requirements and unforeseen cash outflows under a range of market conditions and stress scenarios. These assets consist of cash and highly rated securities eligible for repurchase agreements with the RBA.

Net Stable Funding Ratio (NSFR)

APRA released the final revised version of the prudential standard on liquidity (APS210) on 20 December 2016, which included the NSFR requirement. The Bank is well placed to meet the proposed NSFR requirements, which will be introduced from January 2018. The Bank's estimated NSFR at the end of the period was 106%.

Wholesale funding

The Bank maintains a number of wholesale funding programs to ensure access to multiple markets during volatile periods such as the US Money Market reform in the first quarter. The Bank also actively maintains a diverse range of investors, both domestically and offshore and is seeing increasing overlap between short term and long term investors.

During the half, the Bank demonstrated its ability to execute across multiple markets by completing $1.7 billion in term wholesale issuance. This included the Bank's inaugural 10-year issuances in both senior unsecured and covered formats, demonstrating the Bank's ability to lengthen the duration of wholesale funding to promote the longer term resilience of the funding profile.

The weighted average maturity of long term wholesale funding raised over the last 12 months was approximately 4.0 years. The weighted average remaining maturity of the Bank's long-term wholesale portfolio is 2.8 years.

Wholesale funding instruments maturity profile

	Short-term	Long-term	Dec-16	Jun-16	Dec-15	Dec-16 vs Jun-16	Dec-16 vs Dec-15
	$M	$M	$M	$M	$M	%	%
Maturity							
0 to 3 months	7,472	1,526	8,998	8,063	7,230	11.6	24.5
3 to 6 months	2,529	201	2,730	3,336	3,481	(18.2)	(21.6)
6 to 12 months	74	2,645	2,719	1,832	2,232	48.4	21.8
1 to 3 years	-	4,293	4,293	4,459	4,695	(3.7)	(8.6)
3+ years	-	3,866	3,866	4,648	4,253	(16.8)	(9.1)
Total wholesale funding instruments	10,075	12,531	22,606	22,338	21,891	1.2	3.3

Net interest income

Net interest income of $558 million represented a decrease of 0.9% over the period, with the NIM closing at 1.78% for the half. The Bank is actively managing the optimal balance between lending volume and margin and expects NIM to finish the financial year near the mid-point of the target range of 1.75% to 1.85%. The half year result was shaped by:

— improved lending spreads from one-off timing benefits in the pass through of RBA cash rate changes and portfolio re-pricing undertaken to partially mitigate the rising cost of funding;

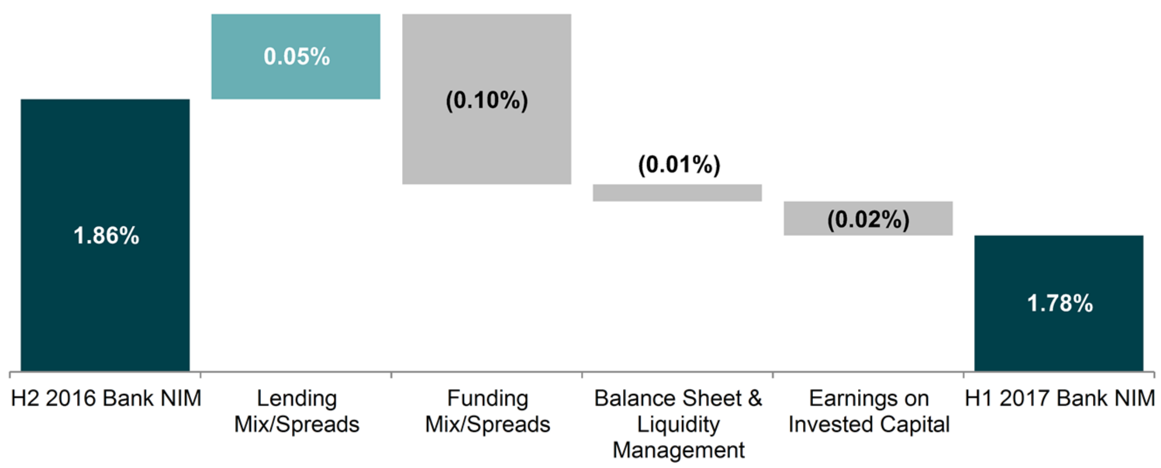
— increased customer funding costs as competition for term deposits intensified leading up to the introduction of the minimum NSFR requirement;

— volatile wholesale funding costs as the market was impacted by global macro-economic change;

— compressed earnings on low cost deposits and invested capital resulting from RBA cash rate decreases in both May and August; and

— increasing duration of funding and the change to high quality, low yield liquid assets.

NIM movements



Average banking balance sheet

	Half Year Ended Dec-16			Half Year Ended Jun-16		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities[1]	8,135	110	2.68	7,846	119	3.05
Gross loans and advances	53,898	1,151	4.24	52,898	1,190	4.52
Total interest-earning assets	62,033	1,261	4.03	60,744	1,309	4.33
Non-interest earning assets						
Other assets (inc. loan provisions)	1,083			1,056		
Total non-interest earning assets	1,083			1,056		
Total assets	63,116			61,800		
Liabilities						
Interest-bearing liabilities						
Customer deposits	35,755	372	2.06	34,749	380	2.20
Wholesale liabilities	21,937	314	2.84	21,591	348	3.24
Subordinated loans	742	17	4.54	742	18	4.88
Total interest-bearing liabilities	58,434	703	2.39	57,082	746	2.63
Non-interest bearing liabilities						
Other liabilities	704			730		
Total non-interest bearing liabilities	704			730		
Total liabilities	59,138			57,812		
Average Shareholders' equity	3,978			3,988		
Non-Shareholder accounting equity	4			(13)		
Convertible preference shares	(450)			(450)		
Average Shareholders' equity	3,532			3,525		
Goodwill allocated to banking business	(240)			(240)		
Average Shareholders' equity (ex goodwill)	3,292			3,285		
Analysis of interest margin and spread						
Interest-earning assets	62,033	1,261	4.03	60,744	1,309	4.33
Interest-bearing liabilities	58,434	703	2.39	57,082	746	2.63
Net interest spread			1.64			1.70
Net interest margin (interest-earning assets)	62,033	558	1.78	60,744	563	1.86
Net interest margin (lending assets)	53,898	558	2.05	52,898	563	2.14

(1) Includes interest on cash and receivables due from other banks.

Net non-interest income

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Net banking fee income and commission	35	32	35	9.4	-
Gain on derivative and other financial instruments	2	2	2	-	-
Other income	2	5	12	(60.0)	(83.3)
Total net non-interest income	39	39	49	-	(20.4)

Total net non-interest income was $39 million for the half, down $10 million from the prior comparative period which benefitted from a one-off return. Revenue-generating customer fees were flat over the half as customer appetite for low fee banking products continues to prevail in current market conditions.

Operating expenses

Operating expenses reduced to $307 million over the half as a result of disciplined cost management in the low growth, low margin environment. The Bank continues to prioritise its recalibration of costs while investing in the core banking platform and organisational change.

The Bank is focused on minimising risk through the controlled implementation of strategic projects. Key milestones were achieved in the core banking platform including migration of personal loans, commencement of home loan origination and functionality for a range of deposit products.

Impairment losses on loans and advances

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Collective provision for impairment	(6)	(11)	(7)	(45.5)	(14.3)
Specific provision for impairment	-	16	16	(100.0)	(100.0)
Actual net write-offs	7	-	2	n/a	250.0
	1	**5**	**11**	**(80.0)**	**(90.9)**
Impairment losses to gross loans and advances (annualised)	**0.00%**	**0.02%**	**0.04%**		

Impairment losses of $1 million represents less than 1 basis point (annualised) of gross loans and advances.

The reduction in both the collective provision and the specific provision charges over the half reflect the sound credit quality of the Bank's lending portfolio, and the successful conclusion of one large and two smaller long term exposures. Prudent and conservative provision coverage has been maintained to recognise the fluctuating nature of market and economic conditions. The Bank is comfortable that it has an adequate level of provisioning across all portfolios. Impairment losses for the full year are expected to be below the low end of the target operating range of 10 to 20 basis points.

The increase in actual net write-offs was predominately driven by a revision of the Bank's approach toward managing and bringing to account small value informal overdrafts in the retail lending portfolio, together with the write-off of two small-size business banking exposures against existing specific provisions.

Impaired assets

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Retail lending	30	27	25	11.1	20.0
Agribusiness lending	96	117	109	(17.9)	(11.9)
Commercial/SME lending	59	62	42	(4.8)	40.5
Gross impaired assets	185	206	176	(10.2)	5.1
Specific provision for impairment	(46)	(56)	(60)	(17.9)	(23.3)
Net impaired assets	**139**	**150**	**116**	**(7.3)**	**19.8**
Gross impaired assets to gross loans and advances	**0.34%**	**0.38%**	**0.33%**		

Gross impaired assets decreased to $185 million, representing 34 basis points of gross loans and advances.

The year on year moderate increase in retail lending impaired assets was primarily driven by a small number of individual mid-sized exposures and one large housing loan facility.

Agribusiness impaired assets have reduced significantly over the half due to favourable seasonal conditions and agricultural commodity prices, and the sale of rural property assets by one large customer. Agribusiness impaired assets have now reduced 54% from the drought impacted level of $208 million in June 2014. The marginal decline in Commercial impaired assets over the half was due to the reclassification of two mid-sized exposures to performing. The increase in Commercial impaired assets compared to the prior reporting period was attributable to the secondary impact of reduced mining activities on businesses such as hotels and accommodation.

Non-performing loans

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Gross impaired assets	185	206	176	(10.2)	5.1
Specific provision for impairment	(46)	(56)	(60)	(17.9)	(23.3)
Net impaired assets	139	150	116	(7.3)	19.8
Size of gross individually impaired assets					
Less than one million	26	22	20	18.2	30.0
Greater than one million but less than ten million	102	117	100	(12.8)	2.0
Greater than ten million	57	67	56	(14.9)	1.8
	185	206	176	(10.2)	5.1
Past due loans not shown as impaired assets	338	404	381	(16.3)	(11.3)
Gross non-performing loans	523	610	557	(14.3)	(6.1)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	206	176	218	17.0	(5.5)
Recognition of new impaired assets	55	86	48	(36.0)	14.6
Increases in previously recognised impaired assets	3	4	2	(25.0)	50.0
Impaired assets written off/sold during the half year	(7)	(18)	(35)	(61.1)	(80.0)
Impaired assets which have been reclassed as performing assets or repaid	(72)	(42)	(57)	71.4	26.3
Balance at the end of the half year	**185**	**206**	**176**	**(10.2)**	**5.1**

Gross non-performing loans decreased 14.3% over the half to $523 million.

Past due loans that are not impaired decreased by 16.3% to $338 million for the half year from a reduction in mortgage lending arrears, favourable commodity prices and a general improvement in operating conditions.

In common with industry peers, and to ensure compliance with regulatory standards, the Bank is currently reviewing its operational and reporting processes of hardship and is undertaking changes to its retail credit models to accommodate the industry wide changes.

Provision for impairment

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	108	119	126	(9.2)	(14.3)
Charge against impairment losses	(6)	(11)	(7)	(45.5)	(14.3)
Balance at the end of the period	102	108	119	(5.6)	(14.3)
Specific provision					
Balance at the beginning of the period	56	60	82	(6.7)	(31.7)
Charge against impairment losses	-	16	16	(100.0)	(100.0)
Impairment provision written off	(7)	(18)	(35)	(61.1)	(80.0)
Unwind of discount	(3)	(2)	(3)	50.0	-
Balance at the end of the period	46	56	60	(17.9)	(23.3)
Total provision for impairment - Banking activities	148	164	179	(9.8)	(17.3)
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	85	96	146	(11.5)	(41.8)
Transfer (to) from retained earnings	-	(11)	(50)	(100.0)	(100.0)
Balance at the end of the period	85	85	96	-	(11.5)
Pre-tax equivalent coverage	121	121	137	-	(11.7)
Total provision for impairment and equity reserve for credit loss - Banking activities	269	285	316	(5.6)	(14.9)

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	24.9	27.2	34.1
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.19	0.20	0.23
Specific provision	0.09	0.10	0.11
Total provision	0.28	0.30	0.34
ERCL coverage	0.23	0.22	0.26
Total provision and ERCL coverage	0.51	0.52	0.60

Total provision and ERCL coverage was 51 basis points of gross loans and advances.

The decrease in collective provision over the half was primarily driven by the reduction in retail mortgage arrears. Specific provision reduced due to the closure of four mid-to-large business banking exposures.

The Bank has maintained prudent and conservative provision coverage, particularly during heightened fluctuation of market conditions. Management overlays increased from 23% to 28% of total collective provision over the half with all relevant and appropriate economic and operational overlays maintained.

Gross non-performing loans coverage by portfolio

	Past due loans	Impaired assets	Specific provision	Collective provision	ERCL (pre-tax equivalent)	Total provision and ERCL coverage
	$M	$M	$M	$M	$M	%
Retail lending	302	30	7	40	51	30%
Agribusiness lending	9	96	16	36	22	70%
Commercial/SME lending	27	59	23	26	48	113%
Total	**338**	**185**	**46**	**102**	**121**	**51%**

Past due loans decreased to $338 million driven by a reduction in retail lending past due loans following the embedding of enhancements to the collections system and processes as disclosed in previous financial results.

The Bank closely monitors the potential for an oversupply in the apartment market and has continued its tightened lending criteria to development projects. The Bank is carefully monitoring specific industry indicators including milk prices, a small number of Victorian poultry producers and areas impacted by the mining slowdown.

Wealth

As part of the Group's operating model revision, Suncorp's Wealth division was moved into the Bank, creating the newly named Banking & Wealth business. The Wealth division manufactures, administers and distributes multiple superannuation and investment products via Suncorp Portfolio Services Limited (SPSL), Suncorp Life & Superannuation Limited (SLSL) and Suncorp Financial Services Pty Ltd (SFS).

The Superannuation business has progressed its Super Simplification Program of work, to create a more simplified and scalable business. Half year milestones include the restructuring of assets to reduce complexity and cost and the new product propositions (Brighter Super). December saw the migration of the first group of customers into the new product sets and onto the new administration platform including the successful migration of approximately $3.9 billion of assets as well as the termination of 21 superannuation and pension products.

Wealth Profit Contribution

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Wealth underlying profit	3	11	10	(72.7)	(70.0)
Underlying investment income	6	5	6	20.0	-
Underlying profit after tax	**9**	**16**	**16**	**(43.8)**	**(43.8)**
Market adjustments	6	(7)	(1)	n/a	n/a
Investment income experience	(10)	3	(2)	n/a	400.0
Profit attributed to shareholder	**5**	**12**	**13**	**(58.3)**	**(61.5)**

Profit attributed to shareholders reduced to $5 million over the half, driven by lower investment returns and supportable bonuses from participating business. The result was also impacted by previous changes to the aligned distribution channel, lower management fee revenues from funds under administration and an increase in project costs. The completion of the Super Simplification Program is expected to improve the result over the second half of the financial year and future reporting periods.

Funds under management and administration

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Funds under management and administration					
Opening balance at the start of the period	7,452	7,424	7,412	0.4	0.5
Net inflows (outflows)	(97)	(85)	(46)	14.1	110.9
Investment income and other	135	113	58	19.5	132.8
Balance at the end of the period	**7,490**	**7,452**	**7,424**	**0.5**	**0.9**
New business	**134**	**172**	**213**	**(22.1)**	**(37.1)**

Superannuation funds under management and administration of $7.5 billion reflects new business of $134 million. New business volumes have been adversely impacted by the disruption to Suncorp's advised distribution (specifically, the closure of Guardian Financial and part of Suncorp Financial Services). Over the medium term, Wealth will continue to embed the recently launched Brighter Super offer providing a diversified proposition for a broader market segment.

New Zealand

Suncorp New Zealand ('SNZ') brings together Vero New Zealand ('VNZ') and Suncorp Life New Zealand ('SLNZ'). SNZ has strong foundations, with both VNZ and SLNZ having been stabilised and simplified in recent years to create two independently profitable businesses.

Suncorp New Zealand includes the following divisions:

- Vero Insurance NZ, a general insurer focused on the intermediated market;
- Vero Liability insurance;
- Autosure, a niche motor insurance and mechanical warranty provider. Autosure was sold in December 2016, with a goodwill write-off of $25 million reflected in the Group result;
- Asteron Life NZ, an intermediated Life insurer;
- AA Insurance (AAI), a joint venture providing general insurance products direct to personal customers. For analyst pack disclosures, the entire AA Insurance joint venture profits are reported as part of SNZ, with the minority interest (32%) eliminated at a Group level; and
- AA Life, a joint venture direct Life distribution company. SNZ and the NZ Automobile Association each hold a 50% share.

SNZ's strategy is aligned with the Group strategy to 'Create a better today', with key priorities refined for the New Zealand market. The business is focused on working closely with intermediary business partners in delivering better outcomes for customers and meeting more of their needs.

Result overview

SNZ achieved an after tax profit of $37 million (A$36 million) for the half year ended 31 December 2016, with General Insurance GWP increasing by 4.8% and Life In-force growth of 8.1%.

General Insurance profit after tax was $19 million, significantly impacted by the November 2016 Kaikoura earthquake and the notification of new 2010/11 Canterbury earthquake 'over cap' claims. The insurance trading result was $22 million representing an ITR of 3.8%, however underlying ITR remains above the Group target of 'at least 12%'.

GWP grew by 4.8% to $714 million, driven by strong growth in Home and Motor products through all channels. Growth in Commercial lines was flat, constrained by a highly competitive market characterised by unsustainable premium discounting.

Net incurred claims (NIC) were $372 million, up 22.8%, driven by the Kaikoura earthquake as well as several large commercial claims and strong unit growth in the consumer portfolios.

Operating expenses have increased by 7.1%, primarily due to growth in acquisition costs and increasing amortisation following the recent upgrades to key platforms.

Overall investment income has decreased to $9 million, driven by mark-to-market losses on the fixed-income portfolio as bond yields increased.

Life Insurance in-force growth was 8.1% driven by strong new business growth and retention rates. Underlying net profit after tax was $24 million, up 41.2%, driven by positive claims and lapse experience.

Note: All data and commentary in the New Zealand section is displayed In New Zealand Dollars, unless otherwise specified.

Outlook

SNZ has a broad range of initiatives in place to deliver on its key strategic priorities. The business has identified several opportunities to better meet the needs of New Zealand customers with both life and general insurance products, through expanded distribution footprints and new customer solutions.

The NextGen program of work continues, replacing the core general insurance policy and claims systems. The first phase of migration for AA Insurance has been completed, with the second phase of Vero migration progressing to plan. NextGen will enable further growth through SNZ's Corporate Partners, whilst also generating the capability to build self-service (online) claims applications.

GWP growth is expected to remain at current levels, with strong price and unit growth in consumer lines and stable premiums in commercial lines. The sale of the Autosure warranty business is expected to be offset by additional growth in motor premiums through a new corporate partnership with Turners Limited.

Following the recent opening of two SMART repair centres, SNZ expects a reduction in average motor claims costs and an improvement in customers' claims experience through the remainder of the financial year.

SNZ expects these initiatives to support the underlying ITR remaining above the Group's target of 12%.

Risk of further aftershocks from the Kaikoura earthquake remain over the coming months, however the SNZ balance sheet remains well protected by the Group reinsurance program (including reinstatements), with a maximum event retention of NZ$25 million on second and third SNZ events. Reinstatement of catastrophe cover following the Kaikoura event will result in higher reinsurance expenses for the FY17 financial year.

SNZ continues to engage with EQC at both an industry and company level to ensure all remaining Canterbury earthquake exposures have been identified and are appropriately managed. Further increases in the ultimate net liability for the February event will be retained at 33 cents in the dollar, however any development for the September and June events is expected to remain fully reinsured.

Life in-force premium and underlying profit growth is expected to continue through an ongoing focus on sustainable commissions, strong intermediary relationships and market leading retention rates.

New Zealand Profit contribution (AU$)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium	**679**	**607**	**621**	**11.9**	**9.3**
Gross unearned premium movement	(34)	9	(26)	n/a	30.8
Gross earned premium	645	616	595	4.7	8.4
Outwards reinsurance expense	(88)	(83)	(83)	6.0	6.0
Net earned premium	**557**	**533**	**512**	**4.5**	**8.8**
Net incurred claims					
Claims expense	(1,262)	(387)	(431)	226.1	192.8
Reinsurance and other recoveries revenue	908	101	155	large	485.8
Net incurred claims	**(354)**	**(286)**	**(276)**	**23.8**	**28.3**
Total operating expenses					
Acquisition expenses	(132)	(120)	(120)	10.0	10.0
Other underwriting expenses	(54)	(50)	(48)	8.0	12.5
Total operating expenses	**(186)**	**(170)**	**(168)**	**9.4**	**10.7**
Underwriting result	**17**	**77**	**68**	**(77.9)**	**(75.0)**
Investment income - insurance funds	4	12	6	(66.7)	(33.3)
Insurance trading result	**21**	**89**	**74**	**(76.4)**	**(71.6)**
Joint venture and other income	-	1	-	(100.0)	n/a
General Insurance operational earnings	**21**	**90**	**74**	**(76.7)**	**(71.6)**
Investment income - shareholder funds	5	11	10	(54.5)	(50.0)
General Insurance profit before tax	**26**	**101**	**84**	**(74.3)**	**(69.0)**
Income tax	(7)	(28)	(23)	(75.0)	(69.6)
General Insurance profit after tax	**19**	**73**	**61**	**(74.0)**	**(68.9)**
Life Insurance					
Underlying profit after tax	**23**	23	16	-	43.8
Market adjustments	**(6)**	9	1	n/a	n/a
Life Insurance profit after tax	**17**	**32**	**17**	**(46.9)**	**-**
New Zealand profit after tax	**36**	**105**	**78**	**(65.7)**	**(53.8)**

General Insurance ratios

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	%	%	%
Acquisition expenses ratio	23.7	22.5	23.4
Other underwriting expenses ratio	9.7	9.4	9.4
Total operating expenses ratio	33.4	31.9	32.8
Loss ratio	63.6	53.7	53.9
Combined operating ratio	97.0	85.6	86.7
Insurance trading ratio	**3.8**	**16.7**	**14.5**

Note: All data and commentary in the New Zealand section is displayed In New Zealand Dollars, unless otherwise specified.

New Zealand Profit contribution (NZ$)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium	**714**	**658**	**681**	**8.5**	**4.8**
Gross unearned premium movement	(36)	9	(28)	n/a	28.6
Gross earned premium	678	667	653	1.6	3.8
Outwards reinsurance expense	(92)	(90)	(91)	2.2	1.1
Net earned premium	**586**	**577**	**562**	**1.6**	**4.3**
Net incurred claims					
Claims expense	(1,327)	(415)	(475)	219.8	179.4
Reinsurance and other recoveries revenue	955	106	172	large	455.2
Net incurred claims	**(372)**	**(309)**	**(303)**	**20.4**	**22.8**
Total operating expenses					
Acquisition expenses	(139)	(132)	(131)	5.3	6.1
Other underwriting expenses	(57)	(54)	(52)	5.6	9.6
Total operating expenses	**(196)**	**(186)**	**(183)**	**5.4**	**7.1**
Underwriting result	**18**	**82**	**76**	**(78.0)**	**(76.3)**
Investment income - insurance funds	4	13	7	(69.2)	(42.9)
Insurance trading result	**22**	**95**	**83**	**(76.8)**	**(73.5)**
Joint venture and other income	-	1	-	(100.0)	n/a
General Insurance operational earnings	**22**	**96**	**83**	**(77.1)**	**(73.5)**
Investment income - shareholder funds	5	13	10	(61.5)	(50.0)
General Insurance profit before tax	**27**	**109**	**93**	**(75.2)**	**(71.0)**
Income tax	(8)	(30)	(25)	(73.3)	(68.0)
General Insurance profit after tax	**19**	**79**	**68**	**(75.9)**	**(72.1)**
Life Insurance					
Underlying profit after tax	**24**	25	17	(4.0)	41.2
Market adjustments	**(6)**	9	2	n/a	n/a
Life Insurance profit after tax	**18**	**34**	**19**	**(47.1)**	**(5.3)**
New Zealand profit after tax	**37**	**113**	**87**	(67.3)	(57.5)

General Insurance ratios

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	%	%	%
Acquisition expenses ratio	23.7	22.9	23.3
Other underwriting expenses ratio	9.7	9.4	9.3
Total operating expenses ratio	33.4	32.3	32.6
Loss ratio	63.5	53.6	53.9
Combined operating ratio	96.9	85.9	86.5
Insurance trading ratio	**3.8**	**16.5**	**14.8**

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General Insurance

Gross Written Premium

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium by product					
Motor	164	163	154	0.6	6.5
Home	226	219	208	3.2	8.7
Commercial	298	252	295	18.3	1.0
Other	26	24	24	8.3	8.3
Total	**714**	**658**	**681**	**8.5**	**4.8**

Motor

Motor GWP grew 6.5% to $164 million.

Growth has been occurred in all channels, with unit growth driven by increased vehicle sales.

The sale of Autosure to Turners was completed in December 2016 and will result in growth of the Motor portfolio through the new Corporate Partnership with Turners. However a reduction in GWP will be seen in the Other Personal portfolio due to transfer of the warranty business.

Home

Home GWP grew 8.7% to $226 million.

Home growth has been achieved across all channels through both strong retention and increases in new business units. Strong performance through key Corporate Partners underpinned the growth, and product pricing changes in response to increasing claim costs have also contributed.

Commercial

Commercial lines include Property, Commercial Motor, Liability, Marine and Engineering insurances. Commercial GWP grew 1% to $298 million.

The business maintained a disciplined approach to underwriting, with a focus on margins in a market that continues to face pricing pressures, driven by the aggressive growth of large international providers and new entrants. Property GWP has declined due to intense competition and unsustainable discounting.

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Net incurred claims

Net incurred claims costs increased 22.8% to $372 million.

Natural hazard event costs were $33 million, $22 million over the allowance.

The underwriting response to the Kaikoura earthquakes includes embargos on cover for certain geographical areas and case specific underwriting in the context of industry wide agreement to maintain cover over existing risks.

Major natural hazard events are shown in the table below.

Date	Event	Net Costs $M
Nov 16	Kaikoura earthquake (net of internal reinsurance)	20
Nov 16	North Island rain	1
Nov 16	South Island earthquake aftershock	3
	Other natural hazards attritional claims	9
Total natural hazards		**33**
	Less: allowance for natural hazards	(11)
	Natural hazards costs above allowance	**22**

Motor claims have increased due to strong unit growth. Claims frequency shows a small upward trend, attributable to a higher number of cars on the road. Average repair costs are being impacted by a greater mix of larger vehicles on the road and more complex parts. In November 2016 SNZ launched two SMART centres for drivable motor repairs that are expected to drive improved turnaround times for customers and reduce repair costs through improved workflow and technology capability.

Home claims frequency was flat with average claims costs increasing due to higher building costs, and additional complexity from methamphetamine contamination. The frequency of methamphetamine contamination claims has been falling following a peak in July and SNZ has put in place product and pricing remediation to limit further exposure.

Insurers continue to receive new over-cap claims from EQC, impacting resolution rates, financial results and customer uncertainty. The Insurance Council New Zealand has recently reported that over 600 new claims have been received by insurers over the last two quarters. The main driver of this activity is EQC's increased focus on resolving the remaining claims in their Program. More recently the EQC has reported they have approximately 10,000 remedial repairs to complete, some of which have the potential to go over-cap, mainly driven by either substandard repairs or discovery of additional damage.

Outstanding claims provision breakdown

	Actual	Net Central Estimate (Discounted)	Risk Margin (90th Percentile Discounted)	Change In Net Central Estimate [(1)]
	$M	$M	$M	$M
Short-tail	240	201	39	21
Long-tail	75	63	12	(3)
Total	**315**	**264**	**51**	**18**

(1) This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on the net central estimate. A negative sign (–) implies that there has been a release from outstanding reserves.

The valuation of outstanding claims resulted in net central estimate increases of $18 million. Short tail strengthening was due to the Canterbury EQ valuation and deteriorating claims experience on property and motor portfolios. Long tail claim reserve releases were primarily attributable to the liability book, due to favourable large claim experience.

Outstanding claims provisions over time

The following table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate (90th percentile, discounted) and the risk margin components. The net outstanding claims liabilities are also shown by major categories of insurance business.

The Ultimate Net Loss for the 2010/2011 Canterbury Earthquakes has increased by $112 million, largely due to over-cap claims experience. However the profit and loss impact associated with this increase is limited to a loss of $18 million due to the Group's reinsurance arrangements.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross outstanding claims liabilities	1,600	855	959	87.1	66.8
Reinsurance and other recoveries	(1,285)	(571)	(673)	125.0	90.9
Net outstanding claims liabilities	**315**	**284**	**286**	**10.9**	**10.1**
Expected future claims payments and claims handling expenses	274	245	252	11.8	8.7
Discount to present value	(10)	(6)	(10)	66.7	-
Risk margin	51	45	44	13.3	15.9
Net outstanding claims liabilities	**315**	**284**	**286**	**10.9**	**10.1**
Short-tail	240	206	207	16.5	15.9
Long-tail	75	78	79	(3.8)	(5.1)
Total	**315**	**284**	**286**	**10.9**	**10.1**

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Risk margins

Risk Margins represent approximately 16% of outstanding claims reserves giving an approximate level of confidence of 90%.

Risk margins increased by $6 million during the period to $51 million.

Operating expenses

Total operating expenses increased 7.1% to $196 million, reflecting amortisation of key platform upgrades. Total operating expenses ratio is up slightly to 33.4%.

Acquisition costs increased 6.1% over the prior half year to $139 million, reflecting growth in GWP. The acquisition expenses ratio was broadly stable at 23.7%, compared with 23.3% for the prior comparative period.

Other underwriting expenses increased 9.6% to $57 million.

Asset allocation

Asset allocations within funds remain consistent, and in accordance with risk appetites.

	Half Year Ended				Asset Allocation	
	Dec-16		Jun-16	Dec-15	Jun-16	Dec-15
	$M	%	$M	$M	%	%
Insurance funds						
Cash and short-term deposits	149	30.0	154	145	28.0	28.0
Corporate bonds	283	58.0	330	315	60.0	60.0
Local government bonds	52	11.0	57	56	11.0	11.0
Government bonds	6	1.0	5	5	1.0	1.0
Total Insurance funds	**490**	**100.0**	**546**	**521**	**100.0**	**100.0**
Shareholders' funds						
Cash and short-term deposits	48	15.0	56	53	15.0	14.0
Interest-bearing securities	183	57.0	206	231	54.0	60.0
Equities	89	28.0	118	100	31.0	26.0
Total shareholders' funds	**320**	**100.0**	**380**	**384**	**100.0**	**100.0**
Total	**810**		**926**	**905**		

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Credit quality

AVERAGE	Dec-16 %	Jun-16 %	Dec-15 %
AAA	7.4	8.6	9.1
AA	66.2	62.9	60.6
A	23.9	26.3	27.7
BBB	2.5	2.2	2.6
	100.0	**100.0**	**100.0**

Duration

	Dec-16	Jun-16	Dec-15
Insurance funds			
Interest rate duration (Yrs)	1.2	1.4	1.4
Shareholders' funds			
Interest rate duration (Yrs)	2.5	2.6	2.5

Investment performance

Overall investment income decreased, mainly due to significant mark-to-market losses on fixed interest corporate and government bonds.

Total investment income was $9 million representing an annualised return of 2.2%.

Investment income on Insurance Funds was $4 million. Excluding mark-to-market losses of $7 million, underlying investment income on Insurance Funds of $11 million was above the prior year (HY16: $8 million).

Investment income on Shareholders' Funds was $5 million representing an annualised return of 2.9%. Excluding mark-to-market losses of $2 million, underlying investment income on Shareholders' Funds was $7 million.

	Half Year Ended			Dec-16	Dec-16
	Dec-16 $M	Jun-16 $M	Dec-15 $M	vs Jun-16 %	vs Dec-15 %
Investment income on insurance funds					
Cash and short-term deposits	1	2	2	(50.0)	(50.0)
Interest-bearing securities and other	3	11	5	(72.7)	(40.0)
Total	**4**	**13**	**7**	**(69.2)**	**(42.9)**
Investment income on shareholder funds					
Cash and short-term deposits	1	1	2	-	(50.0)
Interest-bearing securities	1	7	4	(85.7)	(75.0)
Equities	3	5	4	(40.0)	(25.0)
Total	**5**	**13**	**10**	**(61.5)**	**(50.0)**
Total investment income	**9**	**26**	**17**	**(65.4)**	**(47.1)**

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Life Insurance

Profit after tax for the half year was $18 million, with Underlying profit after tax of $24 million up 41.2%.

Planned margins fell slightly due to the net impact of changes to assumptions at the end of FY16, offset by favourable claims and lapse experience and a slight improvement in expenses.

Positive claims experience was driven by strong closures of Income Protection claims, reflecting a high focus on rehabilitation within claims management, despite a small increase in volumes over expected levels.

Favourable lapse experience was primarily driven by active retention strategies with fewer cancellations of advised products, reflecting the move to more sustainable adviser commission structures over recent years.

Growth remained strong with in-force premium increasing to $240 million, and new business up 15.4% on prior comparable period.

Profit Contribution

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
Life New Zealand	$M	$M	$M	%	%
Planned profit margin	15	16	16	(6.3)	(6.3)
Experience	5	3	(4)	66.7	n/a
Other and investments	4	6	5	(33.3)	(20.0)
Underlying profit after tax	**24**	**25**	**17**	**(4.0)**	**41.2**
Market adjustments	**(6)**	**9**	**2**	**n/a**	**n/a**
Net profit after tax	**18**	**34**	**19**	**(47.1)**	**(5.3)**

Life Risk in-force annual premium by channel

In-force premium increased 4.8% to $240 million over the half, driven by increases in new business and policy retention. Cancellation rates remain at the low end of the NZ market, reflecting the continuing customer focus and emphasis on relationships with quality intermediaries across the business.

New business grew to $15 million, up 15.4%. The focus on sustainable commission options has been continued, resulting in over half of new business across the past six months being sold on level or reduced initial commission terms.

A review of Group Life scheme pricing has driven new business growth for the half year.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Advised	194	185	179	4.9	8.4
Direct	39	38	37	2.6	5.4
Group and other	7	6	6	16.7	16.7
Total	**240**	**229**	**222**	**4.8**	**8.1**
Total new business	**15**	**12**	**13**	**25.0**	**15.4**

Note: All data and commentary in the New Zealand section is displayed In New Zealand Dollars, unless otherwise specified.

Funds under management or administration

Funds under management or administration of $709 million relate to legacy life and superannuation products which are no longer open to new business. The value of funds continues to gradually decline, as customer withdrawals are only partially offset by investment earnings.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Funds under management or administration					
Opening balance at the start of the period	745	751	750	(0.8)	(0.7)
Net inflows (outflows), investment income and other	(36)	(6)	1	large	n/a
Balance at the end of the period	**709**	**745**	**751**	**(4.8)**	**(5.6)**

Operating expenses

Operating expenses have reduced slightly due to efficiencies gained through the new operating model and a focus on control of discretionary spend.

The acquisition expense ratio has improved over the past three reporting periods, reflecting a higher uptake of lower-upfront commission options by advisers and greater new business growth achieved from the cost base. The maintenance cost ratio for first half is flat on the FY16 level, with operating model efficiencies offsetting the impacts of cost inflation and inforce growth.

Note: All data and commentary in the New Zealand section is displayed In New Zealand Dollars, unless otherwise specified.

Market adjustments

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Life risk policy liability impact	(4)	6	1	n/a	n/a
Annuities market adjustments	1	(1)	-	n/a	100
Investment income experience	(3)	4	1	n/a	n/a
Total market adjustments	**(6)**	**9**	**2**	**n/a**	**n/a**

Market adjustments are mainly comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which are expected to neutralise through the cycle. During the half year market adjustments were impacted by an increase of approximately 100 bps in long-term interest rates and a steepening of the yield curve in New Zealand. This movement partially reverses the positive market adjustments recognised in the June 2016 half.

Life Risk policy liability impact

Risk-free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs (DAC) there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss while a decrease leads to a gain. This volatility represents the impact of an accounting revaluation adjustment to reflect the movements of interest rates and the impact on the DAC. This impact was a net loss of $4 million in the half.

Investment income experience

Investment income experience represents the difference between Suncorp Life NZ's longer term shareholder investment return assumptions and actual market rates. Investment assumptions are outlined in Appendix 8.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Shareholder investment income on invested assets	-	7	4	n/a	n/a
Less underlying investment income	(3)	(3)	(3)	-	-
Investment income experience	**(3)**	**4**	**1**	**n/a**	**n/a**

As part of the capital management program, interest rate swaps are used to improve duration matching, to optimise capital solvency requirements. Unrealised losses were generated on these swaps over the half year, offsetting the earned income on shareholder assets.

Customer

Suncorp Group's purpose is to 'Create a better today' for its stakeholders and to increase the number of connected customers through broadening and deepening relationships. Through focused experience improvements and targeted retention and growth initiatives, the Group's customer base has increased by 320,000 since June 2016, including 270,000 from entry into South Australian CTP.

The Group is building its connected customer base by extending the existing diverse range of finance and insurance offerings and by progressing a core element of its strategy – creating a financial services marketplace. The marketplace will help customers navigate complexity, make better choices and allow them to interact with the Group in any way they choose, through both digital and physical channels.

By focusing on existing trusted and unique brand offerings, the Group has tailored solutions to better meet customer needs. CIL customers were introduced to the APIA brand in order to provide them greater choice and value and APIA customers were offered tailored Suncorp transactional banking products. AAMI customers will also be offered greater flexibility through the introduction of customised home and personal lending solutions in early 2017.

The Group has identified new customer solutions and has expanded the nib health fund partnership to launch a suite of private health solutions enabling Australian customers to access health insurance from Suncorp Insurance and AAMI (from early 2017). The Group has also entered into a partnership with Challenger providing customers with more retirement choices with the introduction of an annuities product offering. The award winning MyStyle Life insurance solution has been co-branded with Austbrokers and was launched with 40 brokers across Australia in December.

The Group has focused on creating value for customers by delivering solutions beyond traditional financial services products as part of our marketplace, including:

- Suncorp Startcompany, an online website for start-ups with functionality to support setting up a business;
- Suncorp Business Toolbox, a new online platform specifically designed for small business customers; and,
- AAMI Smartplates is a mobile app that allows learner drivers to log hours digitally.

The Group has focused on making it easier for customers to access services, through both digital and physical channels. The launch of the Parramatta Concept store in December 2016 was an important milestone in the delivery of the marketplace, bringing together products and services from the Group's many brands, as well as those from other providers, in a unique retail environment.

The Group continues to invest in key distribution channels – contact centres, stores, intermediaries and digital – and people capability to meet the changing needs of our nine million customers. The stores network will undergo further modernisation to improve the customer experience and ongoing investment will be made into digital solutions to make financial services simpler and easier for customers.

Group Capital

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

The Group is subject to, and complies with, external capital requirements set and monitored by APRA and the Reserve Bank of New Zealand.

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

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, the business line regulatory framework and APRA's 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' qualities;
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific Bank reserves eligible as regulatory capital; and
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

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

Dividend

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

The Group's profit result over the half year has led to a fully franked interim dividend of 33 cents per share, an increase of 3 cents per share on the FY16 interim dividend (30 cents per share). The interim dividend equates a payout ratio of 72% of cash earnings for the half.

The Group intends to issue new shares under the Dividend Reinvestment Plan (DRP) for the interim dividend.

Capital position at 31 December 2016

During the half year the General Insurance business issued $330 million of Tier 2 subordinated notes directly out of the Australian licensed issuer. The General Insurance business also redeemed $108 million of previously issued subordinated debt.

Over the half year the Group's Excess CET1 (ex dividend) increased to $448 million. Excluding NPAT and the interim dividend, the main drivers of the increase in the Group's excess capital position have been:

— a reduction in the deduction for Life policy liability adjustment due to the increase in yields;

— a reduction in goodwill and intangibles due to the sale of Autosure in New Zealand; offset by

— an increase in Bank Risk Weighted Assets (RWA);

— an increase net Deferred Tax Assets; and

— a reduction in General Insurance excess technical provisions.

	As at 31 December 2016					
	General Insurance [2]	Bank [2]	Life	SGL, Corp Services & Consol	Total	Total 30 June 2016
	$M	$M	$M	$M	$M	$M
CET1	2,848	2,913	525	121	6,407	6,338
CET1 Target	2,440	2,772	358	6	5,576	5,552
Excess to CET1 Target (pre div)	408	141	167	115	831	786
Group Dividend [3]					(383)	(440)
Group Excess to CET1 Target (ex div)					448	346
Common Equity Tier 1 Ratio [1]	1.23x	9.20%	2.03x			
Total Capital	4,133	4,270	625	121	9,149	8,860
Total Capital Target	3,486	3,880	424	(11)	7,779	7,743
Excess to Target (pre div)	647	390	201	132	1,370	1,117
Group Dividend [3]					(383)	(440)
Group Excess to Target (ex div)					987	677
Total Capital Ratio [1]	1.78x	13.48%	2.42x			

(1) Capital ratios are expressed as coverage of the PCA for General Insurance and Life, and as a percentage of Risk Weighted Assets for the Bank.
(2) The Bank and General Insurance targets are shown as the midpoint of the target operating ranges.
(3) Group dividend net of expected shares issued under the Dividend Reinvestment Plan.

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

— the General Insurance business's CET1 position was 1.23 times the PCA, above its target operating range of 0.95 - 1.15 times PCA;

— the Bank's CET1 Ratio was 9.20%, above its target operating range of 8.5% - 9.0%;

— Life's excess CET1 to Target was $167 million; and

— an additional $115 million of excess CET1 was held at the SGL and Corporate Services level.

The Group maintains a strong capital position with all three businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $448 million after adjusting for the interim dividend.

Appendix 5 contains further information on the capital position of the Suncorp Group.

Investments

Investment strategy and arrangements

Investment strategy is a material driver of the profit, capital and risk profile of the Group and delivers significant value for shareholders and customers.

The primary objective is to optimise investment returns relative to investment risk appetite, which remains conservatively positioned. This process inherently has regard to the insurance liabilities and capital that the investment assets are supporting and seeks to substantially offset the associated interest rate and claims inflation risks. High quality fixed interest securities and inflation-linked bonds play a central role in achieving this objective.

The Suncorp Group Investments team provides investment strategy advice, external investment manager research and monitoring, investment implementation and investment risk management services to the Group. Significant progress continues to be made towards the Group's strategy of diversifying investment manager exposure. This has facilitated the diversification of investment and business risks and exposure to new asset classes.

Investment markets commentary

The half year began in the aftermath of the 'Brexit' vote. Meanwhile, locally, key events early in period included a low CPI report and an RBA rate cut. The combination of these factors saw Australian bond yields and breakeven inflation register new record lows during August. In contrast, the share market posted gains (the ASX200 briefly trading above 5600).

For bonds, signs of resilience in global growth and rising commodity prices (the oil price breaching $US50 by October) contributed to a turning point in August. Equities, however, retreated slightly amid US election uncertainty and as higher bond yields pressured valuations (the latter also impacting returns in the infrastructure sector).

In November, as Donald Trump secured the US Presidency, markets quickly adopted a 'risk on' tone, as the anticipation of fiscal stimulus and stronger US growth led to sharp advances in share markets, commodity prices, bond yields and inflation expectations.

With these moves being sustained into December, they became the dominant theme of the half year. Accordingly, as per the table below, the key features of the period were strong gains in equities, a lift in inflation expectations and weakness in fixed interest returns.

The key market metrics for the half year are in the table below:

Investment Variables	Dec-16	Jun-16	Dec-16 vs Jun-16
3 year bond yield	1.96	1.55	+40bps
10 year bond yield	2.77	1.98	+82bp
10 year breakeven inflation rate	1.93	1.57	+36bp
AA 3 year credit spreads	107	119	-12bp
Semi-government spreads	27	35	-8bp
Australian fixed interest (Bloomberg composite index)	8,811	8,987	-1.96%
Australian equities (total return)	54,050	48,872	+10.6%
International equities (hedged total return)	1,365	1,235	+10.5%

Suncorp Group Limited (SGL)

Suncorp Group Limited's investment portfolio supports the Group NOHC structure and distributions to shareholders. Investment assets were $484 million at 31 December 2016 and comprised 38% cash and 62% high quality fixed income securities, with an interest rate duration of 1.1 years, credit spread duration of 1.3 years and an average credit rating of 'A+'. Investment income was $6 million, representing an annualised return of 2.5%.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
(Pre-tax)	$M	$M	$M	%	%
Investment income					
Cash and short-term deposits	2	3	3	(33.3)	(33.3)
Interest-bearing securities and other	4	8	4	(50.0)	-
Total	**6**	**11**	**7**	**(45.5)**	**(14.3)**

Dividends

The interim ordinary dividend of 33 cents per share will be fully franked and paid on 3 April 2017. The ex-dividend date is 21 February 2017.

The Group's franking credit balance is set out below.

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**230**	**146**	**156**

Income tax

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	$M	$M	$M
Reconciliation of prima facie income tax expense to actual tax expense:			
Profit before tax	812	748	759
Prima facie domestic corporation tax rate of 30% (2015: 30%)	243	224	228
Effect of tax rates in foreign jurisdiction	(1)	(3)	(2)
Effect of income taxed at non-corporate tax rate - Life	1	1	3
Tax effect of amounts not deductible (assessable) in calculating taxable income:			
Non-deductible expenses	15	7	7
Non-deductible expenses - Life	15	11	-
Amortisation of intangible assets	3	3	3
Dividend adjustments	15	7	2
Tax exempt revenues	(1)	(2)	-
Current year rebates and credits	(18)	(25)	(6)
Prior year under/over provision	(3)	4	(7)
Other	1	9	(2)
Total income tax expense (Credit) on pre-tax profit	270	236	226
Effective tax rate	33.3%	31.6%	29.8%
Income tax expense recognised in profit consists of:			
Current tax expense			
Current tax movement	300	258	265
Current year rebates and credits	(18)	(1)	(30)
Adjustments for prior financial years	(2)	4	(37)
Total current tax expense	280	261	198
Deferred tax expense			
Origination and reversal of temporary differences	(9)	(25)	(2)
Adjustments for prior financial years	(1)	-	30
Total deferred tax expense	(10)	(25)	28
Total income tax expense	270	236	226
Income tax expense (benefit) by business unit			
Insurance	158	128	102
Banking & Wealth	97	90	89
New Zealand	17	42	30
Other	(2)	(24)	5
Total income tax expense	**270**	**236**	**226**

The effective tax rate was higher at 33.3% (June 2016 - 31.6%), contributing factors included:

— Non-deductible capital loss relating to the sale of Autosure (NZ) (tax effect approx.1%).

— Reduction in franking credits (tax effect approx. 1%) for the six month period as a result of the transfer of policy holder assets from Suncorp Life to Suncorp Master Trust (not a group entity).

— The positive effect on effective tax rate arising from the lower statutory income tax rates applicable to the life Ordinary class, Complying Superannuation Fund and Segregated Exempt assets has reduced due to the non-risk business now being undertaken by the Suncorp Master Trust directly.

Prima facie income tax at 30% is also affected by the non-deductibility of life risk claim payments and premiums that are non-deductible/non-assessable for tax; non-deductible interest paid in respect of preference shares and credits from allowable concessions under the tax law.

General Insurance Reinsurance

Outwards reinsurance expense for the half year was $550 million, an increase of $74 million.

The upper limit on Suncorp's main catastrophe program, which covers the Group's home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires, has remained unchanged at $6.9 billion for the 2017 financial year.

For the 2017 financial year, Suncorp has purchased an additional Natural Hazards Aggregate Protection. This provides $300 million of cover once the retained portion of natural hazard events greater than $5 million exceeds a total of $460 million. At 31 December 2016, $232 million of the deductible had been eroded.

Suncorp has a significant share of the Queensland home insurance market and, to reduce its geographical concentration, the Group has a 30 per cent, multi-year, proportional quota share arrangement covering this portfolio in place until 30 June 2018.

The Group's net retention for the earthquake in Kaikoura, New Zealand is NZ$50 million. Suncorp New Zealand's net retention for the earthquake is NZ$20 million. The remaining NZ$30 million (A$28 million) has been incurred by the Australian general insurance business as a result of internal reinsurance arrangements that are in place for capital efficiency purposes.

Following the Kaikoura earthquake, the Group has bought additional backup protection (500 xs 500 layer) to ensure the balance sheet remains well protected for two further major natural hazard events in the 2017 financial year. The Group's maximum net retention for second and third New Zealand catastrophe events is NZ$25 million, while the maximum event retention for an Australian event is A$250 million.

Reinsurance security is maintained for the 2017 financial year program, with over 85% of business protected by reinsurers rated 'A+' or better.

Appendix 1 – Consolidated statement of comprehensive income and financial position

Consolidated statement of comprehensive income

This consolidated statement of comprehensive income presents revenue and expense categories that are reported for statutory purposes.

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,173	4,937	4,962	4.8	4.3
Reinsurance and other recoveries income	1,591	829	792	91.9	100.9
Interest income on					
- financial assets not at fair value through profit or loss	1,247	1,298	1,324	(3.9)	(5.8)
- financial assets at fair value through profit or loss	289	308	298	(6.2)	(3.0)
Dividend and trust distribution income	55	50	121	10.0	(54.5)
Fees and other income	283	268	300	5.6	(5.7)
Total revenue	8,638	7,690	7,797	12.3	10.8
Expenses					
Claims expense and movement in policyowner liabilities	(4,489)	(3,737)	(3,824)	20.1	17.4
Outwards reinsurance premium expense	(694)	(631)	(589)	10.0	17.8
Underwriting and policy maintenance expenses	(1,222)	(1,139)	(1,195)	7.3	2.3
Interest expense on					
- financial liabilities not at fair value through profit or loss	(707)	(737)	(756)	(4.1)	(6.5)
- financial liabilities at fair value through profit or loss	(35)	(46)	(48)	(23.9)	(27.1)
Net losses on financial assets and liabilities at fair value through profit or loss	(65)	(27)	(133)	140.7	(51.1)
Impairment loss on loans and advances	(1)	(5)	(11)	(80.0)	(90.9)
Amortisation and depreciation expense	(75)	(94)	(71)	(20.2)	5.6
Fees, overheads and other expenses	(445)	(510)	(403)	(12.7)	10.4
Outside beneficial interests in managed funds	(93)	(16)	(8)	481.3	large
Total expenses	(7,826)	(6,942)	(7,038)	12.7	11.2
Profit before income tax	812	748	759	8.6	7.0
Income tax expense	(270)	(236)	(226)	14.4	19.5
Profit for the period	**542**	**512**	**533**	**5.9**	**1.7**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	(36)	5	21	n/a	n/a
Net change in fair value of available-for-sale financial assets	7	1	(3)	large	n/a
Exchange differences on translation of foreign operations	7	19	56	(63.2)	(87.5)
Income tax benefit (expense)	10	(1)	(6)	n/a	n/a
	(12)	24	68	n/a	n/a
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains/(losses) on defined benefit plans	-	(10)	-	n/a	n/a
Income tax benefit	-	3	-	n/a	n/a
	-	(7)	-	n/a	n/a
Total other comprehensive income	(12)	17	68	n/a	n/a
Total comprehensive income for the period	**530**	**529**	**601**	**0.2**	**(11.8)**
Profit for the period attributable to:					
Owners of the Company	537	508	530	5.7	1.3
Non-controlling interests	5	4	3	25.0	66.7
Profit for the period	**542**	**512**	**533**	**5.9**	**1.7**
Total comprehensive income for the period attributable to:					
Owners of the Company	525	525	598	-	(12.2)
Non-controlling interests	5	4	3	25.0	66.7
Total comprehensive income for the period	**530**	**529**	**601**	**0.2**	**(11.8)**

Appendix 1 – Consolidated statement of comprehensive income and financial position (continued)

Consolidated statement of financial position

	General Insurance	Banking	Life	Corporate	Eliminations	Consolidation
	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16	Dec-16
	$M	$M	$M	$M	$M	$M
Assets						
Cash and cash equivalents	517	1,323	385	74	(429)	1,870
Receivables due from other banks	-	473	-	-	-	473
Trading securities	-	1,597	-	-	-	1,597
Derivatives	27	729	20	-	(80)	696
Investment securities	12,421	5,304	6,877	14,352	(14,970)	23,984
Loans and advances	-	54,047	-	-	-	54,047
Premiums outstanding	2,403	-	25	-	-	2,428
Reinsurance and other recoveries	2,460	-	170	-	-	2,630
Deferred reinsurance assets	644	-	-	-	-	644
Deferred acquisition costs	688	-	3	-	-	691
Gross policy liabilities ceded under reinsurance	-	-	408	-	-	408
Property, plant and equipment	53	-	2	145	-	200
Deferred tax assets	65	48	24	91	-	228
Goodwill and other intangible assets	4,977	262	218	379	-	5,836
Other assets	718	185	98	68	-	1,069
Due from related parties	185	332	32	1,199	(1,748)	-
Total assets	25,158	64,300	8,262	16,308	(17,227)	**96,801**
Liabilities						
Payables due to other banks	-	512	-	-	-	512
Deposits and short-term borrowings	-	46,477	-	-	(429)	46,048
Derivatives	194	377	17	-	(80)	508
Amounts due to reinsurers	343	-	17	-	-	360
Payables and other liabilities	631	366	146	420	(4)	1,559
Current tax liabilities	2	-	-	97	-	99
Unearned premium liabilities	4,921	-	4	-	-	4,925
Outstanding claims liabilities	9,957	-	277	-	-	10,234
Gross policy liabilities	-	-	2,843	-	-	2,843
Deferred tax liabilities	16	-	102	-	-	118
Managed funds units on issue	-	-	2,694	-	(1,093)	1,601
Securitisation liabilities	-	2,204	-	-	-	2,204
Debt issues	-	9,585	-	-	-	9,585
Subordinated notes	762	742	100	766	(770)	1,600
Preference shares	-	-	-	953	-	953
Due to related parties	325	61	24	563	(973)	-
Total liabilities	17,151	60,324	6,224	2,799	(3,349)	83,149
Net assets	8,007	3,976	2,038	13,509	(13,878)	**13,652**
Equity						
Share capital						12,722
Reserves						186
Retained profits						734
Total equity attributable to owners of the Company						13,642
Non-controlling interests						10
Total equity						**13,652**

Appendix 1 – Consolidated statement of comprehensive income and financial position (continued)

SGL statement of financial position

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Current assets					
Cash and cash equivalents	21	2	2	large	large
Financial assets designated at fair value through profit and loss	484	520	510	(6.9)	(5.1)
Due from related parties	150	140	84	7.1	78.6
Other assets	3	3	5	-	(40.0)
Total current assets	**658**	**665**	**601**	**(1.1)**	**9.5**
Non-current assets					
Investment in subsidiaries	13,921	13,909	13,905	0.1	0.1
Due from related parties	770	770	770	-	-
Deferred tax assets	6	6	6	-	-
Other assets	83	79	83	5.1	-
Total non-current assets	**14,780**	**14,764**	**14,764**	**0.1**	**0.1**
Total assets	**15,438**	**15,429**	**15,365**	**0.1**	**0.5**
Current liabilities					
Payables and other liabilities	9	7	9	28.6	-
Current tax liabilities	97	62	13	56.5	large
Due to related parties	22	31	20	(29.0)	10.0
Total current liabilities	**128**	**100**	**42**	**28.0**	**204.8**
Non-current liabilities					
Subordinated notes	766	765	763	0.1	0.4
Preference shares	953	951	949	0.2	0.4
Total non-current liabilities	**1,719**	**1,716**	**1,712**	**0.2**	**0.4**
Total liabilities	**1,847**	**1,816**	**1,754**	**1.7**	**5.3**
Net assets	**13,591**	**13,613**	**13,611**	**(0.2)**	**(0.1)**
Equity					
Share capital	12,825	12,776	12,775	0.4	0.4
Reserves	-	-	-	n/a	n/a
Retained profits	766	837	836	(8.5)	(8.4)
Total equity	**13,591**	**13,613**	**13,611**	**(0.2)**	**(0.1)**

SGL profit contribution

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Revenue					
Dividend and interest income from subsidiaries	456	425	594	7.3	(23.2)
Interest and trust distribution income on financial assets at fair value through profit or loss	6	11	7	(45.5)	(14.3)
Other income	2	2	2	-	-
Total revenue	464	438	603	5.9	(23.1)
Expenses					
Interest expense on financial liabilities at amortised cost	(42)	(45)	(44)	(6.7)	(4.5)
Operating expenses	(2)	(3)	(2)	(33.3)	-
Total expenses	(44)	(48)	(46)	(8.3)	(4.3)
Profit before income tax	420	390	557	7.7	(24.6)
Income tax expense	(2)	(2)	(2)	-	-
Profit for the period	**418**	**388**	**555**	**7.7**	**(24.7)**

Appendix 2 – Ratio calculations

Ratios and statistics

		Half Year Ended			Dec-16	Dec-16
		Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
					%	%
Performance ratios						
Earnings per share [1]						
Basic	(cents)	41.93	39.73	41.45	5.5	1.2
Diluted	(cents)	41.13	39.02	40.56	5.4	1.4
Cash earnings per share [1]						
Basic	(cents)	45.60	41.69	43.49	9.4	4.9
Diluted	(cents)	44.61	40.86	42.47	9.2	5.0
Return on average shareholders' equity [1]	(%)	7.8	7.7	7.9		
Cash return on average shareholders' equity [1]	(%)	8.5	8.1	8.3		
Return on average total assets	(%)	1.11	1.07	1.11		
Insurance trading ratio	(%)	12.5	10.3	9.4		
Underlying insurance trading ratio	(%)	11.0	11.0	10.1		
Bank net interest margin (interest-earning assets)	(%)	1.78	1.86	1.85		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	33.0	38.0	30.0	(13.2)	10.0
Special dividends per ordinary share	(cents)	-	-	-	-	-
Payout ratio (excluding special dividend) [1]						
Net profit after tax	(%)	78.8	95.7	72.4		
Cash earnings	(%)	72.5	91.2	69.0		
Payout ratio (including special dividend) [1]						
Net profit after tax	(%)	78.8	95.7	72.4		
Cash earnings	(%)	72.5	91.2	69.0		
Weighted average number of shares						
Basic	(million)	1,280.7	1,278.6	1,278.5	0.2	0.2
Diluted	(million)	1,354.1	1,358.2	1,358.5	(0.3)	(0.3)
Number of shares at end of period	(million)	1,282.2	1,278.7	1,278.3	0.3	0.3
Net tangible asset backing per share	($)	6.10	6.02	5.95	1.3	2.5
Share price at end of period	($)	13.52	12.18	12.14	11.0	11.4
Productivity						
Australian General Insurance expense ratio	(%)	20.3	20.1	20.8		
Bank cost to income ratio	(%)	51.4	52.0	53.0		
New Zealand General Insurance expense ratio	(%)	33.4	31.9	32.8		
Financial position						
Total assets	($ million)	96,801	95,748	94,445	1.1	2.5
Net tangible assets	($ million)	7,816	7,692	7,601	1.6	2.8
Net assets	($ million)	13,652	13,570	13,446	0.6	1.5
Average Shareholders' Equity	($ million)	13,625	13,303	13,261	2.4	2.7
Capital						
General Insurance Group PCA coverage	(times)	1.78	1.67	1.73		
Bank capital adequacy ratio - Total	(%)	13.48	13.53	13.97		
Bank Common Equity Tier 1 ratio	(%)	9.20	9.21	9.45		
Suncorp Life total capital	($ million)	625	567	541	10.2	15.5
Additional capital held by Suncorp Group Limited	($ million)	121	148	243	(18.2)	(50.2)

(1) Refer to Appendix 10 for definitions.

Appendix 2 – Ratio calculations (continued)

Earnings per share

Numerator	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	$M	$M	$M
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	537	508	530
Interest expense on convertible preference shares (net of tax)	20	22	21
Profit attributable to ordinary equity holders of the company (diluted)	557	530	551

Denominator	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	No. of Shares	No. of Shares	No. of Shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,280,693,895	1,278,551,701	1,278,526,717
Effect of conversion of convertible preference shares	73,384,999	79,666,795	79,932,669
Weighted average number of ordinary shares (diluted)	1,354,078,894	1,358,218,496	1,358,459,386

Cash earnings per share

Numerator	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	$M	$M	$M
Earnings:			
Cash Profit attributable to ordinary equity holders of the company (basic)	584	533	556
Interest expense on convertible preference shares (net of tax)	20	22	21
Cash Profit attributable to ordinary equity holders of the company (diluted)	604	555	577

Denominator	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	No. of Shares	No. of Shares	No. of Shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,280,693,895	1,278,551,701	1,278,526,717
Effect of conversion of convertible preference shares	73,384,999	79,666,795	79,932,669
Weighted average number of ordinary shares (diluted)	1,354,078,894	1,358,218,496	1,358,459,386

Appendix 2 – Ratio calculations (continued)

ASX listed securities

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,290,197,330	1,286,600,980	1,286,600,980
Dividend declared for the period (cents per share)	33	38	30
Convertible preference shares (SUNPC) each fully paid			
Number at the end of the period	5,600,000	5,600,000	5,600,000
Dividend declared for the period ($ per share) (1)	2.20	2.42	2.41
Convertible preference shares (SUNPE) each fully paid			
Number at the end of the period	4,000,000	4,000,000	4,000,000
Dividend declared for the period ($ per share) (1)	1.77	1.98	1.98
Subordinated Notes (SUNPD)			
Number at the end of the period	7,700,000	7,700,000	7,700,000
Interest per note	2.31	2.48	2.51
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	715,383	715,383	715,383
Interest per note	1.27	1.44	1.48

(1) Classified as interest expense.

Appendix 3 – Reported Underlying ITR

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	$M	$M	$M
Reported ITR	**512**	**405**	**377**
Reported reserve releases (above) below long-run expectations	(70)	(151)	(77)
Natural hazards above (below) long-run allowances	40	32	28
Investment income mismatch	(53)	148	59
Other:			
Risk margin	(12)	(43)	(7)
Abnormal (Simplification/restructuring) expenses	34	43	24
Underlying ITR	**451**	**434**	**404**
Underlying ITR ratio	**11.0%**	**11.0%**	**10.1%**

Appendix 4 – General Insurance ITR split

Consumer Insurance (Australia)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium	2,428	2,404	2,383	1.0	1.9
Net earned premium	2,146	2,098	2,144	2.3	0.1
Net incurred claims	(1,560)	(1,609)	(1,610)	(3.0)	(3.1)
Acquisition expenses	(251)	(244)	(243)	2.9	3.3
Other underwriting expenses	(152)	(125)	(153)	21.6	(0.7)
Total operating expenses	(403)	(369)	(396)	9.2	1.8
Underwriting result	183	120	138	52.5	32.6
Investment income - insurance funds	51	(12)	11	n/a	363.6
Insurance trading result	234	108	149	116.7	57.0
	%	%	%		
Ratios					
Acquisition expenses ratio	11.7	11.6	11.3		
Other underwriting expenses ratio	7.1	6.0	7.1		
Total operating expenses ratio	18.8	17.6	18.4		
Loss ratio	72.7	76.7	75.1		
Combined operating ratio	91.5	94.3	93.5		
Insurance trading ratio	10.9	5.1	6.9		

Commercial Insurance (Australia), CTP, Workers Compensation and Internal Reinsurance

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium	1,603	1,603	1,413	-	13.4
Net earned premium	1,406	1,315	1,336	6.9	5.2
Net incurred claims	(814)	(944)	(936)	(13.8)	(13.0)
Acquisition expenses	(211)	(208)	(211)	1.4	-
Other underwriting expenses	(108)	(110)	(117)	(1.8)	(7.7)
Total operating expenses	(319)	(318)	(328)	0.3	(2.7)
Underwriting result	273	53	72	415.1	279.2
Investment income - insurance funds	(16)	155	82	n/a	n/a
Insurance trading result	257	208	154	23.6	66.9
	%	%	%		
Ratios					
Acquisition expenses ratio	15.0	15.8	15.8		
Other underwriting expenses ratio	7.7	8.4	8.8		
Total operating expenses ratio	22.7	24.2	24.6		
Loss ratio	57.9	71.8	70.1		
Combined operating ratio	80.6	96.0	94.7		
Insurance trading ratio	18.3	15.8	11.5		

Appendix 4 – General Insurance ITR split (continued)

New Zealand (A$)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Gross written premium	679	607	621	11.9	9.3
Net earned premium	557	533	512	4.5	8.8
Net incurred claims	(354)	(286)	(276)	23.8	28.3
Acquisition expenses	(132)	(120)	(120)	10.0	10.0
Other underwriting expenses	(54)	(50)	(48)	8.0	12.5
Total operating expenses	(186)	(170)	(168)	9.4	10.7
Underwriting result	17	77	68	(77.9)	(75.0)
Investment income - insurance funds	4	12	6	(66.7)	(33.3)
Insurance trading result	21	89	74	(76.4)	(71.6)
	%	%	%		
Ratios					
Acquisition expenses ratio	23.7	22.5	23.4		
Other underwriting expenses ratio	9.7	9.4	9.4		
Total operating expenses ratio	33.4	31.9	32.8		
Loss ratio	63.6	53.7	53.9		
Combined operating ratio	97.0	85.6	86.7		
Insurance trading ratio	3.8	16.7	14.5		

General Insurance short-tail (includes New Zealand)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Short-tail					
Gross written premium	3,585	3,494	3,472	2.6	3.3
Net earned premium	3,063	2,996	3,010	2.2	1.8
Net incurred claims	(2,147)	(2,163)	(2,197)	(0.7)	(2.3)
Acquisition expenses	(472)	(459)	(448)	2.8	5.4
Other underwriting expenses	(259)	(228)	(255)	13.6	1.6
Total operating expenses	(731)	(687)	(703)	6.4	4.0
Underwriting result	185	146	110	26.7	68.2
Investment income - insurance funds	56	8	20	large	180.0
Insurance trading result	241	154	130	56.5	85.4
	%	%	%		
Ratios					
Acquisition expenses ratio	15.4	15.3	14.9		
Other underwriting expenses ratio	8.5	7.6	8.5		
Total operating expenses ratio	23.9	22.9	23.4		
Loss ratio	70.1	72.2	73.0		
Combined operating ratio	94.0	95.1	96.4		
Insurance trading ratio	7.9	5.1	4.3		

Appendix 4 – General Insurance ITR split (continued)

General Insurance long-tail (includes New Zealand)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Long-tail					
Gross written premium	1,125	1,120	945	0.4	19.0
Net earned premium	1,046	950	982	10.1	6.5
Net incurred claims	(581)	(676)	(625)	(14.1)	(7.0)
Acquisition expenses	(122)	(113)	(126)	8.0	(3.2)
Other underwriting expenses	(55)	(57)	(63)	(3.5)	(12.7)
Total operating expenses	(177)	(170)	(189)	4.1	(6.3)
Underwriting result	288	104	168	176.9	71.4
Investment income - insurance funds	(17)	147	79	n/a	n/a
Insurance trading result	271	251	247	8.0	9.7

	%	%	%
Ratios			
Acquisition expenses ratio	11.6	11.9	12.8
Other underwriting expenses ratio	5.3	6.0	6.4
Total operating expenses ratio	16.9	17.9	19.2
Loss ratio	55.5	71.2	63.7
Combined operating ratio	72.4	89.1	82.9
Insurance trading ratio	25.9	26.4	25.2

Appendix 5 – Group Capital

Group capital position

	As at 31 December 2016					
	General Insurance	Banking	Life	SGL, Corp Services & Consol	Total	As at 30 June 2016 Total
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 Capital						
Ordinary share capital	-	-	-	12,763	12,763	12,717
Subsidiary share capital (eliminated upon consolidation)	7,375	3,870	1,970	(13,215)	-	-
Reserves	31	(990)	322	802	165	163
Retained profits and non-controlling interests	78	561	(254)	357	742	693
Insurance liabilities in excess of liability valuation	415	-	-	-	415	495
Goodwill and other intangible assets	(4,942)	(484)	(218)	(390)	(6,034)	(6,070)
Net deferred tax liabilities/(assets) (1)	(103)	(53)	102	(91)	(145)	(126)
Policy liability adjustment (2)	-	-	(1,396)	-	(1,396)	(1,422)
Other Tier 1 deductions	(6)	9	(1)	(105)	(103)	(112)
Common Equity Tier 1 Capital	**2,848**	**2,913**	**525**	**121**	**6,407**	**6,338**
Additional Tier 1 Capital						
Eligible hybrid capital	510	450	-	-	960	960
Additional Tier 1 Capital	**510**	**450**	**-**	**-**	**960**	**960**
Tier 1 Capital	**3,358**	**3,363**	**525**	**121**	**7,367**	**7,298**
Tier 2 Capital						
General reserve for credit losses	-	165	-	-	165	167
Eligible Subordinated notes	555	670	100	-	1,325	995
Transitional Subordinated notes	220	72	-	-	292	400
Tier 2 Capital	**775**	**907**	**100**	**-**	**1,782**	**1,562**
Total Capital	**4,133**	**4,270**	**625**	**121**	**9,149**	**8,860**
Represented by:						
Capital in Australian regulated entities	3,649	4,254	452	-	8,355	8,027
Capital in New Zealand regulated entities	412	-	108	-	520	533
Capital in unregulated entities (3)	72	16	65	121	274	300

(1) Deferred tax assets in excess of deferred tax liabilities are deducted in arriving at CET1. Under the Reserve Bank of New Zealand's regulations, a net deferred tax liability is added back in determining Common Equity Tier 1 Capital.

(2) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policy owner retained profits. This mainly represents the implicit Deferred Acquisition Costs for the Life risk business. The policy liability adjustment for the New Zealand business is shown gross of Deferred Tax Liabilities.

(3) Capital in unregulated entities includes capital in authorised NOHCs such as SGL, consolidated adjustments within a business unit and other diversification adjustments.

Appendix 5 – Group Capital (continued)

General Insurance capital

	GI Group [1] Dec-16 $M	GI Group [1] Jun-16 $M
Common Equity Tier 1 Capital		
Ordinary share capital	7,375	7,375
Reserves	31	26
Retained profits and non-controlling interests	78	(9)
Insurance liabilities in excess of liability valuation	415	495
Goodwill and other intangible assets	(4,942)	(4,995)
Net deferred tax assets	(103)	(60)
Other Tier 1 deductions	(6)	(5)
Common Equity Tier 1 Capital	**2,848**	**2,827**
Preference shares	510	510
Additional Tier 1 Capital	**510**	**510**
Tier 1 Capital	**3,358**	**3,337**
Tier 2 Capital		
Eligible subordinated notes	555	225
Transitional subordinated notes	220	328
Tier 2 Capital	**775**	**553**
Total Capital	**4,133**	**3,890**
Prescribed Capital Amount		
Outstanding claims risk charge	893	917
Premium liabilities risk charge	568	556
Total insurance risk charge	1,461	1,473
Insurance concentration risk charge	250	250
Asset risk charge	801	782
Operational risk charge	295	298
Aggregation benefit	(483)	(475)
Total Prescribed Capital Amount (PCA)	**2,324**	**2,328**
Common Equity Tier 1 Ratio	**1.23**	**1.21**
Total Capital Ratio	**1.78**	**1.67**

(1) GI Group – Suncorp Insurance Holdings Ltd and its subsidiaries (includes New Zealand subsidiaries).

Appendix 5 – Group Capital (continued)

Bank capital

	Regulatory Banking Group	Other Entities	Statutory Banking Group	Statutory Banking Group
	Dec-16	Dec-16	Dec-16	Jun-16
	$M	$M	$M	$M
Common Equity Tier 1 Capital				
Ordinary share capital	2,648	1,222	3,870	3,870
Reserves	(3)	(987)	(990)	(982)
Retained profits	540	21	561	543
Goodwill and other intangible assets	(244)	(240)	(484)	(480)
Net deferred tax assets	(53)	-	(53)	(50)
Other Tier 1 deductions	9	-	9	(5)
Common Equity Tier 1 Capital	**2,897**	**16**	**2,913**	**2,896**
Additional Tier 1 Capital				
Eligible hybrid capital	450	-	450	450
Additional Tier 1 Capital	**450**	**-**	**450**	**450**
Tier 1 Capital	**3,347**	**16**	**3,363**	**3,346**
Tier 2 Capital				
General reserve for credit losses	165	-	165	167
Eligible Subordinated notes	670	-	670	670
Transitional Subordinated notes	72	-	72	72
Tier 2 Capital	**907**	**-**	**907**	**909**
Total Capital	**4,254**	**16**	**4,270**	**4,255**
Risk Weighted Assets				
Credit risk	28,186	-	28,186	28,000
Market risk	98	-	98	108
Operational risk	3,391	-	3,391	3,351
Total Risk Weighted Assets	**31,675**	**-**	**31,675**	**31,459**
Common Equity Tier 1 Ratio	**9.15%**		**9.20%**	**9.21%**
Total Capital Ratio	**13.43%**		**13.48%**	**13.53%**

Appendix 5 – Group Capital (continued)

Life capital

	Life Co Australia Dec-16 $M	Life Co New Zealand (1) Dec-16 $M	Other Entities (2) Dec-16 $M	Total Life Group Dec-16 $M	Total Life Group Jun-16 $M
Common Equity Tier 1 Capital					
Ordinary share capital	730	204	1,036	1,970	1,970
Reserves	-	40	282	322	320
Retained profits and non-controlling interests	614	148	(1,016)	(254)	(271)
Goodwill and other intangible assets	-	-	(218)	(218)	(223)
Net deferred tax liabilities (3)	-	103	(1)	102	94
Policy liability adjustment (4)	(1,010)	(386)	-	(1,396)	(1,422)
Other Tier 1 deductions	-	(1)	-	(1)	(1)
Common Equity Tier 1 Capital	**334**	**108**	**83**	**525**	**467**
Additional Tier 1 Capital	-	-	-	-	-
Tier 1 Capital	**334**	**108**	**83**	**525**	**467**
Tier 2 Capital					
Eligible Subordinated notes	100	-	-	100	100
Tier 2 Capital	100	-	-	100	100
Total Capital	**434**	**108**	**83**	**625**	**567**
Prescribed Capital Amount					
Insurance risk charge	12	37	-	49	59
Asset risk charge	80	32	-	112	119
Asset concentration risk charge	-	-	-	-	-
Operational risk charge	37	-	-	37	37
Aggregation benefit	(9)	-	-	(9)	(15)
Combined stress scenario adjustment	51	-	-	51	41
Other regulatory requirements	-	-	19	19	19
Total Prescribed Capital Amount (PCA) (5)	**171**	**69**	**19**	**259**	**260**
Common Equity Tier 1 Ratio	**1.95**	**1.57**	**4.37**	**2.03**	**1.80**
Total Capital Ratio	**2.54**	**1.57**	**4.37**	**2.42**	**2.18**

(1) Asteron Life Limited New Zealand regulatory capital is as prescribed in the Life Solvency Standard, issued by the Reserve Bank of New Zealand, set out in a consistent format with the LAGIC presentation for the Australian Life company.

(2) Other entities represent all other corporate, regulated and non-regulated entities in the Suncorp Life Group.

(3) Includes Deferred Tax Liabilities relating to the policy liability adjustment for the New Zealand business.

(4) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policy owner retained profits. This mainly represents the implicit Deferred Acquisition Costs (DAC) for the life risk business. The policy liability adjustment for the New Zealand business is shown gross of Deferred Tax Liabilities.

(5) PCA in other entities is reflective of Australian Financial Services License requirements being the greater of Net Tangible Assets (NTA), Surplus Liquid Fund (SLF), Cash Needs Requirement (CNR) and Operational Risk Financial Requirement (ORFR).

Appendix 5 – Group Capital (continued)

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	31 December 2016 GI $M	Bank $M	Life $M	SGL $M	Total Balance $M	Regulatory Capital $M
AAIL Subordinated Debt (1)	320 bps	Oct 2022	Oct 2016	326	-	-	-	326	330
AAIL Subordinated Debt (1)	330 bps	Nov 2020	Nov 2015	222	-	-	-	222	225
AAIL Subordinated Debt (2)	-	Jun 2017	Jun 2007	214	-	-	-	214	220
SGL Subordinated Debt (1) (3)	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total Subordinated Debt				**762**	**742**	**100**	**-**	**1,604**	**1,617**
SGL CPS2 (1) (3)	465 bps	Dec 2017	Nov 2012	110	450	-	-	560	560
SGL CPS3 (1) (3)	340 bps	Jun 2020	May 2014	400	-	-	-	400	400
Total Additional Tier 1 Capital				**510**	**450**	**-**	**-**	**960**	**960**
Total				**1,272**	**1,192**	**100**	**-**	**2,564**	**2,577**

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 June 2016 GI $M	Bank $M	Life $M	SGL $M	Total Balance $M	Regulatory Capital $M
AAIL Subordinated Debt (1)	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	225
AAIL Subordinated Debt	6.75%	Oct 2016	Oct 2006	101	-	-	-	101	108
AAIL Subordinated Debt (2)	-	Jun 2017	Jun 2007	229	-	-	-	229	220
SGL Subordinated Debt (1) (3)	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total Subordinated Debt				**555**	**742**	**100**	**-**	**1,397**	**1,395**
SGL CPS2 (1) (3)	465 bps	Dec 2017	Nov 2012	110	450	-	-	560	560
SGL CPS3 (1) (3)	340 bps	Jun 2020	May 2014	400	-	-	-	400	400
Total Additional Tier 1 Capital				**510**	**450**	**-**	**-**	**960**	**960**
Total				**1,065**	**1,192**	**100**	**-**	**2,357**	**2,355**

(1) Unamortised transaction costs related to external issuance are deducted from the "Total Balance" outlined above when recorded in the issuing entities balance sheet.

(2) Current GBP amount issued is £121m with a 6.25% coupon rate. Foreign currency borrowings are hedged back into Australian dollars.

(3) These instruments were issued by SGL and deployed to regulated entities within the Group. The amounts held by SGL which have been deployed are eliminated on consolidation for accounting and regulatory purposes.

Appendix 6 – Operating expenses

	Half Year Ended		
	Dec-16	Jun-16	Dec-15
	$M	$M	$M
Insurance (Australia) operating expenses			
Acquisition expenses	462	452	454
Other underwriting expenses	260	235	270
Life Risk operating expenses	82	83	82
Insurance (Australia) operating expenses	**804**	**770**	**806**
New Zealand operating expenses			
Acquisition expenses	132	120	120
Other underwriting expenses	54	50	48
Life operating expenses	17	16	18
New Zealand operating expenses	**203**	**186**	**186**
Banking & Wealth operating expenses			
Bank operating expenses	307	313	326
Wealth operating expenses	46	40	42
Bank & Wealth operating expenses	**353**	**353**	**368**
Group total operating expenses	**1,360**	**1,309**	**1,360**

Appendix 7 – Life Embedded Value

The EV is the sum of the net present value of all future cash flows distributable to shareholders that are expected to arise from in-force business, the value of franking credits at 70% of face value and the net assets in excess of target capital requirements (adjusted net worth). The EV differs from what is known as an Appraisal Value, as it does not consider the value of future new business that Suncorp Life is expected to write.

There has been a change to the capital assumptions, resulting in a slower run-off pattern and therefore a reduced EV. This negative impact has been offset by the favourable impact of lower interest rates.

The components of value are shown in the table below:

Embedded Value and Value of One Year's Sales

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Adjusted net worth	**132**	**78**	**85**	**69.2**	**55.3**
Value of distributable profits	1,670	1,689	1,623	(1.1)	2.9
Value of imputation credits	234	247	228	(5.3)	2.6
Value of in-force	**1,904**	**1,936**	**1,851**	**(1.7)**	**2.9**
Traditional Embedded Value	**2,036**	**2,014**	**1,936**	**1.1**	**5.2**
Value of One Year's Sales (VOYS)	**22**	**25**	**23**	**(12.0)**	**(4.3)**

Change in Embedded Value

	Jun-16 to Dec-16
	$M
Opening Embedded Value	**2,019**
Expected return	60
Experience and future assumption changes	
Discount rate and FX	(71)
Other (1)	19
Closing Embedded Value prior to	**2,027**
Dividends / transfers (2)	16
Release of franking credits	(7)
Closing Embedded Value	**2,036**

(1) Other include assumption changes and new business.

(2) Dividends/transfers include all dividends recommended or paid up to the parent company over the period.

Appendix 7 – Life Embedded Value (continued)

	As at	
	Dec-16	Jun-16
	$M	$M
Base Embedded Value	**2,036**	**2,014**
Embedded Value assuming		
Discount rate and returns 1% higher	1,997	1,955
Discount rate and returns 1% lower	2,082	2,081
Discontinuance rates 10% lower	2,228	2,224
Renewal expenses 10% lower	2,084	2,066
Claims 10% lower (1)	2,231	2,177
Base value of one year's new business	**22**	**25**
Value of one year's new business assuming		
Discount rate and returns 1% higher	15	19
Discount rate and returns 1% lower	29	32
Discontinuance rates 10% lower	35	35
Acquisition expenses 10% lower	30	32
Claims 10% lower (1)	36	39

Appendix 7 – Life Embedded Value (continued)

Assumptions

The assumptions used for valuing in-force business and the VOYS are based on long-term best estimate assumptions.

Lapses and claims (death and disability) assumptions are best estimate assumptions based on company experience and are consistent with those used for profit reporting.

VOYS calculations are based on forecast new business volumes and acquisition costs.

Life Risk assumptions (Australia)

	Dec-16 % per annum	Jun-16 % per annum
Investment return for underlying asset classes (gross of tax)		
Risk-free rate (at 10 years)	2.8	2.0
Cash	2.8	2.0
Fixed interest	3.3	2.5
Australian equities (inc. allowance for franking credits)	6.8	6.0
International equities	6.8	6.0
Property	5.3	4.5
Investment returns (net of tax)	**2.7**	**2.3**
Inflation		
Expense Inflation	2.5	2.5
Risk discount rate	**6.8**	**6.0**

Life Risk assumptions (New Zealand)

	Dec-16 % per annum	Jun-16 % per annum
Investment return for underlying asset classes (gross of tax)		
Risk-free rate (at 10 years)	4.6	3.2
Cash	3.5	2.7
Fixed interest	3.5	2.7
Australian equities (inc. allowance for franking credits)	7.9	6.9
International equities	6.9	5.9
Property	5.9	4.9
Investment returns (net of tax)	**2.5**	**2.0**
Inflation		
Expense Inflation	2.3	2.3
Risk discount rate	**7.4**	**6.3**

Appendix 8 – Statement of assets and liabilities

General Insurance

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	517	444	285	16.4	81.4
Derivatives	27	28	37	(3.6)	(27.0)
Investment securities	12,421	12,536	12,086	(0.9)	2.8
Premiums outstanding	2,403	2,498	2,338	(3.8)	2.8
Reinsurance and other recoveries	2,460	1,714	2,035	43.5	20.9
Deferred reinsurance assets	644	858	582	(24.9)	10.7
Deferred acquisition costs	688	673	652	2.2	5.5
Due from related parties	185	180	165	2.8	12.1
Property, plant and equipment	53	46	38	15.2	39.5
Deferred tax assets	65	17	-	282.4	n/a
Goodwill and intangible assets	4,977	5,036	5,061	(1.2)	(1.7)
Other assets	718	708	516	1.4	39.1
Total assets	25,158	24,738	23,795	1.7	5.7
Liabilities					
Derivatives	194	177	139	9.6	39.6
Amounts due to reinsurers	343	726	311	(52.8)	10.3
Payables and other liabilities	631	763	517	(17.3)	22.1
Current tax liabilities	2	5	-	(60.0)	n/a
Unearned premium liabilities	4,921	4,864	4,681	1.2	5.1
Outstanding claims liabilities	9,957	9,425	9,479	5.6	5.0
Due to related parties	325	299	182	8.7	78.6
Deferred tax liabilities	16	14	34	14.3	(52.9)
Subordinated notes	762	552	588	38.0	29.6
Total liabilities	17,151	16,825	15,931	1.9	7.7
Net assets	**8,007**	**7,913**	**7,864**	**1.2**	**1.8**

Reconciliation of Net assets to Common Equity Tier 1 Capital

Net assets	**8,007**	**7,913**	**7,864**
Insurance liabilities in excess of liability valuation	415	495	505
Reserves excluded from regulatory capital	(13)	(11)	(11)
Additional Tier 1 capital	(510)	(510)	(510)
Goodwill allocated to GI Business	(4,412)	(4,465)	(4,461)
Other Intangibles (including software assets)	(634)	(590)	(586)
Other Tier 1 Deductions	(5)	(5)	(4)
Common Equity Tier 1 Capital	**2,848**	**2,827**	**2,797**

Appendix 8 – Statement of assets and liabilities (continued)

Life Insurance and Wealth

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Total assets					
Assets					
Invested assets	2,138	2,206	4,957	(3.1)	(56.9)
Assets backing annuity policies	125	140	130	(10.7)	(3.8)
Assets backing participating policies	2,314	2,314	2,247	-	3.0
Deferred tax assets	24	33	53	(27.3)	(54.7)
Reinsurance ceded	408	461	419	(11.5)	(2.6)
Other assets	315	345	271	(8.7)	16.2
Goodwill and intangible assets	218	223	223	(2.2)	(2.2)
	5,542	**5,722**	**8,300**	**(3.1)**	**(33.2)**
Liabilities					
Payables	182	287	257	(36.6)	(29.2)
Subordinated debt	100	100	100	-	-
Outstanding claims liabilities	277	309	234	(10.4)	18.4
Deferred tax liabilities	102	95	91	7.4	12.1
Policy liabilities	2,559	2,651	5,381	(3.5)	(52.4)
Unvested policyholder benefits (1)	284	261	318	8.8	(10.7)
	3,504	**3,703**	**6,381**	**(5.4)**	**(45.1)**
Total net assets	**2,038**	**2,019**	**1,919**	**0.9**	**6.2**
Policyholder assets					
Invested assets	747	715	3,512	4.5	(78.7)
Assets backing annuity policies	125	140	130	(10.7)	(3.8)
Assets backing participating policies	2,314	2,314	2,247	-	3.0
Other assets	33	43	65	(23.3)	(49.2)
	3,219	**3,212**	**5,954**	**0.2**	**(45.9)**
Liabilities					
Payables	-	-	-	n/a	n/a
Deferred Tax Liabilities	-	-	-	n/a	n/a
Policy liabilities	2,935	2,951	5,636	(0.5)	(47.9)
Unvested policyholder benefits (1)	284	261	318	8.8	(10.7)
	3,219	**3,212**	**5,954**	**0.2**	**(45.9)**
Policyholder net assets	**-**	**-**	**-**	**n/a**	**n/a**
Shareholder assets					
Assets					
Invested assets	1,391	1,491	1,445	(6.7)	(3.7)
Deferred tax assets	24	33	53	(27.3)	(54.7)
Reinsurance ceded	408	461	419	(11.5)	(2.6)
Other assets	282	302	206	(6.6)	36.9
Goodwill and intangible assets	218	223	223	(2.2)	(2.2)
	2,323	**2,510**	**2,346**	**(7.5)**	**(1.0)**
Liabilities					
Payables	182	287	257	(36.6)	(29.2)
Subordinated debt	100	100	100	-	-
Outstanding claims liabilities	277	309	234	(10.4)	18.4
Deferred tax liabilities	102	95	91	7.4	12.1
Policy liabilities	(376)	(300)	(255)	25.3	47.5
	285	**491**	**427**	**(42.0)**	**(33.3)**
Shareholder net assets	**2,038**	**2,019**	**1,919**	**0.9**	**6.2**
Reconciliation of net equity to Common Equity Tier 1 Capital					
Net equity - Life line of business	2,038	2,019	1,919		
Goodwill & intangibles	(218)	(223)	(223)		
Policy liability adjustment and Deferred tax	(1,294)	(1,328)	(1,254)		
Other Tier 1 Deductions	(1)	(1)	(1)		
Common Equity Tier 1 Capital	**525**	**467**	**441**		

(1) Includes participating business policyholder retained profits.

Appendix 8 – Statement of assets and liabilities (continued)

Bank

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,323	1,028	765	28.7	72.9
Receivables due from other banks	473	552	464	(14.3)	1.9
Trading securities	1,597	1,497	1,119	6.7	42.7
Derivatives	729	675	663	8.0	10.0
Investment securities	5,304	5,225	5,520	1.5	(3.9)
Loans and advances	54,047	54,134	52,673	(0.2)	2.6
Due from related parties	332	295	268	12.5	23.9
Deferred tax assets	48	44	47	9.1	2.1
Other assets	185	145	190	27.6	(2.6)
Goodwill and intangible assets	262	262	262	-	-
Total assets	64,300	63,857	61,971	0.7	3.8
Liabilities					
Deposits and short-term borrowings	46,477	45,421	44,022	2.3	5.6
Derivatives	377	498	358	(24.3)	5.3
Payables due to other banks	512	332	401	54.2	27.7
Payables and other liabilities	366	346	323	5.8	13.3
Due to related parties	61	135	99	(54.8)	(38.4)
Securitisation liabilities	2,204	2,544	3,154	(13.4)	(30.1)
Debt issues	9,585	9,860	8,891	(2.8)	7.8
Subordinated notes	742	742	742	-	-
Total liabilities	60,324	59,878	57,990	0.7	4.0
Net assets	**3,976**	**3,979**	**3,981**	**(0.1)**	**(0.1)**

Reconciliation of net equity to Common Equity Tier 1 Capital			
Net equity - Banking line of business	3,976	3,979	3,981
Additional Tier 1 capital	(450)	(450)	(450)
Goodwill allocated to Banking Business	(240)	(240)	(240)
Regulatory capital equity adjustments	(17)	(29)	(23)
Regulatory capital deductions	(287)	(295)	(299)
Other reserves excluded from Common Equity Tier 1 ratio	(85)	(85)	(96)
Common Equity Tier 1 Capital	**2,897**	**2,880**	**2,873**

Appendix 9 – Life and Wealth invested shareholder assets

Australia Life and Wealth invested shareholder assets (AU$)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Cash	324	500	407	(35.2)	(20.4)
Fixed interest securities	827	713	798	16.0	3.6
Equities	29	31	18	(6.5)	61.1
Property	3	10	9	(70.0)	(66.7)
Total	**1,183**	**1,254**	**1,232**	**(5.7)**	**(4.0)**

New Zealand Life and Wealth invested shareholder assets (NZ$)

	Half Year Ended			Dec-16	Dec-16
	Dec-16	Jun-16	Dec-15	vs Jun-16	vs Dec-15
	$M	$M	$M	%	%
Cash	9	27	26	(66.7)	(65.4)
Fixed interest securities	207	221	201	(6.3)	3.0
Total	**216**	**248**	**227**	**(12.9)**	**(4.8)**

Appendix 10 – Definitions

Acquisition expense ratio	Acquisition expenses expressed as a percentage of net earned premium
ADI	Authorised Deposit-taking Institution
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from Suncorp Life's Underlying Profit and recorded as annuity market adjustments
APRA	Australian Prudential Regulation Authority
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, the profit or loss on divestments and their tax effect
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Connected Customer	Connected customers represent customers with two or more needs met across the following need categories: Home / Property; Self; Mobility and Money
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL)	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges
Funds under administration (FUA)	Funds where the Superannuation Australia business receives a fee for the administration of an asset portfolio

Appendix 10 – Definitions (continued)

General Insurance – Commercial	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, and public liability and professional indemnity insurance
General Insurance – Consumer	Consumer Insurance products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance policyholders' interests	Amounts due to an entity or person who owns a life insurance policy. This need not be the insured. This is distinct from shareholders' interests
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net profit after tax	Net profit after tax attributable to owners of the Company derived in accordance with Australian Accounting Standards
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Profit after tax from business lines	The net profit after tax for the Insurance, Banking & Wealth and New Zealand business lines
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Value of one year's sales (VOYS)	An estimate of the present value of all distributable profits expected from the new policies sold in a given year

Appendix 11 – 2017 key dates (1)

Ordinary shares (SUN)

Half year results announcement	**9 February 2017**
Ex-dividend date	21 February 2017
Dividend payment	3 April 2017
Full year results and final dividend announcement	**3 August 2017**
Ex-dividend date	16 August 2017
Dividend payment	20 September 2017
Annual General Meeting	**21 September 2017**

Convertible Preference Shares 2 (SUNPC)

Ex-dividend date	9 March 2017
Dividend payment	17 March 2017
Ex-dividend date	8 June 2017
Dividend payment	19 June 2017
Ex-dividend date	8 September 2017
Dividend payment	18 September 2017
Ex-dividend date	8 December 2017
Dividend payment	18 December 2017

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	2 March 2017
Dividend payment	17 March 2017
Ex-dividend date	1 June 2017
Dividend payment	19 June 2017
Ex-dividend date	1 September 2017
Dividend payment	18 September 2017
Ex-dividend date	1 December 2017
Dividend payment	18 December 2017

Subordinated Notes (SUNPD)

Ex-interest date	13 February 2017
Interest payment	22 February 2017
Ex-interest date	11 May 2017
Interest payment	22 May 2017
Ex-interest date	11 August 2017
Interest payment	22 August 2017
Ex-interest date	13 November 2017
Interest payment	22 November 2017

Floating Rate Capital Notes (SBKHB)

Ex-interest date	14 February 2017
Interest payment	2 March 2017
Ex-interest date	12 May 2017
Interest payment	30 May 2017
Ex-interest date	14 August 2017
Interest payment	30 August 2017
Ex-interest date	14 November 2017
Interest payment	30 November 2017

(1) All dates are subject to change. Dividend dates will be confirmed upon their declaration.