ANALYST PACK
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Financial Results for the full year ended 30 June 2017

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Create a better today

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

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 reported across three functions: Insurance (Australia), 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 functions, associated ratios and key statistics are based on the segment reporting disclosures that follow Suncorp’s revised operating model.

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 full year ended 30 June 2017 and comparatives are for the full year ended 30 June 2016, 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 functions.

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

DISCLAIMER

This report contains general information which is current as at 3 August 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).

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FINANCIAL RESULTS SUMMARY

— Group net profit after tax (NPAT) of $1,075 million (FY16: $1,038 million)

— Group top line growth of 3.6%

— Total operating expenses increased 2.9% to $2,746 million

— Cash Return on Average Shareholders' Equity (ROE) of 8.4% (FY16: 8.2%). Statutory ROE of 7.9% (FY16: 7.8%)

— Total ordinary dividends of 73 cents per share fully franked (FY16: 68 cents)

— Banking's Common Equity Tier 1 (CET1) capital ratio of 9.23% and General Insurance holds CET1 of 1.32 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 11.5% (FY16: 10.6%) and 12.0% for the second half of the financial year

— Insurance (Australia) NPAT up 30% to $723 million (FY16: $558 million)

— Australian General Insurance gross written premium (GWP) up 3.9% to $8,111 million (FY16: $7,803 million)

— Net reserve releases of $301 million (FY16: $348 million) in Australia were well above the long-run expectation of 1.5% of net earned premium (NEP)

— Australian Life Insurance underlying profit of $53 million has remained stable (FY16: $53 million)

— Banking & Wealth NPAT was $400 million (FY16: $418 million)

— Banking lending growth of 1.9%

— Banking impairment losses of $7 million represents 1 basis point of gross loans and advances

— Wealth funds under management and administration increased 0.8% to $7,511 million (FY16: $7,452 million)

— New Zealand NPAT was A$82 million (FY16: A$183 million) impacted by the Kaikoura earthquake and associated reinsurance costs

— New Zealand General Insurance GWP increased 6.3% in NZ$ terms

— Disposal of the Autosure motor insurance business resulted 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 NPAT of A$37 million (FY16: A$49 million)

— New Zealand Life Insurance in-force premiums grew 7% in NZ$ terms

* Refer to page 73 for underlying ITR.

OPERATIONAL SUMMARY

- Suncorp's purpose to *create a better today* for its customers, shareholders, employees and communities has been set and communicated
- The Group's key priorities have been agreed:
  - Elevate the customer
  - Create the Marketplace
  - Maintain momentum and grow
  - Inspire our people
- Organisational structure aligned around the customer, with substantially new leadership team in place
- Key initiatives delivered include:
  - Concept stores opened in Parramatta and Carindale
  - Marketplace extended to embrace customer journeys and integrated offers
  - the launch of white-labelled annuities and health insurance
  - Money Profiles application
  - Suncorp Business Toolbox
  - Launch of AAMI SmartPlates
  - Life Insurance offering for Austbrokers advisors
- Focus on elevating the customer is driving improved volumes and better retention
- Organic customer growth of 147,000 with a further 252,000 customers acquired through entry into the South Australian CTP scheme
- Successful remediation of Consumer claims processes with operating metrics and underlying ITR returning to target levels
- The Natural Hazards Aggregate cover provided effective protection and delivered a significant NPAT benefit. Suncorp has purchased a similar cover for the 2018 financial year
- Group's core operating subsidiaries have retained an issuer credit rating of 'A+/A1' with a stable outlook
- Discussions continue with Australian Prudential Regulation Authority (APRA) in the pursuit of Basel II Advanced Accreditation. Banking continues to operate as an Advanced Bank, with strong risk management and advanced models
- New banking platform delivering value for customers, brokers and the business as Suncorp becomes the first company globally to roll out and operate Oracle's end-to-end loan origination, servicing and collections
- Completion of the Super Simplification Project, simplifying superannuation offerings from 43 to 10 products, outsourcing business and technology processes and consolidating legacy portfolios on a modern 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

GROUP

Result overview

For the financial year ended 30 June 2017, Suncorp Group delivered an NPAT of $1,075 million, up 3.6% and total ordinary dividends of 73 cents, up 7.4%.

The result is underpinned by Group growth of 3.6%, with momentum building over the course of the year. For the first time in several years Suncorp has reported an increase in customer numbers, with 399,000 new customers joining the Group. While top-line growth has been supported by the entry into the South Australian CTP market, early Marketplace initiatives and a focus on delivering value for customers puts the Group in a strong position entering the FY18 financial year.

Suncorp's diversified business model provides it with multiple sources of growth. Over the past twelve months, the business has delivered:

— **Insurance (Australia)** GWP growth of 3.9% while Life in-force premium contracted 0.9%

— **Banking & Wealth** lending growth of 1.9%

— **New Zealand** GWP growth of 6.3% and Life in-force premium growth of 7.0%.

The improved growth profile, along with additional costs associated with the completion of the Core Banking and Superannuation platforms, has contributed to a 2.9% increase in total operating expenses.

Insurance (Australia) NPAT of $723 million was up 30% driven by improved growth, lower natural hazard costs and the continued remediation of claims cost issues in the Home and Motor portfolios.

GWP increased by 3.9% following strong growth in New South Wales CTP, premium increases in Home and Motor products and the successful entry into the South Australian CTP scheme. While Commercial insurance GWP reduced 2.2% there was evidence of an improving rate environment through the important June renewal period.

The purchase of additional reinsurance in the form of a Natural Hazards Aggregate protection (NHAP) has significantly reduced the financial impact associated with events greater than $5 million, resulting in total natural hazards costs of $655 million.

Remediating claims cost issues in the Home and Motor portfolios has been a major focus for the Group. Improvements reported in the half year to December 2016 have continued, with all operational metrics returning to sustainable levels. Although industry-wide claims inflation continues to be observed, the significant improvement in processes and controls has contributed to a General Insurance underlying ITR of 12.0% for the second half of the financial year.

Reserve releases of $301 million remain well above long-term expectations of 1.5% of Group NEP, reflecting the benign inflationary environment.

Australian Life Insurance planned margins remained stable and underlying profits were flat.

Banking & Wealth NPAT was $400 million, impacted by the additional investment in the Core Banking and Wealth platforms, both of which are crucial to support the Group strategy.

The Banking business achieved NPAT of $396 million with a focus on profitable growth while adapting to changing economic and regulatory dynamics. Lending growth of 1.9% reflected improved momentum in the second half of the financial year. NIM of 1.83% reflects targeted repricing of mortgage rates.

The cost to income ratio of 52.7% was a result of stable operating expenses and the subdued growth environment. Impairment losses reduced to $7 million, representing just 1 basis point of gross loans and advances.

The Wealth business NPAT of $4 million reflects the decision not to capitalise the cost of completing the Super Simplification Program and lower investment returns. Funds under management and administration increased by 0.8%.

New Zealand NPAT of A$82 million was impacted by claims costs associated with the Kaikoura earthquake and the associated reinsurance reinstatement expense.

New Zealand General Insurance NPAT reduced to A$45 million, however underlying ITR was above the Group's target of 12%. GWP growth of 6.3%, in New Zealand dollar terms, was primarily driven by the Motor and Home portfolios.

New Zealand Life Insurance delivered NPAT of A$37 million with a stable underlying profit of A$39 million, offset by negative market adjustments.

During the financial year, the New Zealand business disposed of its Autosure motor insurance business. The sale resulted in a release of capital of A$30 million and will be accretive to the New Zealand long-term return on equity. A goodwill write-off of A$25 million has been included as a non-cash item in the Group result.

Dividend and capital

The Board has determined a fully franked final dividend of 40 cents per share. This brings total ordinary dividends for the 2017 financial year to 73 cents per share, up 7.4%. This represents a dividend payout ratio of 82% of cash earnings, slightly above the top end of the 60% to 80% dividend payout range, reflecting the Board's confidence in the outlook for the Group.

After payment of the dividend, the franking account balance will be $235 million. The Group remains well capitalised with $377 million in CET1 capital held above its operating targets.

Outlook

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

Suncorp's key priorities are to elevate the customer, create the Marketplace, maintain momentum and grow, and inspire our people.

Elevating the customer focusses on continuing to increase customer numbers and broadening relationships with existing customers. The Group's operating model places customers at the centre of the Group, making experiences easy for customers, connecting them to the Marketplace and creating integrated solutions and journeys.

Creating the Marketplace by networking the brands, offering new solutions in priority segments and expanding the Group's partner ecosystem, will enable customers to make better choices and allow them to interact with the Group in any way they choose, driven by a digital first approach, complemented by physical and intermediary channels.

Maintaining momentum and growth is being achieved through execution of programs focused on operational excellence, portfolio optimisation, targeted growth and further strengthening the balance sheet.

Inspiring our people remains critical to the successful execution of the strategy, as the Group creates the workforce and workspace of the future.

Suncorp has commenced a group-wide Business Improvement Program (BIP) which will improve customer experience through operational excellence, removing pain points and designing innovative customer solutions. This program is expected to deliver material reductions in the Group's cost base from the 2019 financial year.

Given the Group's confidence in creating significant shareholder value, Suncorp will make an additional investment of up to $100 million after-tax to deliver the key components of the Marketplace. This investment will be fully expensed in the 2018 financial year and will be reported in the 'Other profit (loss) after tax' line of the Group profit and loss.

The investment will:

— Bring together for the first time a single digital experience for the entire Suncorp network through a new Suncorp Marketplace app

— Complete the Suncorp brand refresh and commence building national awareness and differentiation

— Accelerate the connection of new third party partnerships into the Marketplace to enhance speed and delivery of new services and solutions.

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

— Broadening of customer relationships

— Improving underlying NPAT

— Delivering a sustainable ROE of at least 10%, which implies an underlying ITR of at least 12%

— A commitment to return surplus capital to shareholders and maintaining a dividend payout ratio of 60% to 80% of cash earnings.

For the 2018 financial year, the Board intends to increase the dividend payout ratio above the top end of the usual range to offset the impact on cash earnings of the additional investment to deliver key components of the Marketplace.

Contribution to profit by function

	Full Year Ended Jun-17 $M	Jun-16 $M	Jun-17 vs Jun-16 %
Insurance (Australia)			
Gross written premium	8,111	7,803	3.9
Net earned premium	7,072	6,893	2.6
Net incurred claims	(4,923)	(5,099)	(3.5)
Operating expenses	(1,442)	(1,411)	2.2
Investment income - insurance funds	205	236	(13.1)
Insurance trading result	912	619	47.3
Other income	65	71	(8.5)
Profit before tax	977	690	41.6
Income tax	(288)	(200)	44.0
General Insurance profit after tax	**689**	**490**	**40.6**
Life Insurance profit after tax	**34**	**68**	**(50.0)**
Insurance (Australia) profit after tax	**723**	**558**	**29.6**
Banking & Wealth			
Net interest income	1,131	1,129	0.2
Net non-interest income	76	88	(13.6)
Operating expenses	(636)	(639)	(0.5)
Profit before impairment losses on loans and advances	571	578	(1.2)
Impairment losses on loans and advances	(7)	(16)	(56.3)
Banking profit before tax	564	562	0.4
Income tax	(168)	(169)	(0.6)
Banking profit after tax	**396**	**393**	**0.8**
Wealth profit after tax	**4**	**25**	**(84.0)**
Banking & Wealth profit after tax	**400**	**418**	**(4.3)**
New Zealand			
Gross written premium	1,345	1,228	9.5
Net earned premium	1,099	1,045	5.2
Net incurred claims	(693)	(562)	23.3
Operating expenses	(366)	(338)	8.3
Investment income - insurance funds	13	18	(27.8)
Insurance trading result	53	163	(67.5)
Other income	10	22	(54.5)
Profit before tax	63	185	(65.9)
Income tax	(18)	(51)	(64.7)
General Insurance profit after tax	**45**	**134**	**(66.4)**
Life Insurance profit after tax	**37**	**49**	**(24.5)**
New Zealand profit after tax	**82**	**183**	**(55.2)**
Profit after tax from functions	**1,205**	**1,159**	**4.0**
Other profit (loss) before tax(1)	(58)	(76)	(23.7)
Income tax	(2)	6	n/a
Other profit (loss) after tax	**(60)**	**(70)**	**(14.3)**
Cash earnings	**1,145**	**1,089**	**5.1**
Acquisition amortisation (after tax)(2)	(70)	(51)	37.3
Net profit after tax	**1,075**	**1,038**	**3.6**

(1) 'Other' includes investment income on capital held at the Group level (Jun-17: $14 million, Jun-16: $18 million), consolidation adjustments (Jun-17: loss $3 million, Jun-16: loss $1 million), customer strategy investment (Jun-17: loss $13 million, Jun-16: nil), recognition of deferred consideration on Tyndall disposal (Jun-17: $3 million, Jun-16: $19 million), non-controlling interests (Jun-17: loss $10 million, Jun-16: loss $7 million), external interest expense and transaction costs (Jun-17: $49 million, Jun-16: $50 million) and operating model restructuring costs (Jun-17: nil, Jun-16: $55 million).

(2) Acquisition amortisation in Jun-17 includes a $25 million impact from goodwill write-off from the disposal of New Zealand's Autosure motor insurance business.

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Insurance (Australia)						
Gross written premium	4,080	4,031	4,007	3,796	1.2	1.8
Net earned premium	3,520	3,552	3,413	3,480	(0.9)	3.1
Net incurred claims	(2,549)	(2,374)	(2,553)	(2,546)	7.4	(0.2)
Operating expenses	(720)	(722)	(687)	(724)	(0.3)	4.8
Investment income - insurance funds	170	35	143	93	385.7	18.9
Insurance trading result	421	491	316	303	(14.3)	33.2
Other income	48	17	46	25	182.4	4.3
Profit before tax	469	508	362	328	(7.7)	29.6
Income tax	(138)	(150)	(108)	(92)	(8.0)	27.8
General Insurance profit after tax	**331**	**358**	**254**	**236**	**(7.5)**	**30.3**
Life Insurance profit after tax	**23**	**11**	**45**	**23**	**109.1**	**(48.9)**
Insurance (Australia) profit after tax	**354**	**369**	**299**	**259**	**(4.1)**	**18.4**
Banking & Wealth						
Net interest income	573	558	563	566	2.7	1.8
Net non-interest income	37	39	39	49	(5.1)	(5.1)
Operating expenses	(329)	(307)	(313)	(326)	7.2	5.1
Profit before impairment losses on loans and advances	281	290	289	289	(3.1)	(2.8)
Impairment losses on loans and advances	(6)	(1)	(5)	(11)	500.0	20.0
Banking profit before tax	275	289	284	278	(4.8)	(3.2)
Income tax	(82)	(86)	(85)	(84)	(4.7)	(3.5)
Banking profit after tax	**193**	**203**	**199**	**194**	**(4.9)**	**(3.0)**
Wealth profit after tax	**(1)**	**5**	**12**	**13**	**n/a**	**n/a**
Banking & Wealth profit after tax	**192**	**208**	**211**	**207**	**(7.7)**	**(9.0)**
New Zealand						
Gross written premium	666	679	607	621	(1.9)	9.7
Net earned premium	542	557	533	512	(2.7)	1.7
Net incurred claims	(339)	(354)	(286)	(276)	(4.2)	18.5
Operating expenses	(180)	(186)	(170)	(168)	(3.2)	5.9
Investment income - insurance funds	9	4	12	6	125.0	(25.0)
Insurance trading result	32	21	89	74	52.4	(64.0)
Other income	5	5	12	10	-	(58.3)
Profit before tax	37	26	101	84	42.3	(63.4)
Income tax	(11)	(7)	(28)	(23)	57.1	(60.7)
General Insurance profit after tax	**26**	**19**	**73**	**61**	**36.8**	**(64.4)**
Life Insurance profit after tax	**20**	**17**	**32**	**17**	**17.6**	**(37.5)**
New Zealand profit after tax	**46**	**36**	**105**	**78**	**27.8**	**(56.2)**
Profit after tax from functions	**592**	**613**	**615**	**544**	**(3.4)**	**(3.7)**
Other profit (loss) before tax[1]	(31)	(27)	(106)	30	14.8	(70.8)
Income tax	-	(2)	24	(18)	(100.0)	(100.0)
Other profit (loss) after tax	**(31)**	**(29)**	**(82)**	**12**	**6.9**	**(62.2)**
Cash earnings	**561**	**584**	**533**	**556**	**(3.9)**	**5.3**
Acquisition amortisation (after tax)[2]	(23)	(47)	(25)	(26)	(51.1)	(8.0)
Net profit after tax	**538**	**537**	**508**	**530**	**0.2**	**5.9**

(1) ‘Other’ includes investment income on capital held at the Group level (Jun-17: $8 million, Dec-16: $6 million), consolidation adjustments (Jun-17: loss $3 million, Dec-16: nil), customer strategy investment (Jun-17: loss $9 million, Dec-16:loss $4 million), recognition of deferred consideration on Tyndall disposal (Jun-17: $3 million, Dec-16: nil), non-controlling interests (Jun-17: loss $5 million, Dec-16: loss $5 million), external interest expense and transaction costs (Jun-17: $25 million, Dec-16: $24 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

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Assets						
Cash and cash equivalents	1,840	1,870	1,798	1,203	(1.6)	2.3
Receivables due from other banks	567	473	552	464	19.9	2.7
Trading securities	1,520	1,597	1,497	1,119	(4.8)	1.5
Derivatives	188	696	676	691	(73.0)	(72.2)
Investment securities	22,327	23,984	23,384	25,025	(6.9)	(4.5)
Loans and advances	55,197	54,047	54,134	52,673	2.1	2.0
Premiums outstanding	2,620	2,428	2,522	2,366	7.9	3.9
Reinsurance and other recoveries	3,353	2,630	1,900	2,204	27.5	76.5
Deferred reinsurance assets	837	644	858	582	30.0	(2.4)
Deferred acquisition costs	704	691	678	656	1.9	3.8
Gross policy liabilities ceded under reinsurance	585	408	461	419	43.4	26.9
Property, plant and equipment	200	200	183	180	-	9.3
Deferred tax assets	226	228	205	176	(0.9)	10.2
Goodwill and other intangible assets	5,821	5,836	5,878	5,845	(0.3)	(1.0)
Other assets	1,124	1,069	1,022	842	5.1	10.0
Total assets	97,109	96,801	95,748	94,445	0.3	1.4
Liabilities						
Payables due to other banks	50	512	332	401	(90.2)	(84.9)
Deposits and short-term borrowings	45,105	46,048	44,889	43,504	(2.0)	0.5
Derivatives	376	508	628	478	(26.0)	(40.1)
Amounts due to reinsurers	799	360	745	366	121.9	7.2
Payables and other liabilities	1,999	1,559	1,843	1,362	28.2	8.5
Current tax liabilities	106	99	65	14	7.1	63.1
Unearned premium liabilities	4,965	4,925	4,870	4,687	0.8	2.0
Outstanding claims liabilities	10,952	10,234	9,734	9,713	7.0	12.5
Gross policy liabilities	2,917	2,843	2,912	5,699	2.6	0.2
Deferred tax liabilities	121	118	110	109	2.5	10.0
Managed funds units on issue	911	1,601	1,334	279	(43.1)	(31.7)
Securitised liabilities	3,088	2,204	2,535	3,144	40.1	21.8
Debt issues	9,216	9,585	9,841	8,871	(3.8)	(6.4)
Loan capital	2,714	2,553	2,340	2,372	6.3	16.0
Total liabilities	83,319	83,149	82,178	80,999	0.2	1.4
Net assets	13,790	13,652	13,570	13,446	1.0	1.6
Equity						
Share capital	12,766	12,722	12,679	12,675	0.3	0.3
Reserves	161	186	198	185	(13.4)	(18.7)
Retained profits	855	734	684	570	16.5	25.0
Total equity attributable to owners of the Company	13,782	13,642	13,561	13,430	1.0	1.6
Non-controlling interests	8	10	9	16	(20.0)	(11.1)
Total equity	13,790	13,652	13,570	13,446	1.0	1.6

INSURANCE (AUSTRALIA)

Result overview

Insurance (Australia) achieved a profit after tax of $723 million for the year ended 30 June 2017. GWP increased 3.9% and in-force annual premiums contracted by 0.9%.

The General Insurance business contributed profit after tax of $689 million, up 40.6%. The insurance trading result was up 47.3% to $912 million, representing an ITR of 12.9%. ITR benefitted from top-line growth, reduced natural hazard costs and the continued remediation of claims cost issues in the Home and Motor portfolios.

GWP increased by 3.9% to $8,111 million due to premium increases in Home and Motor products, as well as increased customer numbers following the successful entry into the South Australia (SA) CTP market and strong growth in New South Wales (NSW) CTP.

The Consumer portfolio, consisting of Home and Motor, achieved GWP growth of 2.2% (2.4% excluding NSW FSL impact). While Commercial insurance GWP reduced by 2.2%, there was evidence of an improving rate environment through the important June renewal period.

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

Net incurred claims were $4,923 million, down 3.5% primarily due to lower natural hazards and the impact of changes in the yield curve on outstanding claims. Following a period of rectification, Consumer working claims operational metrics have returned to sustainable levels with improvements in home and motor loss ratios. The Commercial portfolio experienced a prior year strengthening in the run-off portfolio of home-owners warranty along with several other one-off large losses. Strong claims performance continues across CTP in NSW with improved frequency experience. Queensland has observed a slight increase in frequency, which is occurring across the industry.

Reserve releases of $301 million remain well above long-term expectations of 1.5% of Group NEP. This was primarily attributable to a continued focus on long-tail claims management and a benign environment for wage and super-imposed inflation. Going forward, superimposed inflation assumptions have been reduced to 2.5%.

Operating expense ratio was flat as continued growth of the portfolio resulted in a 2.2% increase in operating expenses.

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

The Australian Life business underlying profit after tax of $53 million was stable, reflecting higher planned profit margins and reduced experience profits due to the implementation of revised income protection and lapse assumptions at the end of last financial year, as well as some natural volatility in the lump sum claims portfolio.

In-force premium contracted 0.9% impacted by the run-off of the closed Group Risk book. This was partially offset by growth in retail and direct due to stepped age and CPI increases. New business volumes were impacted by ongoing industry disruption and heightened regulatory scrutiny.

Higher bond yields resulted in reduced investment income impacted by market adjustments resulting in Life Insurance profit after tax of $34 million.

Outlook

Insurance (Australia) continues to benefit from operating a diverse portfolio and will target profitable growth through pricing discipline, meeting more customer and intermediary needs, and successfully entering new markets.

In the Consumer portfolio, the favourable pricing environment is expected to continue as industry-wide pricing is adjusted to address claims cost inflation and the increasing incidence of natural hazards. With operational claims metrics in Consumer portfolios back to normal levels, focus has turned to implementing further improvements to the claims management process. In the Commercial portfolio, strong price increases have been achieved during the June renewal period whilst maintaining renewal rates. This positive price momentum is expected to continue into the 2018 financial year.

Within the Personal Injury portfolio, CTP regulatory reform continues to be a focus for state governments. Ongoing engagement in the reform process and the diversification of the CTP business through targeted growth in new and existing markets means Suncorp is well placed to manage scheme change. In the long-term, CTP reform aims to deliver reduced volatility and better customer outcomes. Short-term results will be impacted by reduced premiums but improvements in claims profiles will emerge over the short-to-medium term.

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

In Workers' Compensation, reliance on the mining sector is steadily reducing with a move towards more profitable non-mining segments in Western Australia.

Insurance (Australia) remains committed to improving the profitability of the Australian Life business through an optimisation program which is focussed on generating long-term sustainable returns despite ongoing industry disruption and regulatory scrutiny. Life planned margins and experience have remained relatively stable, however, recent elevated claim incidence within the income protection and trauma business is being carefully monitored.

The Group continues to explore a number of strategic alternatives for the Australian Life business.

Profit contribution including discount rate movements and FSL

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
General Insurance									
Gross written premium	8,111	7,803	3.9	4,080	4,031	4,007	3,796	1.2	1.8
Gross unearned premium movement	(78)	(106)	(26.4)	(61)	(17)	(183)	77	258.8	(66.7)
Gross earned premium	8,033	7,697	4.4	4,019	4,014	3,824	3,873	0.1	5.1
Outwards reinsurance expense	(961)	(804)	19.5	(499)	(462)	(411)	(393)	8.0	21.4
Net earned premium	7,072	6,893	2.6	3,520	3,552	3,413	3,480	(0.9)	3.1
Net incurred claims									
Claims expense	(6,775)	(6,182)	9.6	(3,864)	(2,911)	(3,118)	(3,064)	32.7	23.9
Reinsurance and other recoveries revenue	1,852	1,083	71.0	1,315	537	565	518	144.9	132.7
Net incurred claims	(4,923)	(5,099)	(3.5)	(2,549)	(2,374)	(2,553)	(2,546)	7.4	(0.2)
Total operating expenses									
Acquisition expenses	(907)	(906)	0.1	(445)	(462)	(452)	(454)	(3.7)	(1.5)
Other underwriting expenses	(535)	(505)	5.9	(275)	(260)	(235)	(270)	5.8	17.0
Total operating expenses	(1,442)	(1,411)	2.2	(720)	(722)	(687)	(724)	(0.3)	4.8
Underwriting result	707	383	84.6	251	456	173	210	(45.0)	45.1
Investment income - insurance funds	205	236	(13.1)	170	35	143	93	385.7	18.9
Insurance trading result	912	619	47.3	421	491	316	303	(14.3)	33.2
Managed schemes net contribution	3	17	(82.4)	1	2	7	10	(50.0)	(85.7)
Joint venture and other income	1	1	-	3	(2)	(2)	3	n/a	n/a
General Insurance operational earnings	916	637	43.8	425	491	321	316	(13.4)	32.4
Investment income - shareholder funds	98	80	22.5	63	35	56	24	80.0	12.5
General Insurance profit before tax and capital funding	1,014	717	41.4	488	526	377	340	(7.2)	29.4
Capital funding	(37)	(27)	37.0	(19)	(18)	(15)	(12)	5.6	26.7
General Insurance profit before tax	977	690	41.6	469	508	362	328	(7.7)	29.6
Income tax	(288)	(200)	44.0	(138)	(150)	(108)	(92)	(8.0)	27.8
General Insurance profit after tax	**689**	**490**	**40.6**	**331**	**358**	**254**	**236**	**(7.5)**	**30.3**
Life Insurance									
Underlying profit after tax	53	53	-	28	25	27	26	12.0	3.7
Market adjustments	(19)	15	n/a	(5)	(14)	18	(3)	(64.3)	n/a
Life Insurance profit after tax	**34**	**68**	**(50.0)**	**23**	**11**	**45**	**23**	**109.1**	**(48.9)**
Insurance (Australia) profit after tax	**723**	**558**	**29.6**	**354**	**369**	**299**	**259**	**(4.1)**	**18.4**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	%	%	%	%	%	%
Acquisition expenses ratio	12.8	13.1	12.6	13.0	13.2	13.0
Other underwriting expenses ratio	7.6	7.3	7.7	7.3	6.9	7.8
Total operating expenses ratio	20.4	20.4	20.5	20.3	20.1	20.8
Loss ratio	69.6	74.0	72.4	66.8	74.8	73.2
Combined operating ratio	90.0	94.4	92.9	87.1	94.9	94.0
Insurance trading ratio	**12.9**	**9.0**	**12.0**	**13.8**	**9.3**	**8.7**

Profit contribution excluding discount rate movements and FSL

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
General Insurance									
Gross written premium	7,960	7,643	4.1	4,025	3,935	3,926	3,717	2.3	2.5
Gross unearned premium movement	(97)	(95)	2.1	(92)	(5)	(178)	83	large	(48.3)
Gross earned premium	7,863	7,548	4.2	3,933	3,930	3,748	3,800	0.1	4.9
Outwards reinsurance expense	(961)	(804)	19.5	(499)	(462)	(411)	(393)	8.0	21.4
Net earned premium	6,902	6,744	2.3	3,434	3,468	3,337	3,407	(1.0)	2.9
Net incurred claims									
Claims expense	(6,857)	(5,982)	14.6	(3,802)	(3,055)	(2,947)	(3,035)	24.5	29.0
Reinsurance and other recoveries revenue	1,852	1,083	71.0	1,315	537	565	518	144.9	132.7
Net incurred claims	(5,005)	(4,899)	2.2	(2,487)	(2,518)	(2,382)	(2,517)	(1.2)	4.4
Total operating expenses									
Acquisition expenses	(907)	(906)	0.1	(445)	(462)	(452)	(454)	(3.7)	(1.5)
Other underwriting expenses	(365)	(356)	2.5	(189)	(176)	(159)	(197)	7.4	18.9
Total operating expenses	(1,272)	(1,262)	0.8	(634)	(638)	(611)	(651)	(0.6)	3.8
Underwriting result	625	583	7.2	313	312	344	239	0.3	(9.0)
Investment income - insurance funds	287	36	large	108	179	(28)	64	(39.7)	n/a
Insurance trading result	912	619	47.3	421	491	316	303	(14.3)	33.2
Managed schemes net contribution	3	17	(82.4)	1	2	7	10	(50.0)	(85.7)
Joint venture and other income	1	1	-	3	(2)	(2)	3	n/a	n/a
General Insurance operational earnings	916	637	43.8	425	491	321	316	(13.4)	32.4
Investment income - shareholder funds	98	80	22.5	63	35	56	24	80.0	12.5
General Insurance profit before tax and capital funding	1,014	717	41.4	488	526	377	340	(7.2)	29.4
Capital funding	(37)	(27)	37.0	(19)	(18)	(15)	(12)	5.6	26.7
General Insurance profit before tax	977	690	41.6	469	508	362	328	(7.7)	29.6
Income tax	(288)	(200)	44.0	(138)	(150)	(108)	(92)	(8.0)	27.8
General Insurance profit after tax	**689**	**490**	**40.6**	**331**	**358**	**254**	**236**	**(7.5)**	**30.3**
Life Insurance									
Underlying profit after tax	53	53	-	28	25	27	26	12.0	3.7
Market adjustments	(19)	15	n/a	(5)	(14)	18	(3)	(64.3)	n/a
Life Insurance profit after tax	**34**	**68**	**(50.0)**	**23**	**11**	**45**	**23**	**109.1**	**(48.9)**
Insurance (Australia) profit after tax	**723**	**558**	**29.6**	**354**	**369**	**299**	**259**	**(4.1)**	**18.4**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	%	%	%	%	%	%
Acquisition expenses ratio	13.1	13.4	13.0	13.3	13.5	13.3
Other underwriting expenses ratio	5.3	5.3	5.5	5.1	4.8	5.8
Total operating expenses ratio	18.4	18.7	18.5	18.4	18.3	19.1
Loss ratio	72.5	72.6	72.4	72.6	71.4	73.9
Combined operating ratio	90.9	91.3	90.9	91.0	89.7	93.0

General Insurance

Gross Written Premium

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by product									
Motor	2,634	2,568	2.6	1,341	1,293	1,295	1,273	3.7	3.6
Home	2,233	2,193	1.8	1,110	1,123	1,096	1,097	(1.2)	1.3
Commercial	1,543	1,577	(2.2)	756	787	793	784	(3.9)	(4.7)
Compulsory third party	1,404	1,215	15.6	682	722	648	567	(5.5)	5.2
Workers' compensation and other	297	250	18.8	191	106	175	75	80.2	9.1
Total	**8,111**	**7,803**	**3.9**	**4,080**	**4,031**	**4,007**	**3,796**	**1.2**	**1.8**

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by geography									
Queensland	2,133	2,236	(4.6)	1,075	1,058	1,116	1,120	1.6	(3.7)
New South Wales	2,762	2,618	5.5	1,361	1,401	1,364	1,254	(2.9)	(0.2)
Victoria	1,742	1,687	3.3	885	857	863	824	3.3	2.5
Western Australia	615	562	9.4	328	287	312	250	14.3	5.1
South Australia	397	257	54.5	180	217	128	129	(17.1)	40.6
Tasmania	165	162	1.9	88	77	81	81	14.3	8.6
Other	297	281	5.7	163	134	143	138	21.6	14.0
Total	**8,111**	**7,803**	**3.9**	**4,080**	**4,031**	**4,007**	**3,796**	**1.2**	**1.8**

Gross Written Premium (continued)

Consumer

Motor GWP increased 2.6% to $2,634 million and Home GWP increased 1.8% to $2,233 million driven by low to mid single digit price increases with unit growth in the second half. Retention has improved over the year for both Motor and Home while Suncorp also continues to focus on new business opportunities. Bingle, Shannons, Terri Scheer and CIL have grown strongly in their target markets.

Commercial

Commercial GWP reduced by 2.2% to $1,543 million.

Commercial lines comprise multiple markets in Australia ranging from large corporate clients to SME. Packaged products, which target 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. Suncorp has sought to increase prices throughout the year, which has impacted volumes in some classes. Suncorp continues to prioritise margin over growth and maintain a disciplined approach to underwriting.

Compulsory Third Party

CTP GWP increased 15.6% to $1,404 million.

Suncorp successfully entered the SA market, becoming one of the four providers of CTP cover from 1 July 2016. AAMI has been allocated 30% market share until 30 June 2019 as the scheme transitions to become fully competitive after that date.

Suncorp continues to be 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 for 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, GWP contracted by 17.8% given the impact of the National Injury Insurance Scheme along with reductions in the price ceiling implemented by the regulator. Suncorp has maintained 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 44% since entering the market in 2013.

Workers' compensation and other

GWP growth of 18.8% was driven by new business growth in Western Australian workers' compensation in the non-mining sector. Renewals have held steady despite a flat wage environment and a continuing soft market cycle.

Net incurred claims

Net incurred claims costs decreased 3.5% to $4,923 million.

Natural hazards

Natural hazard event costs were $655 million, $55 million over the allowance and $65 million lower than last year. 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 Insurance (Australia) natural hazards allowance was reduced by $50 million compared to the previous financial year following the purchase of a natural hazards aggregate cover.

Major natural hazard events for Insurance (Australia) are shown in the table below.

Date	Event	Net Costs $M
Jul 2016	Southern Winds	9
Sep 2016	South Australian and Victorian flooding	8
Sep 2016	Southern Wind and Rain	14
Oct 2016	Victorian Wind Storm	18
Oct 2016	Young and Parkes Hail	7
Nov 2016	South Australian and Victorian Storms	104
Nov 2016	Maryborough Storm	6
Nov 2016	Kaikoura Earthquake (NZ)	28
Nov 2016	Gympie Hail	10
Dec 2016	Ipswich Hail	9
Dec 2016	South Australian and Victorian Storms	74
Feb 2017	Western Australian Rain	6
Feb 2017	Northern Sydney Hail	110
Mar 2017	New South Wales, Queensland and Victorian Rain	20
Mar 2017	Tropical Cyclone Debbie	-
Apr 2017	Ocean Grove Rain	-
Apr 2017	Geelong Rain	-
Total events over $5 million [(1)]		**423**
Other natural hazards attritional claims		232
Total natural hazards		**655**
Less: allowance for natural hazards		(600)
Natural hazards costs above allowance		**55**

(1) Events with a gross cost over $5 million, shown net of recoveries from reinsurance.

Outstanding claims provision breakdown

The valuation of outstanding claims resulted in central estimate releases of $301 million, well above the Group's long-run expectation for reserve releases of 1.5% of Group NEP.

Short-tail strengthening was primarily due to unfavourable prior year average claims size cost in Motor in the Consumer and Commercial portfolios. The favourable claims experience in the property portfolios in the first half was eroded in the second half due to a combination of contract works, home and large claim development.

Long-tail claims reserve releases were primarily attributable to favourable claims experience. The majority of the releases relate to the CTP portfolios primarily due to the impact of benign wage inflation. Long-term super-imposed inflation assumptions for CTP were also revised down to 2.5%. This was partially offset with a strengthening for home owners warranty that is in run-off.

	Actual	Net Central Estimate (Discounted)	Risk Margin (90th Percentile Discounted)	Change In Net Central Estimate [(1)]
	$M	$M	$M	$M
Short-tail	1,411	1,286	125	36
Long-tail	5,775	4,922	853	(337)
Total	**7,186**	**6,208**	**978**	**(301)**

(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 provision 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				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,175	8,445	8,610	8,580	8.6	6.6
Reinsurance and other recoveries	(1,989)	(1,273)	(1,170)	(1,404)	56.2	70.0
Net outstanding claims liabilities	**7,186**	**7,172**	**7,440**	**7,176**	**0.2**	**(3.4)**
Expected future claims payments and claims handling expenses	6,731	6,791	6,902	6,725	(0.9)	(2.5)
Discount to present value	(523)	(587)	(470)	(558)	(10.9)	11.3
Risk margin	978	968	1,008	1,009	1.0	(3.0)
Net outstanding claims liabilities	**7,186**	**7,172**	**7,440**	**7,176**	**0.2**	**(3.4)**
Short-tail	1,411	1,569	1,709	1,490	(10.1)	(17.4)
Long-tail	5,775	5,603	5,731	5,686	3.1	0.8
Total	**7,186**	**7,172**	**7,440**	**7,176**	**0.2**	**(3.4)**

Risk margins

Risk margins represent approximately 14% of outstanding claim reserves giving an approximate level of confidence of 90%.

Risk margins reduced $30 million during the period to $978 million from $1,008 million. The assets notionally backing risk margins had a net loss of $2 million. The net impact was therefore $28 million, which is excluded in the underlying ITR calculation.

Operating expenses

The total operating expense ratio was stable. Whilst total operating expenses have increased due to the growth of the portfolio, the expense base has continued to benefit from recalibrating costs as well as simplification and optimisation initiatives.

Managed schemes

Managed schemes contribution of $3 million is attributable to administering government Workers' compensation schemes in NSW. This has reduced compared to prior year due to the Government insourcing policy services from all agents, resulting in lower service fee income.

Joint venture and other income

The Group participates in a joint venture with the Royal Automobile Club in Tasmania. The income from the joint venture was partially offset by the amortisation of intangibles and other miscellaneous net income.

Investment income

The Australian General Insurance 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 global investment grade credit and alternative assets were made. Further asset class diversification is planned over the near future.

	Half Year Ended					Asset allocation	
	Jun-17		Dec-16	Jun-16	Dec-15	Dec-16	Jun-16
	$M	%	$M	$M	$M	%	%
Insurance funds							
Cash and short-term deposits	446	5	185	220	119	2	2
Inflation-linked bonds (1)	2,380	26	2,131	1,816	2,190	23	19
Corporate bonds	5,494	60	5,909	6,590	5,601	65	71
Semi-Government bonds	291	3	497	631	788	5	7
Commonwealth Government bonds	587	6	429	67	-	5	1
Total Insurance funds	**9,198**	**100**	**9,151**	**9,324**	**8,698**	**100**	**100**
Shareholders' funds							
Cash and short-term deposits	106	4	109	229	74	4	9
Australian interest-bearing securities	1,285	47	1,965	1,678	1,959	71	67
Global interest-bearing securities (hedged)	613	23	65	56	75	2	2
Equities	340	12	369	306	349	14	13
Infrastructure and property	245	9	249	218	173	9	9
Alternative investments	148	5	-	-	-	-	-
Total shareholders' funds	**2,737**	**100**	**2,757**	**2,487**	**2,630**	**100**	**100**
Total	**11,935**		**11,908**	**11,811**	**11,328**		

(1) The total notional exposure to inflation-linked securities, after accounting for both physical bonds and derivatives, in the insurance funds is: Jun-17 $2.4b, Dec-16 $2.9b, Jun-16 $2.9b and Dec-15 $3.2b. Even though this notional exposure has decreased, the overall dollar sensitivity from inflation-linked securities remains unchanged from Dec-16 due to the greater duration of these remaining securities.

Credit quality

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

AVERAGE	Jun-17	Dec-16	Jun-16	Dec-15
	%	%	%	%
AAA	44.1	43.0	37.9	41.3
AA	17.3	21.8	25.5	22.4
A	23.0	27.3	28.9	28.1
BBB	15.6	7.9	7.7	8.2
	100.0	**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 (Yrs)	Jun-17	Dec-16	Jun-16	Dec-15
Insurance funds				
Interest rate duration	2.6	3.0	2.3	2.7
Credit spread duration	1.1	1.3	1.5	1.2
Shareholders' funds				
Interest rate duration	1.3	2.2	2.1	1.9
Credit spread duration	2.4	2.1	2.5	2.8

Investment performance

Total investment income was $303 million representing an annualised return of 2.5% for the full year.

Insurance funds

Investment income on insurance funds was $205 million including market valuation impacts from:

— losses of $120 million from an increase in risk-free rates

— gains of $43 million from a narrowing of credit spreads

— gains of $52 million from the outperformance of inflation-linked bonds relative to Commonwealth Government nominal bonds as break-even inflation levels rose.

After removing the above market valuation impacts, the underlying yield income was $230 million, or 2.5% 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 $82 million and led to market valuation losses on investment assets of $120 million. The net impact of risk-free rate changes was $38 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 market valuation losses on the assets backing unearned premiums which are not discounted.

In calculating the underlying ITR, an adjustment of $48 million has been made to materially remove the impact of investment market volatility. This adjustment unwinds the following market volatility impacts:

- $43 million gain from the narrowing of credit spreads
- $52 million gain from inflation-linked bond outperformance
- $38 million net reduction from changes in risk-free rates
- A timing adjustment of $9 million from the unwind of prior risk-free changes on assets backing unearned premium.

Shareholders' funds

Investment income on shareholders' funds was $98 million representing an annualised return of 3.7%. The portfolio was impacted by improving equity markets and narrower credit spreads, slightly offset by rising bond yields.

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Investment income on insurance funds									
Cash and short-term deposits	6	-	n/a	3	3	-	-	-	n/a
Interest-bearing securities and other	199	236	(15.7)	167	32	143	93	421.9	16.8
Total	**205**	**236**	**(13.1)**	**170**	**35**	**143**	**93**	**385.7**	**18.9**
Investment income on shareholder funds									
Cash and short-term deposits	5	-	n/a	4	1	-	-	300.0	n/a
Interest-bearing securities	32	69	(53.6)	31	1	55	14	large	(43.6)
Equities	50	(3)	n/a	26	24	(4)	1	8.3	n/a
Infrastructure and property	13	14	(7.1)	4	9	5	9	(55.6)	(20.0)
Alternative investments	(2)	-	n/a	(2)	-	-	-	n/a	n/a
Total	**98**	**80**	**22.5**	**63**	**35**	**56**	**24**	**80.0**	**12.5**
Total investment income	**303**	**316**	**(4.1)**	**233**	**70**	**199**	**117**	**232.9**	**17.1**

Life Insurance

Life underlying profit of $53 million was stable. Higher planned profit margins and the timing of one-off experience items were offset by reduced experience profits.

As life insurance accounting is designed to recognise profits over the life of a policy, changes in assumptions in one year will impact planned margins in subsequent years.

Higher planned profit margins and reduced experience profits compared to the prior period is due to the implementation of revised income protection and lapse assumptions at the end of the 2016 financial year, as well as natural claims volatility in the lump sum portfolio.

Other and investment income includes benefits from a legacy profit share arrangement in group life risk, as well as positive experience from repricing in prior periods. Underlying investment income remained stable.

Increased long term bond yields over the financial year led to negative market adjustments.

In-force premium contracted 0.9%. This was impacted by the run-off of the closed Group Risk book that was partially offset by growth in retail and direct due to stepped age and CPI impacts. New business volumes were subdued across all channels reflecting challenging market conditions, including increased regulatory scrutiny.

Profit contribution

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Planned profit margin release [1]	19	15	26.7	10	9	8	7	11.1	25.0
Experience	(6)	19	n/a	(4)	(2)	10	9	100.0	n/a
Other and investments	40	19	110.5	22	18	9	10	22.2	144.4
Underlying profit after tax	**53**	**53**	**-**	**28**	**25**	**27**	**26**	**12.0**	**3.7**
Market adjustments [2]	(19)	15	n/a	(5)	(14)	18	(3)	(64.3)	n/a
Net profit after tax	**34**	**68**	**(50.0)**	**23**	**11**	**45**	**23**	**109.1**	**(48.9)**

(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				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Advised	658	653	652	642	0.8	0.9
Direct via General Insurance brands	68	66	64	60	3.0	6.3
Group and other	80	82	97	96	(2.4)	(17.5)
Total	**806**	**801**	**813**	**798**	**0.6**	**(0.9)**

Life risk new business

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Total new business	62	74	(16.2)	29	33	36	38	(12.1)	(19.4)

Market adjustments

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

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Life risk policy liability impact (DAC)	2	29	(93.1)	1	1	25	4	-	(96.0)
Investment income experience	(21)	(14)	50.0	(6)	(15)	(7)	(7)	(60.0)	(14.3)
Total market adjustments	**(19)**	**15**	**n/a**	**(5)**	**(14)**	**18**	**(3)**	**(64.3)**	**n/a**

Life policy liability impact

The net impact of the increase and steepening of the yield curve over the financial year was $2 million.

Life policy liabilities are future cash flows discounted using risk-free rates and are negative in aggregate. 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.

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.

Investment income experience

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

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

Life Insurance shareholder investment income

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Shareholder investment income on invested assets	2	13	(84.6)	5	(3)	6	7	n/a	(16.7)
Less underlying investment income	(23)	(27)	(14.8)	(11)	(12)	(13)	(14)	(8.3)	(15.4)
Investment income experience	**(21)**	**(14)**	**50.0**	**(6)**	**(15)**	**(7)**	**(7)**	**(60.0)**	**(14.3)**

BANKING & WEALTH

Result overview

The Banking & Wealth function delivered profit after tax of $400 million impacted by additional investment in the Core Banking and Wealth platforms, both of which are crucial to support the Group strategy.

Banking NPAT improved to $396 million, representing a return on CET1 of 13.0%. The result reflects a sustainable approach to lending and funding through a period of changing economic and regulatory dynamics.

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

Net interest income was in line with the previous financial year at $1.1 billion. The full year NIM of 1.83% was at the top end of the target range, and above the target range for the second half of the financial year, following product repricing at the midpoint of the financial year.

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

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

The Wealth profit after tax of $4 million was impacted by the decision not to capitalise the cost of completing the Super Simplification Program (SSP) and lower investment returns throughout the period.

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

Banking & Wealth

Outlook

Banking & Wealth is committed to driving sustainable profitable growth. The business remains focused on growing savings and transaction banking solutions through improved digital capability and integrated customer offers. The additional investment in the Marketplace will also support national expansion of the Suncorp brand.

The current regulatory and political activity in the banking industry provides an opportunity for Suncorp. The Bank has a strong balance sheet, unchanged A+/A1/A+ issuer credit ratings and is not directly impacted by the recently introduced bank levy. This provides a comparative advantage to peers and will allow Suncorp to maintain a sustainable and diversified funding base.

Banking is seeing a range of benefits from operating as an advanced bank including improved granularity of information enabling better risk selection, better analysis of risk/return and improved credit quality and provisioning experience. Advanced modelling techniques also provide greater understanding of provisioning and capital requirements in stressed environments, enabling increased confidence in the strength of its capital and liquidity targets. As a result, impairment losses are expected to remain below the through-the-cycle range of 10 to 20 basis points of Gross Loans and Advances.

The Core Banking Platform implemented last financial year has taken longer than expected to fully embed and adapt for use in the Australian market. Suncorp will soon complete the final migration phase for remaining retail loans at which point it will pause the migration of deposits and transaction banking products, pending further system enhancements from the vendor. Suncorp recognises transaction banking as one of the most important services it provides to customers and will focus on accelerating payment technology and digital banking capabilities to deliver increased value to customers as society continues to progress towards cashless transactions.

With the completion of SSP, Wealth will benefit from a simplified platform and reduced investment costs in future periods with customers benefiting from lower fee product options. Superannuation solutions are included in the Marketplace, supporting Suncorp’s strategy.

The Banking & Wealth function continues to target a return on CET1 capital of 12.5% to 15.0%, supported by sustainable growth at or above system and a stable and diverse funding profile with a Net Stable Funding Ratio comfortably above 105%.

Profit contribution

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Net interest income	1,131	1,129	0.2	573	558	563	566	2.7	1.8
Net non-interest income									
Net banking fee income and commission	64	67	(4.5)	29	35	32	35	(17.1)	(9.4)
Gain on derivatives and other financial instruments	7	4	75.0	5	2	2	2	150.0	150.0
Other revenue	5	17	(70.6)	3	2	5	12	50.0	(40.0)
Total net non-interest income	76	88	(13.6)	37	39	39	49	(5.1)	(5.1)
Total income	1,207	1,217	(0.8)	610	597	602	615	2.2	1.3
Operating expenses	(636)	(639)	(0.5)	(329)	(307)	(313)	(326)	7.2	5.1
Profit before impairment losses on loans and advances	571	578	(1.2)	281	290	289	289	(3.1)	(2.8)
Impairment loss on loans and advances	(7)	(16)	(56.3)	(6)	(1)	(5)	(11)	500.0	20.0
Banking profit before tax	**564**	**562**	**0.4**	**275**	**289**	**284**	**278**	**(4.8)**	**(3.2)**
Income tax	(168)	(169)	(0.6)	(82)	(86)	(85)	(84)	(4.7)	(3.5)
Banking profit after tax	**396**	**393**	**0.8**	**193**	**203**	**199**	**194**	**(4.9)**	**(3.0)**
Wealth profit after tax	**4**	**25**	**(84.0)**	**(1)**	**5**	**12**	**13**	**n/a**	**n/a**
Banking & Wealth profit after tax	**400**	**418**	**(4.3)**	**192**	**208**	**211**	**207**	**(7.7)**	**(9.0)**

Banking ratios and statistics

	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	%	%	%	%	%	%
Lending growth (annualised)	1.92	4.55	4.23	(0.34)	5.43	3.58
Net interest margin (interest-earning assets)	1.83	1.86	1.87	1.78	1.86	1.85
Cost to income ratio	52.7	52.5	53.9	51.4	52.0	53.0
Impairment losses to gross loans and advances (annualised)	0.01	0.03	0.02	0.00	0.02	0.04
Common Equity Tier 1	9.23	9.21	9.23	9.20	9.21	9.45
Return on Common Equity Tier 1	13.0	13.2	12.5	13.5	13.3	13.1
Deposit to loan ratio	66.6	66.7	66.6	67.2	66.7	66.1

Banking

Loans and advances

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Housing loans	38,722	38,743	37,704	36,691	(0.1)	2.7
Securitised housing loans and covered bonds	6,122	5,332	6,548	6,355	14.8	(6.5)
Total housing loans	44,844	44,075	44,252	43,046	1.7	1.3
Consumer loans	254	268	312	345	(5.2)	(18.6)
Retail loans	45,098	44,343	44,564	43,391	1.7	1.2
Commercial (SME)	5,729	5,462	5,356	5,203	4.9	7.0
Agribusiness	4,497	4,383	4,360	4,258	2.6	3.1
Total Business loans	10,226	9,845	9,716	9,461	3.9	5.2
Total lending	**55,324**	**54,188**	**54,280**	**52,852**	**2.1**	**1.9**
Other lending	13	7	18	-	85.7	(27.8)
Gross loans and advances	55,337	54,195	54,298	52,852	2.1	1.9
Provision for impairment	(140)	(148)	(164)	(179)	(5.4)	(14.6)
Total loans and advances	**55,197**	**54,047**	**54,134**	**52,673**	**2.1**	**2.0**
Credit-risk weighted assets	**26,543**	**26,459**	**26,444**	**25,613**	**0.3**	**0.4**
Geographical breakdown - Total lending						
Queensland	29,288	28,935	29,132	28,735	1.2	0.5
New South Wales	14,469	13,925	13,808	13,162	3.9	4.8
Victoria	5,684	5,532	5,499	5,295	2.7	3.4
Western Australia	3,683	3,707	3,747	3,660	(0.6)	(1.7)
South Australia and other	2,200	2,089	2,094	2,000	5.3	5.1
Outside of Queensland loans	26,036	25,253	25,148	24,117	3.1	3.5
Total lending	**55,324**	**54,188**	**54,280**	**52,852**	**2.1**	**1.9**

Total lending

Total lending receivables, including securitised assets grew 1.9% from the prior comparative period to $55.3 billion.

Retail loans

Retail lending grew by 1.2% from the prior comparative period to $45.1 billion with home lending growth in the second half of 1.7%.

Several initiatives were implemented within the home lending portfolio to improve customer experience and increase efficiency, including reviewing the existing loan approval process, utilising risk-based verification for select activities and increasing customer-led opportunities. These initiatives, along with competitive price offerings, resulted in growth during the second half with momentum continuing into the new financial year.

Banking continued to maintain a high-quality lending portfolio as indicated through a range of measures including serviceability, customer credit quality and average loan-to-value (LVR) ratio.

Commercial (SME)

Commercial lending increased 7.0% to $5.7 billion reflecting controlled growth over the year.

Suncorp continued its practice of targeted reviews of key sectors and risk areas, including retail trading businesses, businesses impacted by weather events and the downstream impacts from the mining industry slowdown. The majority of commercial loans remain weighted towards the less than $5 million range.

Lending to inner-city apartment development, defined by developments within a five kilometre radius of a city's central business district, continues to be monitored closely. At balance date, loan balances for developments in these areas were $53 million. Suncorp predominately lends to known developers and the majority of loans in this sector are under $20 million and completed within 12 to 18 months.

Commercial (SME) portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	25%	4%	3%	32%	1,833
Hospitality & Accommodation	13%	1%	1%	15%	859
Construction & Development	8%	0%	1%	9%	516
Services (Inc. professional services)	11%	6%	3%	20%	1,146
Retail	5%	1%	1%	7%	401
Manufacturing & Mining	3%	1%	1%	5%	287
Other	8%	2%	2%	12%	687
Total %	**73%**	**15%**	**12%**	**100%**	
Total $M	**4,182**	**859**	**688**		**5,729**

Agribusiness

The Agribusiness portfolio grew 3.1% over the period to $4.5 billion.

Suncorp has a strong brand in the Agribusiness industry with an established history, market credibility and a deep understanding of farming operations in select sectors and geographies. Suncorp is known for having a strong local presence and a deep understanding and resilience for the inherent volatility of the industry.

The Agribusiness portfolio focusses on medium to large family-owned farming operations with mid-size lending requirements in key target industries and geographies. Suncorp continues to monitor this portfolio and industry through a strong risk management framework.

Agribusiness portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Agribusiness breakdown					
Beef	30%	3%	1%	34%	1,529
Grain & Mixed Farming	12%	15%	2%	29%	1,304
Sheep & Mixed Livestock	2%	4%	1%	7%	315
Cotton	4%	5%	0%	9%	405
Sugar	3%	0%	0%	3%	135
Fruit	3%	0%	0%	3%	135
Other	7%	2%	6%	15%	674
Total %	**61%**	**29%**	**10%**	**100%**	
Total $M	**2,743**	**1,304**	**450**		**4,497**

Bank funding composition

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Customer funding						
Customer deposits						
At-call deposits	18,945	18,951	17,758	18,109	-	6.7
Term deposits	17,895	17,451	18,471	16,809	2.5	(3.1)
Total customer funding	36,840	36,402	36,229	34,918	1.2	1.7
Wholesale funding						
Domestic funding						
Short-term wholesale	6,118	6,972	6,511	6,571	(12.2)	(6.0)
Long-term wholesale	4,062	3,913	3,588	3,592	3.8	13.2
Covered bonds	2,491	2,490	3,149	2,648	-	(20.9)
Subordinated notes	742	742	742	742	-	-
Total domestic funding	13,413	14,117	13,990	13,553	(5.0)	(4.1)
Overseas funding[(1)]						
Short-term wholesale	2,469	3,103	2,681	2,533	(20.4)	(7.9)
Long-term wholesale	2,663	3,182	3,123	2,651	(16.3)	(14.7)
Total overseas funding	5,132	6,285	5,804	5,184	(18.3)	(11.6)
Total wholesale funding	18,545	20,402	19,794	18,737	(9.1)	(6.3)
Total funding (excluding securitisation)	**55,385**	**56,804**	**56,023**	**53,655**	**(2.5)**	**(1.1)**
Securitisation						
APS 120 qualifying[(2)]	2,973	2,051	2,345	2,911	45.0	26.8
APS 120 non-qualifying	115	153	199	243	(24.8)	(42.2)
Total securitisation	3,088	2,204	2,544	3,154	40.1	21.4
Total funding (including securitisation)	**58,473**	**59,008**	**58,567**	**56,809**	**(0.9)**	**(0.2)**
Total funding is represented on the balance sheet by:						
Deposits	36,840	36,402	36,229	34,918	1.2	1.7
Short-term borrowings	8,587	10,075	9,192	9,104	(14.8)	(6.6)
Securitisation	3,088	2,204	2,544	3,154	40.1	21.4
Debt issues	9,216	9,585	9,860	8,891	(3.8)	(6.5)
Subordinated notes	742	742	742	742	-	-
Total funding	58,473	59,008	58,567	56,809	(0.9)	(0.2)
Deposit to loan ratio	**66.6%**	**67.2%**	**66.7%**	**66.1%**		

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

(2) Qualifies for capital relief under APS120.

Funding

Suncorp has a conservative approach to managing liquidity and funding risk ensuring a sustainable funding profile is in place to support balance sheet growth.

Suncorp gained greater access to stable funding through connected customer relationships and quality retail deposit growth during the financial year. The current Net Stable Funding Ratio (NSFR) is compliant with regulatory requirements in advance of its adoption in January 2018 and the Liquidity Coverage Ratio (LCR) has been managed at an appropriate buffer to the 100% prudential minimum requirement.

Suncorp's key funding and liquidity management strategies include:

- increasing stable deposits (both at-call and term deposits) coupled with an appropriate NSFR position
- maintaining a sustainable and diversified funding base across a range of long-term wholesale markets such as covered bond, domestic senior unsecured, and residential mortgage backed security (RMBS)
- lengthening the weighted average tenor of new long-term wholesale funding
- minimising the impact of market volatility by managing the maturity profile of liabilities
- ensuring short-term resilience by managing high-quality liquid assets comfortably above net cash outflows under various stress scenarios.

Net Stable Funding Ratio

Banking is well placed to meet the proposed NSFR requirements, which will be introduced from January 2018. The NSFR was estimated at 110% based on current APRA guidelines.

The Banking business monitors the composition and stability of its funding to remain within risk appetite. This includes compliance with both the LCR and upcoming NSFR requirements, with a focus on the stability of the overall funding profile rather than concentrating on a single measure.

Customer funding

Banking's deposit-to-loan ratio of 66.6% reflects focus on growing higher-quality deposits from customers.

Liquidity Coverage Ratio

The average LCR for the full year ended 30 June 2017 was 128%, ending the financial year at 123%.

The banking business holds a portfolio of 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 Reserve Bank of Australia (RBA).

Wholesale funding

Banking maintains a number of wholesale funding programs to ensure access to multiple markets during volatile periods. Suncorp actively maintains a diverse range of investors, both domestically and offshore, and is seeing increasing commonality between short-term and long-term investors.

During the year, Suncorp demonstrated its ability to execute across multiple markets by completing $4.1 billion in term wholesale issuance at a weighted average margin of 89 basis points over the BBSW90 rate and weighted average term of 4.0 years. This included domestic and offshore senior unsecured, covered bond and RMBS programs.

Banking continues to work with these investors and provide access to Suncorp credit which is highly sought after given Suncorp's stable ratings profile and conservatively positioned balance sheet.

The weighted average remaining maturity of Banking's long-term wholesale portfolio is 2.8 years.

Short-term wholesale liabilities outstanding reduced by $1.5 billion over the second half, with the proportion of domestic to offshore consistent through the period. The reduction in short-term wholesale liabilities is in line with the reduction in physical third-party non-government securities, a continuation of the move that has taken place as part of Australia's adoption of the Basel III standards.

The amount of wholesale liabilities maturing within the next 12 months has reduced by $1.9 billion over the full year. Wholesale liabilities maturing in 0-3 months has reduced by $1.4 billion over the year.

Wholesale funding instruments maturity profile

	Short-term $M	Long-term $M	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Maturity								
0 to 3 months	6,175	528	6,703	8,998	8,063	7,230	(25.5)	(16.9)
3 to 6 months	2,190	1,616	3,806	2,730	3,336	3,481	39.4	14.1
6 to 12 months[(1)]	222	597	819	2,051	1,832	2,232	(60.1)	(55.3)
1 to 3 years[(1)]	-	5,874	5,874	4,651	4,125	4,306	26.3	42.4
3+ years[(1)]	-	4,431	4,431	4,176	4,982	4,642	6.1	(11.1)
Total wholesale funding instruments	8,587	13,046	21,633	22,606	22,338	21,891	(4.3)	(3.2)

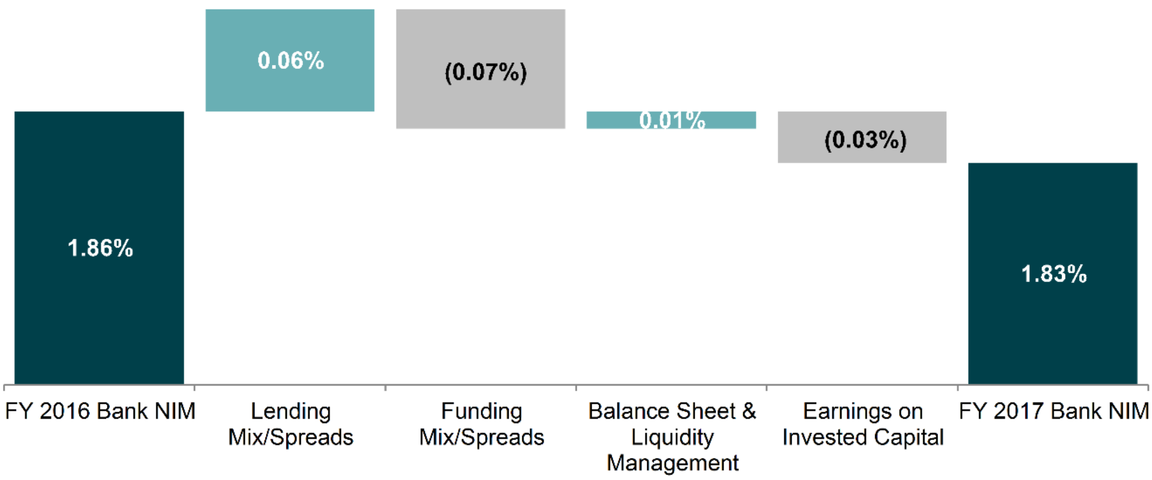
(1) The prior period comparatives have been restated in the noted maturity periods.

Net interest income

Net interest income of $1.1 billion was in line with the previous financial year. This is reflective of a period of lower lending growth and margin compression, largely attributable to the ongoing impact of a record low interest rate environment and the prevailing conditions of highly competitive lending and deposits markets.

The full year NIM result of 1.83% is within the top end of the target range and was shaped by re-pricing of lending portfolios and prudent balance sheet and liquidity management. This was offset by customer retention activity and price offerings, ongoing economic pressures, such as low interest rates, and increased funding costs which peaked in late 2016.

NIM movements



Average banking balance sheet

	Full Year Ended Jun-17			Half Year Ended Jun-17		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities[1]	7,817	206	2.64	7,497	96	2.58
Gross loans and advances	54,047	2,275	4.21	54,193	1,124	4.18
Total interest-earning assets	61,864	2,481	4.01	61,690	1,220	3.99
Non-interest earning assets						
Other assets (inc. loan provisions)	1,092			1,103		
Total non-interest earning assets	1,092			1,103		
Total assets	62,956			62,793		
Liabilities						
Interest-bearing liabilities						
Customer deposits	35,819	714	1.99	35,880	342	1.92
Wholesale liabilities	21,622	603	2.79	21,304	289	2.74
Subordinated loans	742	33	4.45	742	16	4.35
Total interest-bearing liabilities	58,183	1,350	2.32	57,926	647	2.25
Non-interest bearing liabilities						
Other liabilities	696			687		
Total non-interest bearing liabilities	696			687		
Total Liabilities	58,879			58,613		
Average Shareholders' Equity	4,077			4,180		
Non-Shareholder Accounting Equity	(50)			9		
Convertible Preference Shares	(508)			(567)		
Average Shareholders' Equity	3,519			3,622		
Goodwill allocated to Banking Business	(240)			(240)		
Average Shareholders' Equity (ex Goodwill)	3,279			3,382		
Analysis of interest margin and spread						
Interest-earning assets	61,864	2,481	4.01	61,690	1,220	3.99
Interest-bearing liabilities	58,183	1,350	2.32	57,926	647	2.25
Net interest spread			1.69			1.74
Net interest margin (interest-earning assets)	61,864	1,131	1.83	61,690	573	1.87
Net interest margin (lending assets)	54,047	1,131	2.09	54,193	573	2.13

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

Net non-interest income

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Net banking fee income and commission	64	67	(4.5)	29	35	32	35	(17.1)	(9.4)
Gain on derivatives and other financial instruments	7	4	75.0	5	2	2	2	150.0	150.0
Other revenue	5	17	(70.6)	3	2	5	12	50.0	(40.0)
Total net non-interest income	**76**	**88**	**(13.6)**	**37**	**39**	**39**	**49**	**(5.1)**	**(5.1)**

Total net non-interest income was $76 million for the year, down 13.6% from the prior comparative period. As low fee banking products continue to be a focus in the market, overall customer fees have remained relatively flat over the year. Higher mark to market gains on financial instruments are reflected in the full year position and other income has reduced to sustainable levels during the year.

Operating expenses

Operating expenses were flat at $636 million (FY16: $639 million) and represent a recalibration of costs throughout the year. The efficiencies realised from the aligned operating model were reinvested in the progressive rollout of the Suncorp strategy during the period. The investment led to growth in the second half with continued momentum expected into the new financial year. Banking will continue to invest in the Suncorp strategy in the medium term, before returning to historic operating expense levels.

The benefits of Suncorp's investment in the Core Banking Platform are being evidenced through ongoing process improvements and provide a foundation to further enhance Suncorp's digital and customer experience offerings.

Suncorp is the first company globally to roll out and operate Oracle's new end-to-end loan origination, servicing and collections platform, and the value of the platform is being realised by customers and the business.

Impairment losses on loans and advances

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Collective provision for impairment	(12)	(18)	(33.3)	(6)	(6)	(11)	(7)	-	(45.5)
Specific provision for impairment	9	32	(71.9)	9	-	16	16	n/a	(43.8)
Actual net write-offs	10	2	400.0	3	7	-	2	(57.1)	n/a
Impairment losses	**7**	**16**	**(56.3)**	**6**	**1**	**5**	**11**	**500.0**	**20.0**
Impairment losses to gross loans and advances (annualised)	**0.01%**	**0.03%**		**0.02%**	**0.00%**	**0.02%**	**0.04%**		

Impairment losses of $7 million for the full year represents 1 basis point of gross loans and advances, and remains below the target operating range of 10 to 20 basis points.

Changes to Suncorp's hardship policy and procedures, adopted from 1 December 2016 to align with regulatory standards, are now being reflected in increased past due loan arrears as anticipated and communicated in the first half. The changes include a six-month monitoring phase of customers meeting an agreed payment plan, and subject to the payments being maintained over this period, the loans will return to performing status.

Impairment losses on loans and advances (continued)

The reduction in collective provision for the full year reflects the sound and improving credit quality of Banking's lending portfolio and exit of higher risk connections. The requirement for specific provision continues to be assessed on an individual file basis.

Suncorp has reviewed its management and operational overlays in light of the fluctuating nature of market conditions and is comfortable that the level of provisioning in place across all portfolios is appropriate.

Net write-offs for the full year remained low and predominately reflected the finalisation of files in the retail banking portfolio, including the closure of small value overdrawn accounts.

Impaired assets

	Jun-17	Dec-16	Jun-16	Dec-15	Jun-17 vs Dec-16	Jun-17 vs Jun-16
	$M	$M	$M	$M	%	%
Retail lending	34	30	27	25	13.3	25.9
Agribusiness lending	79	96	117	109	(17.7)	(32.5)
Commercial/SME lending	60	59	62	42	1.7	(3.2)
Gross impaired assets	173	185	206	176	(6.5)	(16.0)
Specific provision for impairment	(44)	(46)	(56)	(60)	(4.3)	(21.4)
Net impaired assets	**129**	**139**	**150**	**116**	**(7.2)**	**(14.0)**
Gross impaired assets to gross loans and advances	**0.31%**	**0.34%**	**0.38%**	**0.33%**		

Gross impaired assets decreased by 16.0% from the prior period to $173 million, representing 31 basis points of gross loans and advances.

The reduction in Agribusiness impaired assets over the past twelve months reflects the benefits flowing through from favourable seasonal conditions, strong agricultural commodity prices for beef and legumes, the lower Australian dollar and the sale of rural property assets by one large customer.

The year on year moderate increase in retail lending impaired assets reflects a small increase in collections and repossession files, a slight increase in Western Australia arrears and disciplined action on timing of asset impairment.

Non-performing loans

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Gross balances of individually impaired loans						
Gross impaired assets	173	185	206	176	(6.5)	(16.0)
Specific provision for impairment	(44)	(46)	(56)	(60)	(4.3)	(21.4)
Net impaired assets	129	139	150	116	(7.2)	(14.0)
Size of gross individually impaired assets						
Less than one million	38	26	22	20	46.2	72.7
Greater than one million but less than ten million	73	102	117	100	(28.4)	(37.6)
Greater than ten million	62	57	67	56	8.8	(7.5)
	173	185	206	176	(6.5)	(16.0)
Past due loans not shown as impaired assets	426	338	404	381	26.0	5.4
Gross non-performing loans	599	523	610	557	14.5	(1.8)
Analysis of movements in gross individually impaired assets						
Balance at the beginning of the half year	185	206	176	218	(10.2)	5.1
Recognition of new impaired assets	40	55	86	48	(27.3)	(53.5)
Increases in previously recognised impaired assets	1	3	4	2	(66.7)	(75.0)
Impaired assets written off/sold during the half year	(9)	(7)	(18)	(35)	28.6	(50.0)
Impaired assets which have been reclassed as performing assets or repaid	(44)	(72)	(42)	(57)	(38.9)	4.8
Balance at the end of the half year	**173**	**185**	**206**	**176**	**(6.5)**	**(16.0)**

Gross non-performing loans have declined 1.8% from the prior period to $599 million. The result was primarily driven by lower gross impaired assets from the finalisation of a large agribusiness file and increased past due loans not shown as impaired following changes to the hardship policy and procedures adopted from 1 December 2016.

Banking continues to closely monitor the portfolios in elevated risk areas for any material deterioration in lending quality. A limited number of customers in the agribusiness and commercial sectors and the retail portfolio have been impacted by Cyclone Debbie in Central and Northern Queensland, and the subsequent flooding to parts of South-East Queensland and Northern New South Wales. Suncorp is continuing to support customers who were impacted by the weather events with access to a Financial Assistance Package.

Provision for impairment

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Collective provision						
Balance at the beginning of the period	102	108	119	126	(5.6)	(14.3)
Charge against impairment losses	(6)	(6)	(11)	(7)	-	(45.5)
Balance at the end of the period	96	102	108	119	(5.9)	(11.1)
Specific provision						
Balance at the beginning of the period	46	56	60	82	(17.9)	(23.3)
Charge against impairment losses	9	-	16	16	n/a	(43.8)
Impairment provision written off	(9)	(7)	(18)	(35)	28.6	(50.0)
Unwind of discount	(2)	(3)	(2)	(3)	(33.3)	-
Balance at the end of the period	44	46	56	60	(4.3)	(21.4)
Total provision for impairment - Banking activities	140	148	164	179	(5.4)	(14.6)
Equity reserve for credit loss (ERCL)						
Balance at the beginning of the period	85	85	96	146	-	(11.5)
Transfer (to) from retained earnings	(3)	-	(11)	(50)	n/a	(72.7)
Balance at the end of the period	82	85	85	96	(3.5)	(3.5)
Pre-tax equivalent coverage	117	121	121	137	(3.3)	(3.3)
Total provision for impairment and equity reserve for credit loss - Banking activities	257	269	285	316	(4.5)	(9.8)

	%	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	25.4	24.9	27.2	34.1
Provision for impairment expressed as a percentage of gross loans and advances are as follows:				
Collective provision	0.17	0.19	0.20	0.23
Specific provision	0.08	0.09	0.10	0.11
Total provision	0.25	0.28	0.30	0.34
ERCL coverage	0.21	0.23	0.22	0.26
Total provision and ERCL coverage	0.46	0.51	0.52	0.60

Total provision and ERCL coverage was 46 basis points of gross loans and advances. The decrease of 6 basis points over the period reflects an overall improvement in the credit quality of the business lending portfolio.

The decrease of $12 million in collective provision (CP) year on year was primarily driven by recoveries from business banking customers.

Suncorp continues to hold management and operational overlays within CP with minimal change during the year.

The reduction in specific provision over the period was underpinned by favourable agricultural conditions, improved commodity prices and lower gross impaired assets.

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	386	34	7	41	44	22%
Agribusiness lending	13	79	15	31	22	74%
Commercial/SME lending	27	60	22	24	51	111%
Total	**426**	**173**	**44**	**96**	**117**	**43%**

Retail lending past due loans increased by $28 million from the prior period mainly due to increased housing loan arrears in Queensland and Western Australia, and changes in the hardship process introduced in December 2016.

In response to the potential for an oversupply in the inner-city apartment market, Suncorp has continued with its cautious risk selection and close monitoring practices.

Suncorp also remains cognisant of the potential for deterioration in economic conditions, and conducts regular reviews of all non-performing loans for early identification of any material deterioration that may drive the requirement for a specific provision or impairment.

Wealth

Profit contribution

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Wealth underlying profit	(1)	21	n/a	(4)	3	11	10	n/a	n/a
Underlying investment income	11	11	-	5	6	5	6	(16.7)	-
Underlying profit after tax	**10**	**32**	**(68.8)**	**1**	**9**	**16**	**16**	**(88.9)**	**(93.8)**
Market and other adjustments	3	(8)	n/a	(3)	6	(7)	(1)	n/a	(57.1)
Investment income experience	(9)	1	n/a	1	(10)	3	(2)	n/a	(66.7)
Profit attributed to shareholders	**4**	**25**	**(84.0)**	**(1)**	**5**	**12**	**13**	**n/a**	**n/a**

Wealth profit attributed to shareholders reduced to $4 million for the full year, impacted by lower investment returns and the decision not to capitalise the costs to implement the SSP software platform. This was partly offset by profits from the annuity and participating businesses. Lower management fee revenues and changes to the aligned distribution channel also contributed to the overall result.

Wealth completed the final migration of members onto the new platform during the second half. In total, the program has reduced 43 on-sale and legacy superannuation and pension products down to 10, and 170,000 customers and $6.3 billion of assets have been migrated onto the new administration platform.

The benefits include improved cost efficiency, reduced operating risk, enhanced agility and improved ability to deliver on core customer priorities. The Wealth business is now focussed on embedding the changes, stabilising the new operating model and targeting growth through the Suncorp Marketplace.

Funds under management and administration

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Funds under management and administration						
Opening balance at the start of the period	7,490	7,452	7,424	7,412	0.5	0.9
Inflows	397	336	354	435	18.2	12.1
Outflows	(582)	(433)	(439)	(481)	34.4	32.6
Investment income and other	206	135	113	58	52.6	82.3
Balance at the end of the period	**7,511**	**7,490**	**7,452**	**7,424**	**0.3**	**0.8**

The total funds under management and administration increased slightly from the prior period to $7.5 billion. Wealth flows have been impacted by the exit of the aligned distribution channel, ongoing product & platform changes during the financial year and one-off transactions. Within the Suncorp Marketplace, superannuation is a key opportunity given the significance of planning for, and supporting, the retirement aspirations of our customers. Wealth will focus on key targeted opportunities within select customer groups being millennials, retirees and small to medium business owners. The business will leverage digital advice as a core advice offering, complemented by traditional advice models and create non-price value by supporting financial literacy.

NEW ZEALAND

Suncorp New Zealand continues to enhance and protect the financial wellbeing of New Zealand customers, connecting them to consumer and business insurance solutions through a variety of brands and channels.

Result overview

Suncorp New Zealand achieved a profit after tax of $87 million (A$82 million). The New Zealand General Insurance business, after excluding natural hazards and other one-off items, has maintained strong underlying performance. The New Zealand Life Insurance business performed solidly, supported by strong policy retention.

The General Insurance business delivered profit after tax of $47 million, significantly impacted by earthquake and weather related natural hazard events including the associated reinsurance reinstatement costs. The insurance trading result was $55 million representing an ITR of 4.7%, however Underlying ITR remains above the Group target of 12%.

GWP grew by 6.3% to $1,424 million, driven by strong growth in Home and Motor across all channels which offset the sale of the Autosure business. Commercial lines grew 4.4%, constrained by a highly competitive market characterised by unsustainable premium discounting.

Net incurred claims were $735 million, up 20.1%, driven by natural hazard events, increases in average claims cost and frequency, particularly in the Motor book, and several large Commercial claims.

Operating expenses increased by 4.9%, reflecting greater volumes and an increase in direct marketing costs to drive growth.

Overall investment income decreased to $24 million, driven by mark-to-market losses on the fixed-income portfolio due to increasing bond yields.

The New Zealand Life Insurance business delivered profit after tax of $40 million. In-force premium growth was 7.0% driven by strong new business growth and retention rates. Underlying net profit after tax of $42 million was flat on the prior year due to strengthening of claims assumptions.

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

Outlook

Suncorp New Zealand's priorities are aligned with the Group. There are a range of initiatives to deliver against these priorities including launching the Suncorp brand in New Zealand, delivering the Marketplace platform, digitising the Life Insurance quote and buy application process and continuing to grow the core business. These initiatives will build a more resilient business to meet a greater number of customer and business partner needs. The key initiatives will support New Zealand's underlying ITR, which is expected to be maintained at the current strong level.

The NextGen program of work is close to completion, with project benefits supporting performance in the 2018 financial year and beyond. Customer online claim self-service is one example of greater customer-centred capability enabled by this program.

GWP growth across the portfolio will be supported by Suncorp's pricing response to claims cost trends and the reinsurance impacts of recent natural hazard events.

Motor claims cost inflation has been seen across the industry. Suncorp will continue to focus on both pricing and claims processes, including the development of improved management tools such as ClaimCentre. SMART repair centres are one of the key responses to motor repair cost inflation. Increasing repair volumes are being processed through two new SMART centres in Auckland and Christchurch, and rollout of further centres will continue throughout the 2018 financial year. Reducing the cost and time of motor repairs will help manage claims inflation and deliver improved customer outcomes.

Suncorp New Zealand's balance sheet remains well protected by the Group reinsurance program. New Zealand continues to manage earthquake risk exposure to certain geographical areas and asset classes and is confident that adequate coverage is in place for key risks.

Life in-force premium and underlying profit growth are expected to continue through an ongoing focus on sustainable commissions, strong intermediary relationships and market leading retention. In response to claims assumption strengthening, pricing changes have been implemented to support growth in future year planned margins. The New Zealand life industry fundamentals remain sound. Additionally, digitising the quote and buy application process will drive a superior adviser and customer experience.

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

Profit contribution (AU$)

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	**1,345**	**1,228**	**9.5**	**666**	**679**	**607**	**621**	**(1.9)**	**9.7**
Gross unearned premium movement	(52)	(17)	205.9	(18)	(34)	9	(26)	(47.1)	n/a
Gross earned premium	1,293	1,211	6.8	648	645	616	595	0.5	5.2
Outwards reinsurance expense	(194)	(166)	16.9	(106)	(88)	(83)	(83)	20.5	27.7
Net earned premium	**1,099**	**1,045**	**5.2**	**542**	**557**	**533**	**512**	**(2.7)**	**1.7**
Net incurred claims									
Claims expense	(1,797)	(818)	119.7	(535)	(1,262)	(387)	(431)	(57.6)	38.2
Reinsurance and other recoveries revenue	1,104	256	331.3	196	908	101	155	(78.4)	94.1
Net incurred claims	**(693)**	**(562)**	**23.3**	**(339)**	**(354)**	**(286)**	**(276)**	**(4.2)**	**18.5**
Total operating expenses									
Acquisition expenses	(256)	(240)	6.7	(124)	(132)	(120)	(120)	(6.1)	3.3
Other underwriting expenses	(110)	(98)	12.2	(56)	(54)	(50)	(48)	3.7	12.0
Total operating expenses	**(366)**	**(338)**	**8.3**	**(180)**	**(186)**	**(170)**	**(168)**	**(3.2)**	**5.9**
Underwriting result	**40**	**145**	**(72.4)**	**23**	**17**	**77**	**68**	**35.3**	**(70.1)**
Investment income - insurance funds	13	18	(27.8)	9	4	12	6	125.0	(25.0)
Insurance trading result	**53**	**163**	**(67.5)**	**32**	**21**	**89**	**74**	**52.4**	**(64.0)**
Joint venture and other income	-	1	(100.0)	-	-	1	-	-	(100.0)
General Insurance operational earnings	**53**	**164**	**(67.7)**	**32**	**21**	**90**	**74**	**52.4**	**(64.4)**
Investment income - shareholder funds	10	21	(52.4)	5	5	11	10	-	(54.5)
General Insurance profit before tax	**63**	**185**	**(65.9)**	**37**	**26**	**101**	**84**	**42.3**	**(63.4)**
Income tax	(18)	(51)	(64.7)	(11)	(7)	(28)	(23)	57.1	(60.7)
General Insurance profit after tax	**45**	**134**	**(66.4)**	**26**	**19**	**73**	**61**	**36.8**	**(64.4)**
Life Insurance									
Underlying profit after tax	39	39	-	16	23	23	16	(30.4)	(30.4)
Market adjustments	(2)	10	n/a	4	(6)	9	1	n/a	(55.6)
Life Insurance profit after tax	**37**	**49**	**(24.5)**	**20**	**17**	**32**	**17**	**17.6**	**(37.5)**
New Zealand profit after tax	**82**	**183**	**(55.2)**	**46**	**36**	**105**	**78**	**27.8**	**(56.2)**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	%	%	%	%	%	%
Acquisition expenses ratio	23.3	23.0	22.9	23.7	22.5	23.4
Other underwriting expenses ratio	10.0	9.4	10.3	9.7	9.4	9.4
Total operating expenses ratio	33.3	32.4	33.2	33.4	31.9	32.8
Loss ratio	63.1	53.8	62.5	63.6	53.7	53.9
Combined operating ratio	96.4	86.2	95.7	97.0	85.6	86.7
Insurance trading ratio	**4.8**	**15.6**	**5.9**	**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.

Profit contribution (NZ$)

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	**1,424**	**1,339**	**6.3**	**710**	**714**	**658**	**681**	**(0.6)**	**7.9**
Gross unearned premium movement	(55)	(19)	189.5	(19)	(36)	9	(28)	(47.2)	n/a
Gross earned premium	1,369	1,320	3.7	691	678	667	653	1.9	3.6
Outwards reinsurance expense	(206)	(181)	13.8	(114)	(92)	(90)	(91)	23.9	26.7
Net earned premium	**1,163**	**1,139**	**2.1**	**577**	**586**	**577**	**562**	**(1.5)**	**-**
Net incurred claims									
Claims expense	(1,897)	(890)	113.1	(570)	(1,327)	(415)	(475)	(57.0)	37.3
Reinsurance and other recoveries revenue	1,162	278	318.0	207	955	106	172	(78.3)	95.3
Net incurred claims	**(735)**	**(612)**	**20.1**	**(363)**	**(372)**	**(309)**	**(303)**	**(2.4)**	**17.5**
Total operating expenses									
Acquisition expenses	(271)	(263)	3.0	(132)	(139)	(132)	(131)	(5.0)	-
Other underwriting expenses	(116)	(106)	9.4	(59)	(57)	(54)	(52)	3.5	9.3
Total operating expenses	**(387)**	**(369)**	**4.9**	**(191)**	**(196)**	**(186)**	**(183)**	**(2.6)**	**2.7**
Underwriting result	**41**	**158**	**(74.1)**	**23**	**18**	**82**	**76**	**27.8**	**(72.0)**
Investment income - insurance funds	14	20	(30.0)	10	4	13	7	150.0	(23.1)
Insurance trading result	**55**	**178**	**(69.1)**	**33**	**22**	**95**	**83**	**50.0**	**(65.3)**
Joint venture and other income	-	1	(100.0)	-	-	1	-	-	(100.0)
General Insurance operational earnings	**55**	**179**	**(69.3)**	**33**	**22**	**96**	**83**	**50.0**	**(65.6)**
Investment income - shareholder funds	10	23	(56.5)	5	5	13	10	-	(61.5)
General Insurance profit before tax	**65**	**202**	**(67.8)**	**38**	**27**	**109**	**93**	**40.7**	**(65.1)**
Income tax	(18)	(55)	(67.3)	(10)	(8)	(30)	(25)	25.0	(66.7)
General Insurance profit after tax	**47**	**147**	**(68.0)**	**28**	**19**	**79**	**68**	**47.4**	**(64.6)**
Life Insurance									
Underlying profit after tax	42	42	-	18	24	25	17	(25.0)	(28.0)
Market adjustments	(2)	11	n/a	4	(6)	9	2	n/a	(55.6)
Life Insurance profit after tax	**40**	**53**	**(24.5)**	**22**	**18**	**34**	**19**	**22.2**	**(35.3)**
New Zealand profit after tax	**87**	**200**	**(56.5)**	**50**	**37**	**113**	**87**	**35.1**	**(55.8)**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	%	%	%	%	%	%
Acquisition expenses ratio	23.3	23.1	22.9	23.7	22.9	23.3
Other underwriting expenses ratio	10.0	9.3	10.2	9.7	9.4	9.3
Total operating expenses ratio	33.3	32.4	33.1	33.4	32.3	32.6
Loss ratio	63.2	53.7	62.9	63.5	53.6	53.9
Combined operating ratio	96.5	86.1	96.0	96.9	85.9	86.5
Insurance trading ratio	**4.7**	**15.6**	**5.7**	**3.8**	**16.5**	**14.8**

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

General Insurance

Gross Written Premium

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by product									
Motor	340	317	7.3	176	164	163	154	7.3	8.0
Home	473	427	10.8	247	226	219	208	9.3	12.8
Commercial	571	547	4.4	273	298	252	295	(8.4)	8.3
Other	40	48	(16.7)	14	26	24	24	(46.2)	(41.7)
Total	**1,424**	**1,339**	**6.3**	**710**	**714**	**658**	**681**	**(0.6)**	**7.9**

Motor

Motor GWP grew 7.3% to $340 million.

Growth has been achieved in all channels, with strong performance through the AA Insurance direct business and key corporate partnerships. Growth has been supported by both price and units, with unit growth driven by increased market share and underlying system growth, with more cars on New Zealand roads. Growth also reflects a new corporate partnership with Turners Limited.

Home

Home GWP grew 10.8% to $473 million.

Home growth has been achieved across all channels through strong retention and increases in new business. Unit growth was underpinned by direct marketing campaigns and strong key corporate partner performance. Product pricing changes have been implemented in response to an increase in claim and reinsurance costs.

Commercial

Commercial lines include Property, Commercial Motor, Liability, Marine and Engineering insurances. Commercial GWP grew 4.4% to $571 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 aggressive growth of large international providers and new entrants. Pricing changes have been implemented in the second half to mitigate increased earthquake reinsurance premiums. There are early indications of price hardening in response to recent natural hazard events.

Other

Other products include the Autosure Motor warranty book, sold in March 2017. The sale has resulted in an $8 million reduction in GWP in the period.

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

Net incurred claims

Net incurred claims costs increased 20.1% to $735 million.

Natural hazard event costs were $56 million, $35 million over the allowance and $45 million higher than last year.

The net cost to Suncorp New Zealand of the Kaikoura earthquake was limited to $20 million due to the Group's main catastrophe program and internal reinsurance between Australia and New Zealand. Additional backup reinsurance was purchased following the Kaikoura earthquake which was amortised over the 2017 financial year.

Major natural hazard events are shown in the table below.

Date	Event	Net Costs $M
Nov 16	Kaikoura earthquake	20
Mar 17	Widespread North Island flooding	17
Apr 17	NZ Cyclone Debbie	8
Total events over $5 million[(1)]		**45**
Other natural hazards attritional claims		27
Natural hazards aggregate cover recovery		(16)
Total natural hazards		**56**
Less: allowance for natural hazards		(21)
Natural hazards costs above allowance		**35**

(1) Events with a gross cost over $5 million, shown net of recoveries from reinsurance excluding the natural hazards aggregate cover.

Motor claims costs have increased due to strong unit growth and average claim cost inflation. Claims frequency shows a small upward trend, attributable to a higher number of cars on the road. Average repair costs are rising due to a combination of a greater mix of larger vehicles on the road, more complex parts and increased labour costs. Since the launch of two new SMART centres in November 2016, turnaround times for customers and average repair costs have improved.

Home claims frequency was flat with average claims costs increasing due to higher building costs. The frequency and cost of methamphetamine contamination claims has reduced significantly in the second half year following product and pricing remediation.

Several large Commercial claims have impacted on current year profits however underlying claims frequency remains within expected thresholds.

The volume of new over-cap claims received from the Earthquake Commission in respect of the 2010/11 Canterbury earthquakes significantly reduced over the second half. Suncorp has not yet reflected this experience in the reserving, as it is too early to confirm a trend.

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

Outstanding claims provision

	Actual	Net Central Estimate (Discounted)	Risk Margin (90th Percentile Discounted)	Change In Net Central Estimate [(1)]
	$M	$M	$M	$M
Short-tail	239	197	42	16
Long-tail	81	69	12	(3)
Total	**320**	**266**	**54**	**13**

(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. Brackets (–) imply that there has been a release from outstanding reserves.

The valuation of outstanding claims resulted in net central estimate increases of $13 million. Short-tail strengthening was primarily due to the Canterbury earthquake 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 (UNL) for the Canterbury earthquakes has increased by $129 million, largely due to over-cap claims experience. The profit and loss impact associated with this increase was limited to a loss of $13 million due to the Group's reinsurance arrangements.

There was minimal impact on the net outstanding claims from the Kaikoura earthquake events as payments have reached the fully reinsured layers.

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Gross outstanding claims liabilities	1,526	1,600	855	959	(4.6)	78.5
Reinsurance and other recoveries	(1,206)	(1,285)	(571)	(673)	(6.1)	111.2
Net outstanding claims liabilities	**320**	**315**	**284**	**286**	**1.6**	**12.7**
Expected future claims payments and claims handling expenses	274	274	245	252	-	11.8
Discount to present value	(8)	(10)	(6)	(10)	(20.0)	33.3
Risk margin	54	51	45	44	5.9	20.0
Net outstanding claims liabilities	**320**	**315**	**284**	**286**	**1.6**	**12.7**
Short-tail	239	240	206	207	(0.4)	16.0
Long-tail	81	75	78	79	8.0	3.8
Total	**320**	**315**	**284**	**286**	**1.6**	**12.7**

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

Risk margins

Risk margins represent approximately 17% of outstanding claims reserves, giving an approximate level of confidence of 90%, in line with Suncorp Group policy.

Risk margins increased by $9 million to $54 million. The increase is largely in line with growth in the outstanding claims provision.

Operating expenses

Total operating expenses increased 4.9% to $387 million in line with business growth.

Acquisition costs increased 3.0% over the prior year to $271 million. Commission expenses grew in line with GWP. Marketing costs allocated to acquisition activities for AA Insurance decreased as current year activity focused on building brand awareness with customers. This resulted in an offsetting increase in the allocation of marketing costs to Other underwriting expenses ($4 million).

Other underwriting expenses increased 9.4% to $116 million due to increased marketing expenses and staff costs to support double-digit growth in the direct business. As the NextGen system improvement program draws to a close, amortisation of the initial project stages have impacted expenses. Other one-off costs were incurred during the year, including due diligence costs for Tower and implementation costs for partnering of transactional activities.

Asset allocation

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

	Half Year Ended					Asset Allocation	
	Jun-17	Jun-17	Dec-16	Jun-16	Dec-15	Dec-16	Jun-16
	$M	%	$M	$M	$M	%	%
Insurance funds							
Cash and short-term deposits	129	29.0	149	154	145	30.0	28.0
Corporate bonds	256	59.0	283	330	315	58.0	60.0
Local government bonds	43	10.0	52	57	56	11.0	11.0
Government bonds	8	2.0	6	5	5	1.0	1.0
Total Insurance funds	**436**	**100.0**	**490**	**546**	**521**	**100.0**	**100.0**
Shareholders' funds							
Cash and short-term deposits	45	12.0	48	56	53	15.0	15.0
Interest-bearing securities	200	53.5	183	206	231	57.0	54.0
Equities	129	34.5	89	118	100	28.0	31.0
Total shareholders' funds	**374**	**100.0**	**320**	**380**	**384**	**100.0**	**100.0**
Total	**810**		**810**	**926**	**905**		

Credit quality

AVERAGE	Jun-17 %	Dec-16 %	Jun-16 %	Dec-15 %
AAA	5.4	7.4	8.6	9.1
AA	65.7	66.2	62.9	60.6
A	26.3	23.9	26.3	27.7
BBB	2.6	2.5	2.2	2.6
	100.0	**100.0**	**100.0**	**100.0**

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

Duration

Duration (Yrs)	Jun-17	Dec-16	Jun-16	Dec-15
Insurance funds				
Interest rate duration	1.2	1.2	1.4	1.4
Shareholders' funds				
Interest rate duration	2.4	2.5	2.6	2.5

Investment performance

Total investment income was $24 million representing an annualised return of 2.8%. Overall investment income was lower than the prior year, as the rise in global bond yields resulted in mark to market losses on fixed interest investments. Investment assets were lower due to cash outflows related to natural hazard claim events.

Investment income on insurance funds was $14 million, which included mark-to-market losses of $3 million. Underlying investment income on insurance funds was $17 million, representing an annualised return of 3.5%.

Investment income on shareholders' funds was $10 million representing an annualised return of 2.8%. Mark-to-market losses were $9 million, which includes $3 million relating to the shareholding in Tower. Excluding these losses, underlying investment income on shareholders' funds was $19 million, representing an annualised return of 5.3%.

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Investment income on insurance funds									
Cash and short-term deposits	2	4	(50.0)	1	1	2	2	-	(50.0)
Interest-bearing securities and other	12	16	(25.0)	9	3	11	5	200.0	(18.2)
Total	**14**	**20**	**(30.0)**	**10**	**4**	**13**	**7**	**150.0**	**(23.1)**
Investment income on shareholder funds									
Cash and short-term deposits	2	3	(33.3)	1	1	1	2	-	-
Interest-bearing securities	4	11	(63.6)	3	1	7	4	200.0	(57.1)
Equities	4	9	(55.6)	1	3	5	4	(66.7)	(80.0)
Total	**10**	**23**	**(56.5)**	**5**	**5**	**13**	**10**	**-**	**(61.5)**
Total investment income	**24**	**43**	**(44.2)**	**15**	**9**	**26**	**17**	**66.7**	**(42.3)**

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

Life Insurance

Profit after tax for the year was $40 million, with underlying profit after tax of $42 million flat on the prior year.

Planned margins fell slightly with growth in in-force premiums offset by the impact of prior year changes to claims assumptions. Pricing changes have been implemented to support growth in future year planned margins.

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.

Neutral claims experience reflected lower lump sum claim levels offsetting a small increase in Income Protection claim volumes.

Growth remained strong with in-force premium increasing to $245 million and new business flat on the prior year.

Profit contribution

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
Life New Zealand	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Planned profit margin	31	32	(3.1)	16	15	16	16	6.7	-
Experience	6	(1)	n/a	1	5	3	(4)	(80.0)	(66.7)
Other	5	11	(54.5)	1	4	6	5	(75.0)	(83.3)
Underlying profit after tax	**42**	**42**	**-**	**18**	**24**	**25**	**17**	**(25.0)**	**(28.0)**
Market adjustments	**(2)**	**11**	**n/a**	**4**	**(6)**	**9**	**2**	**n/a**	**(55.6)**
Net profit after tax	**40**	**53**	**(24.5)**	**22**	**18**	**34**	**19**	**22.2**	**(35.3)**

Life risk in-force annual premium by channel

In-force premium increased 7.0% to $245 million, driven by new business and policy retention. Cancellation rates remain at the low end of the New Zealand market, reflecting continued customer focus across the business and an emphasis on relationships with quality intermediaries.

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Advised	198	194	185	179	2.1	7.0
Direct	39	39	38	37	-	2.6
Group and other	8	7	6	6	14.3	33.3
Total	**245**	**240**	**229**	**222**	**2.1**	**7.0**

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

Life risk new business

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Total new business	26	26	-	11	15	12	14	(26.7)	(8.3)

New business was flat on the prior year. The focus on sustainable adviser commission options has continued, resulting in almost half of new business during the year being sold on level or reduced initial commission terms.

Strong growth in the first half of the financial year was driven by successful tendering of a number of large new schemes in the Group Life business. The Group Life business has benefited from a revised product offering and greater alignment with New Zealand's large brokers as part of New Zealand's operating model changes.

Direct new business volumes were impacted in the second half of the financial year as call centres transitioned to a new model, which is now in place.

Funds under management and administration

Policyholder funds under management and administration of $693 million relate to legacy life and superannuation products which are closed to new business. The value of funds continues to gradually decline, as policyholder withdrawals are only partially offset by contractual contributions and investment earnings.

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16 (1)	Jun-16 (1)	Dec-15 (1)	vs Dec-16 (1)	vs Jun-16 (1)
	$M	$M	$M	$M	%	%
Funds under management and administration						
Opening balance at the start of the period	704	739	745	750	(4.7)	(5.5)
Net inflows (outflows), investment income and other	(11)	(35)	(6)	(5)	(68.6)	83.3
Balance at the end of the period	**693**	**704**	**739**	**745**	**(1.6)**	**(6.2)**

(1) The comparative figures above have been restated to exclude Policy Loan receivables (loans to policyholders that are secured against their policy surrender values). The impact is a reduction in the period end balances of $5m at 31 December 2016, $5m at 30 June 2016 and $5m at 31 December 2015.

Operating expenses

Operating expenses are flat on the prior year, with impacts from business growth and inflation offset by efficiencies gained from the new operating model.

The acquisition expense ratio has improved over the year, reflecting a higher uptake of lower-upfront commission options by advisers.

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

Market adjustments

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Life risk policy liability impact	(2)	7	n/a	2	(4)	6	1	n/a	(66.7)
Annuities market adjustments	1	(1)	n/a	-	1	(1)	-	(100.0)	(100.0)
Investment income experience	(1)	5	n/a	2	(3)	4	1	n/a	(50.0)
Total market adjustments	**(2)**	**11**	**n/a**	**4**	**(6)**	**9**	**2**	**n/a**	**(55.6)**

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 year market adjustments were impacted by an increase of approximately 70 basis points in long-term interest rates.

Life risk policy liability impact

Risk-free rates are used to discount Life risk policy liabilities. Net policy liabilities are negative (ie. an asset) due to the level of deferred acquisition costs (DAC) held against the Risk policy liabilities. An increase in discount rates leads to a loss while a decrease leads to a gain. This volatility represents the impact of accounting revaluation adjustments to reflect the movements of interest rates and the impact on the DAC. This impact was a net loss of $2 million in the year.

Investment income experience

Investment income experience represents the difference between the New Zealand Life Insurance business' longer term shareholder investment return assumptions and actual market returns in the period. Investment assumptions are outlined in Appendix 7.

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Shareholder investment income on invested assets	4	11	(63.6)	4	-	7	4	n/a	(42.9)
Less underlying investment income	(5)	(6)	(16.7)	(2)	(3)	(3)	(3)	(33.3)	(33.3)
Investment income experience	**(1)**	**5**	**(120.0)**	**2**	**(3)**	**4**	**1**	**n/a**	**(50.0)**

New Zealand Life Insurance shareholder assets are invested in cash and fixed interest securities. These assets generated capital losses in the year due to the increase in market yields.

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

CUSTOMER

Overview

Through focused customer experience improvements and targeted retention and growth initiatives, the Group's customer base increased by 399,000, including 252,000 from entry into South Australian CTP.

The Group's strategic priority is to 'elevate the customer' by making experiences easy for the customer, developing integrated solutions and customer journeys, and connecting customers to the 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.

Connecting customers to the Marketplace

The delivery of new value for customers has been a priority and progress has made across channels and solutions.

Digital

— Enabling customers to view and manage their Suncorp Insurance solutions within the Suncorp Mobile Banking App

— Making it faster and easier for customers to buy personal loan and health insurance solutions, through online application

— Introducing AAMI customers to Suncorp home and car lending solutions through the AAMI Access App and the AAMI Customer Hub

— Creating the AAMI SmartPlates Learner Driver App to reduce the time and effort required to learn to drive. The app has been launched in South Australia and Queensland to date, achieving strong penetration of the learner-driver market

— Launching the Suncorp Money profiles content hub. This tool helps people understand their attitude and beliefs about money. The hub is supported by a range of relevant products to help customers make good choices and improve their financial wellbeing.

Stores

— Launch of Parramatta and Carindale concept stores. The stores showcase the Group's portfolio of brands, connecting customers to a wide range of solutions from both Suncorp and third parties. The Stores provide a test and learn environment, allowing new methods of customer interaction and creating the ability to test processes, propositions and technologies in real time.

Contact Centres

— Pilot of a new platform to provide a single Group-view of the customer. This platform has improved customer experience and employee engagement by empowering team members at the frontline to understand and meet more customer needs.

Improving customer experiences

The Group has delivered key initiatives during the year to improve the level of service provided to customers:

- The motor claims zero touch functionality includes the use of Artificial Intelligence to automate liability decisions, which enables the customers to fully lodge their claim, as well as find and book a repairer removing the need for a call back through the process
- Significantly improving the time taken for customers to execute core banking needs (changing interest rates, changing loan types, redrawing cash from loans and conditional approval for home loans)
- Establishing the Office of the Customer Advocate, to help drive better outcomes and experiences for Suncorp
- Opening two new SMART repair centres in New Zealand, to drive further claims experience improvements.

Connecting new solutions and third party partnerships to the platform

The Group developed new solutions and capability with third party providers:

- Bundled incentives enabled frontline staff to discuss home and motor needs in single customer conversations.
- Introduction of AAMI customers to Suncorp home lending, CIL customers to Apia, and Apia customers to Suncorp banking through the Freedom Access account
- The nib health fund partnership was expanded to create Suncorp and AAMI health insurance
- The Challenger partnership introduced an annuities product providing customers with greater retirement choices
- Suncorp and Trōv co-developed the Trov Protection insurance product to offer customers, particularly millennials (69% of customers are aged 18-34), on demand access to insurance for single items such as cameras, tablets and laptops. Since launch, the Trov has generated over 20,000 registered users.

Outlook

Suncorp's vision is to 'be the destination for moments that matter' with one of the Group's strategic priorities being 'elevate the customer'. This will be achieved by making customer experiences easy; connecting customers to the Suncorp Marketplace, and; developing integrated solutions and customer journeys.

The Group continues to focus on broadening and deepening relationships with customers by connecting them to complementary solutions and experiences that solve their problems and meet more of their needs. Connected Customers will drive value by improving retention.

The financial services Marketplace will link customers, through both digital and physical channels, to a suite of trusted brands with products, integrated offers and customer journeys. In the 2018 financial year, Suncorp will:

— Continue to invest in digital solutions to make financial services simpler and easier for customers to access, including the delivery of key mobile application functionality

— Deliver Home and Mobility buying customer journeys, ensuring that more of customers' needs are met in the moments that matter

— Develop meaningful integrated offers for customers that leverage the Group's unique breadth of products and services

— Deliver a Group-wide reward and recognition program to encourage proactive customer engagement and loyalty

— Build an ecosystem of partners to enhance the financial wellbeing of customers

— Build Suncorp brand equity whilst positioning it as the endorser brand for the Group.

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, regulatory frameworks 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

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

Review of capital targets

The Group reviews its capital targets annually utilising both the Group's Risk Based Capital models and capital stress testing. As a result of the annual review of capital targets:

— the CET1 target operating range for the General Insurance businesses has been increased to 1.0 – 1.2 times the Prescribed Capital Amount reflecting the higher level of volatility experienced in claims costs in recent years resulting in an increase in tail risk outcomes across both Consumer lines and CTP. The Total Capital target operating range remains unchanged

— the Bank CET1 target operating range is unchanged at 8.5% - 9.0% of Risk Weighted Assets

— the capital targets for the Life businesses have not changed materially

— the SGL and Corporate Services capital targets are also unchanged, however at 30 June 2017 a temporary additional amount of target capital was held at a Group level to allow for the expected capital impact of planned additional investments in infrastructure and property and portfolio changes following the successful transition of investment funds to new managers.

Capital position at 30 June 2017

During the year, the Group issued $375 million of Additional Tier 1 capital notes through SGL as part of its capital management strategy. In addition, the General Insurance businesses issued $330 million of Tier 2 subordinated notes directly out of the Australian licensed issuer. The General Insurance businesses also redeemed a total of $328 million of previously issued subordinated debt.

The Group's Excess CET1 (ex dividend) increased to $377 million. The main drivers of the increase in the Group's excess capital position was FY17 NPAT net of dividend payments, partially offset by:

— an increase in the General Insurance capital targets

— an increase in Bank Risk Weighted Assets due to growth partially offset by the capital benefits from a securitisation transaction

— an increase in the Life policy liability adjustment

— a temporary increase in the Group Target

— a reduction in goodwill and intangibles.

	As at 30 June 2017					
	General Insurance (2)	Bank (2)	Life	SGL, Corp Services & Consol	Total	Total 30 June 2016
	$M	$M	$M	$M	$M	$M
CET1	3,115	2,963	461	86	6,625	6,338
CET1 Target	2,593	2,809	335	35	5,772	5,552
Excess to CET1 Target (pre div)	522	154	126	51	853	786
Group Dividend (3)					(476)	(440)
Group Excess to CET1 Target (ex div)					377	346
Common Equity Tier 1 Ratio (1)	1.32x	9.23%	2.00x			
Total Capital	4,180	4,685	561	86	9,512	8,860
Total Target Capital	3,535	3,933	397	15	7,880	7,743
Excess to Target (pre div)	645	752	164	71	1,632	1,117
Group Dividend (3)					(476)	(440)
Group Excess to Target (ex div)					1,156	677
Total Capital Ratio (1)	1.77x	14.59%	2.44x			

(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 businesses' CET1 position was 1.32 times the PCA, above its target operating range of 1.0 - 1.2 times PCA

— the Bank's CET1 Ratio was 9.23%, above its target operating range of 8.5% - 9.0%

— Life businesses' excess CET1 to target was $126 million

— an additional $51 million of excess CET1 was held at the SGL and Corporate Services level.

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

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 function provides investment strategy advice, external investment manager selection and oversight, investment implementation and investment risk management services to the Group. Over the course of the 2017 financial year, a program of work to diversify investment manager exposure was substantially realised, facilitating the diversification of investment and business risks. In addition, the establishment of a global investment grade credit portfolio and an allocation to a low-volatility absolute return strategy have further diversified the portfolios' market, geographic and sector risks.

Investment markets commentary

The 2017 financial year began in the aftermath of the 'Brexit' vote while, domestically, low inflation led to a further RBA rate cut taking the cash rate to a record low 1.5%. Australian bond yields and breakeven inflation followed suit also registering new lows in August 2016.

At the same time signs of resilience in global growth and rising commodity prices became evident, contributing to a turning point for bond markets. The move higher in yields was accentuated in November as Trump secured the US Presidency and markets adopted a 'risk on' tone. The anticipation of fiscal stimulus and stronger US growth saw sharp advances in share markets, bond yields and inflation expectations. Meanwhile, the US Federal Reserve continued its gradual tightening of monetary policy.

The 'reflation' theme was sustained into early 2017 before doubts emerged regarding Trump's ability to pursue his domestic agenda. This coincided with a softer period for US growth and a pullback in commodity prices. Accordingly, bond yields and inflation expectations retraced a portion of the increase from their lows, before moving sharply higher in late June on the back of central banks' intentions to remove stimulus. Global share markets, however, continued to rally amid strong profit growth, both domestically and offshore.

In Australia, 2017 has seen greater concern over indebtedness and housing excesses, creating uncertainty regarding the impact of mortgage repricing and macro-prudential policy tightening. Nevertheless, the economic trends remain broadly favourable, with business investment displaying signs of improvement and inflation firming.

In this environment, growth assets outperformed fixed interest which registered only a modest return for the year. Looking ahead, Suncorp anticipates a continuation of this theme, although lower equity returns are expected.

Investment markets commentary (continued)

The key market metrics for the year are tabled below.

Investment Variables	Jun-17	Jun-16	Jun-17 vs Jun-16
3 year bond yield	1.91	1.55	+36bp
10 year bond yield	2.60	1.98	+62bp
10 year breakeven inflation rate	1.81	1.57	+24bp
AA 3 year credit spreads	81	119	-38bp
Semi-government spreads	29	35	-6bp
Australian fixed interest (Bloomberg composite index)	9,009	8,987	+0.2%
Australian equities (total return)	55,759	48,872	+14.1%
International equities (hedged total return)	1,489	1,235	+20.6%

Suncorp Group Limited

Suncorp Group Limited's investment portfolio supports the Group non-operating holding company (NOHC) structure and distributions to shareholders. Investment assets were $516 million at 30 June 2017 and comprised 41% cash and 59% high quality fixed income securities, with an interest rate duration of 1.1 years, credit spread duration of 1.5 years and an average credit rating of 'A'. Investment income was $15 million, representing an annualised return of 2.8%.

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
(Pre-tax)	$M	$M	%	$M	$M	$M	$M	%	%
Investment income									
Cash and short-term deposits	5	6	(16.7)	3	2	3	3	50.0	-
Interest-bearing securities and other	10	12	(16.7)	6	4	8	4	50.0	(25.0)
Total	**15**	**18**	**(16.7)**	**9**	**6**	**11**	**7**	**50.0**	**(18.2)**

DIVIDENDS

The final ordinary dividend of 40 cents per share will be fully franked and paid on 20 September 2017. The ex-dividend date is 16 August 2017.

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

	Half Year Ended		
	Jun-17	Dec-16	Jun-16
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**235**	**230**	**146**

INCOME TAX

	Full Year ended		Jun-17
	Jun-17	Jun-16	vs Jun-16
	$M	$M	%
Reconciliation of prima facie income tax expense to actual tax expense:			
Profit before tax	1,608	1,507	6.7
Prima facie domestic corporate tax rate of 30% (2016: 30%)	482	452	6.6
Effect of tax rates in foreign jurisdiction	(2)	(5)	(60.0)
Effect of income taxed at non-corporate tax rate - Life	2	4	(50.0)
Tax effect of amounts not deductible (assessable) in calculating taxable income:			
Non-deductible expenses	27	14	92.9
Non-deductible expenses - Life	26	11	136.4
Amortisation of intangible assets	6	6	-
Dividend adjustments	21	9	133.3
Tax exempt revenues	(7)	(2)	250.0
Current year rebates and credits	(29)	(31)	(6.5)
Prior year under/over provision	(3)	(3)	-
Other	-	7	(100.0)
Total income tax expense (benefit) on pre-tax profit	523	462	13.2
Effective tax rate	32.5%	30.7%	6.1%
Income tax expense recognised in profit consists of:			
Current tax expense			
Current tax movement	556	523	6.3
Current year rebates and credits	(29)	(31)	(6.5)
Adjustments for prior financial years	(4)	(33)	(87.9)
Total current tax expense	523	459	13.9
Deferred tax expense			
Origination and reversal of temporary differences	(1)	(27)	(96.3)
Adjustments for prior financial years	1	30	(96.7)
Total deferred tax expense	-	3	(100.0)
Total income tax expense	523	462	13.2
Income tax expense (benefit) by business unit			
Insurance (Australia)	306	230	33.0
Banking & Wealth	189	179	5.6
New Zealand	35	72	(51.4)
Other	(7)	(19)	(63.2)
Total income tax expense	**523**	**462**	13.2

The effective tax rate was higher at 32.5% (2016: 30.7%), contributing factors included the following:

— Non-deductible capital loss relating to the sale of Autosure (NZ) and unrealised losses made on purchase of an interest in Tower (NZ)

— Non-deductible interest paid in respect of preference shares increased income tax expense by $12 million (June 2016: $13 million)

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

— The lower statutory income tax rates applicable to the Complying Superannuation Fund and Segregated Exempt Asset class of the Life company has had a limited impact on the effective tax rate 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 and credits from allowable concessions under the tax law.

GENERAL INSURANCE REINSURANCE

Outwards reinsurance expense for the 2017 financial year was $1,155 million, an increase of $185 million which included the cost of the new natural hazards aggregate cover, new SA CTP quota share and additional backup protection following the Kaikoura earthquake.

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

The upper limit on Suncorp's main catastrophe program, which covers the Group's Home, Motor and Commercial Property portfolios for major events, will remain unchanged at $6.9 billion for the 2018 financial year. In line with RBNZ regulatory requirements, New Zealand protection is 100% placed to $6.3 billion with additional 65% coverage from $6.3 billion to $6.9 billion.

The maximum event retention is $250 million. Additional cover has been purchased to reduce this retention to $200 million for a second Australian event and to $50 million for third and fourth events. For New Zealand risks, the Group purchases a multi-year cover which reduces the first event retention to NZ$50 million and the second event retention to NZ$25 million. For capital efficiency purposes, an internal reinsurance arrangement reduces the Suncorp New Zealand retention to NZ$20 million for the first and second events.

Suncorp has again purchased a natural hazards aggregate protection. This provides $300 million of cover over the retained portion of natural hazard events greater than $10 million that exceed a total of $475 million. The retained natural hazard allowance has increased by $72 million to $692 million reflecting the increased frequency and severity of natural hazards in recent years.

Reinsurance security has been maintained for the 2018 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.

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Revenue									
Insurance premium income	10,344	9,899	4.5	5,171	5,173	4,937	4,962	(0.0)	4.7
Reinsurance and other recoveries income	3,280	1,621	102.3	1,689	1,591	829	792	6.2	103.7
Interest income on									
financial assets not at fair value through profit or loss	2,464	2,622	(6.0)	1,217	1,247	1,298	1,324	(2.4)	(6.2)
financial assets at fair value through profit or loss	591	606	(2.5)	302	289	308	298	4.5	(1.9)
Net gains on financial assets or liabilities at fair value through profit or loss	91	-	n/a	91	-	-	-	n/a	n/a
Dividend and trust distribution income	74	171	(56.7)	19	55	50	121	(65.5)	(62.0)
Fees and other income	551	568	(3.0)	268	283	268	300	(5.3)	-
Total revenue	17,395	15,487	12.3	8,757	8,638	7,690	7,797	1.4	13.9
Expenses									
Claims expense and movement in policyowner liabilities	(9,228)	(7,561)	22.0	(4,739)	(4,489)	(3,737)	(3,824)	5.6	26.8
Outwards reinsurance premium expense	(1,445)	(1,220)	18.4	(751)	(694)	(631)	(589)	8.2	19.0
Underwriting and policy maintenance expenses	(2,387)	(2,334)	2.3	(1,165)	(1,222)	(1,139)	(1,195)	(4.7)	2.3
Interest expense on									
financial liabilities not at fair value through profit or loss	(1,369)	(1,493)	(8.3)	(662)	(707)	(737)	(756)	(6.4)	(10.2)
financial liabilities at fair value through profit or loss	(73)	(94)	(22.3)	(38)	(35)	(46)	(48)	8.6	(17.4)
Net losses on financial assets and liabilities not at fair value through profit or loss	-	(160)	(100.0)	65	(65)	(27)	(133)	n/a	n/a
Impairment loss on loans and advances	(7)	(16)	(56.3)	(6)	(1)	(5)	(11)	500.0	20.0
Amortisation and depreciation expense	(168)	(165)	1.8	(93)	(75)	(94)	(71)	24.0	(1.1)
Fees, overheads and other expenses	(933)	(913)	2.2	(488)	(445)	(510)	(403)	9.7	(4.3)
Outside beneficial interests in managed funds	(177)	(24)	large	(84)	(93)	(16)	(8)	(9.7)	425.0
Total expenses	(15,787)	(13,980)	12.9	(7,961)	(7,826)	(6,942)	(7,038)	1.7	14.7
Profit before income tax	1,608	1,507	6.7	796	812	748	759	(2.0)	6.4
Income tax benefit (expense)	(523)	(462)	13.2	(253)	(270)	(236)	(226)	(6.3)	7.2
Profit for the period	**1,085**	**1,045**	**3.8**	**543**	**542**	**512**	**533**	**0.2**	**6.1**
Other comprehensive income									
Items that will be reclassified subsequently to profit or loss									
Net change in fair value of cash flow hedges	(60)	26	n/a	(24)	(36)	5	21	(33.3)	n/a
Net change in fair value of available-for-sale financial assets	13	(2)	n/a	6	7	1	(3)	(14.3)	500.0
Exchange differences on translation of foreign operations	(1)	75	n/a	(8)	7	19	56	n/a	n/a
Income tax benefit (expense)	14	(7)	n/a	4	10	(1)	(6)	(60.0)	n/a
	(34)	92	n/a	(22)	(12)	24	68	83.3	n/a
Items that will not be reclassified subsequently to profit or loss									
Actuarial gains (losses) on defined benefit plans	8	(10)	n/a	8	-	(10)	-	n/a	n/a
Income tax (expense) benefit	(3)	3	n/a	(3)	-	3	-	n/a	n/a
	5	(7)	n/a	5	-	(7)	-	n/a	n/a
Total Other comprehensive income	(29)	85	n/a	(17)	(12)	17	68	41.7	n/a
Total comprehensive income for the period	**1,056**	**1,130**	**(6.5)**	**526**	**530**	**529**	**601**	**(0.8)**	**(0.6)**
Profit for the period attributable to:									
Owners of the Company	1,075	1,038	3.6	538	537	508	530	0.2	5.9
Non-controlling interests	10	7	42.9	5	5	4	3	-	25.0
Profit for the period	**1,085**	**1,045**	**3.8**	**543**	**542**	**512**	**533**	**0.2**	**6.1**
Total comprehensive income for the period attributable to:									
Owners of the Company	1,046	1,123	(6.9)	521	525	525	598	(0.8)	(0.8)
Non-controlling interests	10	7	42.9	5	5	4	3	-	25.0
Total comprehensive income for the period	**1,056**	**1,130**	**(6.5)**	**526**	**530**	**529**	**601**	**(0.8)**	**(0.6)**

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

Consolidated statement of financial position

	General Insurance Jun-17 $M	Banking Jun-17 $M	Life Jun-17 $M	Corporate Jun-17 $M	Eliminations Jun-17 $M	Consolidation Jun-17 $M
Assets						
Cash and cash equivalents	621	903	586	43	(313)	1,840
Receivables due from other banks	-	567	-	-	-	567
Trading securities	-	1,520	-	-	-	1,520
Derivatives	36	138	14	-	-	188
Investment securities	12,186	4,560	5,835	14,770	(15,024)	22,327
Loans and advances	-	55,197	-	-	-	55,197
Premiums outstanding	2,603	-	17	-	-	2,620
Reinsurance and other recoveries	3,135	-	218	-	-	3,353
Deferred reinsurance assets	837	-	-	-	-	837
Deferred acquisition costs	700	-	4	-	-	704
Gross policy liabilities ceded under reinsurance	-	-	585	-	-	585
Property, plant and equipment	47	-	3	150	-	200
Deferred tax assets	35	51	23	117	-	226
Goodwill and other intangible assets	4,952	262	217	390	-	5,821
Other assets	781	147	122	74	-	1,124
Due from related parties	198	316	34	1,273	(1,821)	-
Total assets	26,131	63,661	7,658	16,817	(17,158)	**97,109**
Liabilities						
Payables due to other banks	-	50	-	-	-	50
Deposits and short-term borrowings	-	45,427	-	-	(322)	45,105
Derivatives	19	354	3	-	-	376
Amounts due to reinsurers	737	-	62	-	-	799
Payables and other liabilities	758	357	401	483	-	1,999
Current tax liabilities	3	-	-	103	-	106
Unearned premium liabilities	4,959	-	6	-	-	4,965
Outstanding claims liabilities	10,624	-	328	-	-	10,952
Gross policy liabilities	-	-	2,917	-	-	2,917
Deferred tax liabilities	16	-	105	-	-	121
Managed funds units on issue	-	-	1,658	-	(747)	911
Securitised liabilities	-	3,088	-	-	-	3,088
Debt issues	-	9,216	-	-	-	9,216
Loan capital	552	742	100	2,090	(770)	2,714
Due to related parties	331	63	39	611	(1,044)	-
Total liabilities	17,999	59,297	5,619	3,287	(2,883)	83,319
Net assets	8,132	4,364	2,039	13,530	(14,275)	**13,790**
Equity						
Share capital						12,766
Reserves						161
Retained profits						855
Total equity attributable to owners of the Company						13,782
Non-controlling interests						8
Total equity						**13,790**

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

SGL statement of financial position

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Current assets						
Cash and cash equivalents	18	21	2	2	(14.3)	large
Financial assets designated at fair value through profit and loss	516	484	520	510	6.6	(0.8)
Due from related parties	152	150	140	84	1.3	8.6
Other assets	5	3	3	5	66.7	66.7
Total current assets	**691**	**658**	**665**	**601**	**5.0**	**3.9**
Non-current assets						
Investment in subsidiaries	14,288	13,921	13,909	13,905	2.6	2.7
Due from related parties	770	770	770	770	-	-
Deferred tax assets	8	6	6	6	33.3	33.3
Other assets	81	83	79	83	(2.4)	2.5
Total non-current assets	**15,147**	**14,780**	**14,764**	**14,764**	**2.5**	**2.6**
Total assets	**15,838**	**15,438**	**15,429**	**15,365**	**2.6**	**2.7**
Current liabilities						
Payables and other liabilities	21	9	7	9	133.3	200.0
Current tax liabilities	103	97	62	13	6.2	66.1
Due to related parties	21	22	31	20	(4.5)	(32.3)
Total current liabilities	**145**	**128**	**100**	**42**	**13.3**	**45.0**
Non-current liabilities						
Loan Capital	2,090	1,719	1,716	1,712	21.6	21.8
Total non-current liabilities	**2,090**	**1,719**	**1,716**	**1,712**	**21.6**	**21.8**
Total liabilities	**2,235**	**1,847**	**1,816**	**1,754**	**21.0**	**23.1**
Net assets	**13,603**	**13,591**	**13,613**	**13,611**	**-**	**(0.1)**
Equity						
Share capital	12,869	12,825	12,776	12,775	0.3	0.7
Retained profits	734	766	837	836	(4.2)	(12.3)
Total equity	**13,603**	**13,591**	**13,613**	**13,611**	**-**	**(0.1)**

SGL profit contribution

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Revenue									
Dividend and interest income from subsidiaries	888	1,019	(12.9)	432	456	425	594	(5.3)	1.6
Interest and trust distribution income on financial assets at fair value through profit or loss	15	18	(16.7)	9	6	11	7	50.0	(18.2)
Other income	4	4	-	2	2	2	2	-	-
Total revenue	907	1,041	(12.9)	443	464	438	603	(4.5)	1.1
Expenses									
Interest expense on financial liabilities at amortised cost	(85)	(89)	(4.5)	(43)	(42)	(45)	(44)	2.4	(4.4)
Operating expenses	(5)	(5)	-	(3)	(2)	(3)	(2)	50.0	-
Total expenses	(90)	(94)	(4.3)	(46)	(44)	(48)	(46)	4.5	(4.2)
Profit before income tax	817	947	(13.7)	397	420	390	557	(5.5)	1.8
Income tax expense	(5)	(4)	25.0	(3)	(2)	(2)	(2)	50.0	50.0
Profit for the period	**812**	**943**	**(13.9)**	**394**	**418**	**388**	**555**	**(5.7)**	**109.3**

Appendix 2 – Ratio calculations

Ratios and statistics

		Full Year Ended		Jun-17
		Jun-17	Jun-16	vs Jun-16
				%
Performance ratios				
Earnings per share [1]				
Basic	(cents)	83.84	81.19	3.3
Diluted	(cents)	82.55	79.59	3.7
Cash earnings per share [1]				
Basic	(cents)	89.30	85.18	4.8
Diluted	(cents)	87.72	83.35	5.2
Return on average shareholders' equity [1]	(%)	7.9	7.8	
Cash return on average shareholders' equity [1]	(%)	8.4	8.2	
Return on average total assets	(%)	1.11	1.08	
Insurance trading ratio	(%)	11.8	9.9	
Underlying insurance trading ratio	(%)	11.5	10.6	
Bank net interest margin (interest-earning assets)	(%)	1.83	1.86	
Shareholder summary				
Ordinary dividends per ordinary share	(cents)	73.0	68.0	7.4
Special dividends per ordinary share	(cents)	-	-	-
Payout ratio (excluding special dividend) [1]				
Net profit after tax	(%)	87.3	83.8	
Cash earnings	(%)	81.9	79.8	
Payout ratio (including special dividend) [1]				
Net profit after tax	(%)	87.3	83.8	
Cash earnings	(%)	81.9	79.8	
Weighted average number of shares				
Basic	(million)	1,282.2	1,278.5	0.3
Diluted	(million)	1,353.1	1,358.2	(0.4)
Number of shares at end of period	(million)	1,284.9	1,278.7	0.5
Net tangible asset backing per share	($)	6.20	6.02	3.0
Share price at end of period	($)	14.82	12.18	21.7
Productivity				
Australian General Insurance expense ratio	(%)	20.4	20.4	
Banking cost to income ratio	(%)	52.7	52.5	
New Zealand General Insurance expense ratio	(%)	33.3	32.4	
Financial position				
Total assets	($ million)	97,109	95,748	1.4
Net tangible assets	($ million)	7,969	7,692	3.6
Net assets	($ million)	13,790	13,570	1.6
Average Shareholders' Equity	($ million)	13,631	13,282	2.6
Capital				
General Insurance Group PCA coverage	(times)	1.77	1.67	
Bank capital adequacy ratio - Total	(%)	14.59	13.53	
Bank Common Equity Tier 1 ratio	(%)	9.23	9.21	0.2
Suncorp Life total capital	($ million)	561	567	(1.1)
Additional capital held by Suncorp Group Limited	($ million)	86	148	(41.9)

[1] Refer to Appendix 10 for definitions.

Appendix 2 – Ratio calculations (continued)

Ratios and statistics

		Half Year Ended				Jun-17	Jun-17
		Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
						%	%
Performance ratios							
Earnings per share [(1)]							
Basic	(cents)	41.91	41.93	39.73	41.45	(0.0)	5.5
Diluted	(cents)	41.21	41.13	39.02	40.56	0.2	5.6
Cash earnings per share [(1)]							
Basic	(cents)	43.70	45.60	41.69	43.49	(4.2)	4.8
Diluted	(cents)	42.91	44.61	40.86	42.47	(3.8)	5.0
Return on average shareholders' equity [(1)]	(%)	7.9	7.8	7.7	7.9		
Cash return on average shareholders' equity [(1)]	(%)	8.2	8.5	8.1	8.3		
Return on average total assets	(%)	1.11	1.11	1.07	1.11		
Insurance trading ratio	(%)	11.2	12.5	10.3	9.4		
Underlying insurance trading ratio	(%)	12.0	11.0	11.0	10.1		
Bank net interest margin (interest-earning assets)	(%)	1.87	1.78	1.86	1.85		
Shareholder summary							
Ordinary dividends per ordinary share	(cents)	40.0	33.0	38.0	30.0	21.2	5.3
Special dividends per ordinary share	(cents)	-	-	-	-	-	-
Payout ratio (excluding special dividend) [(1)]							
Net profit after tax	(%)	95.5	78.8	95.7	72.4		
Cash earnings	(%)	91.6	72.5	91.2	69.0		
Payout ratio (including special dividend) [(1)]							
Net profit after tax	(%)	95.5	78.8	95.7	72.4		
Cash earnings	(%)	91.6	72.5	91.2	69.0		
Weighted average number of shares							
Basic	(million)	1,283.7	1,280.7	1,278.6	1,278.5	0.2	0.4
Diluted	(million)	1,358.7	1,354.1	1,358.2	1,358.5	0.3	0.0
Number of shares at end of period	(million)	1,284.9	1,282.2	1,278.7	1,278.3	0.2	0.5
Net tangible asset backing per share	($)	6.20	6.10	6.02	5.95	1.7	3.1
Share price at end of period	($)	14.82	13.52	12.18	12.14	9.6	21.7
Productivity							
Australian General Insurance expense ratio	(%)	20.5	20.3	20.1	20.8		
Banking cost to income ratio	(%)	53.9	51.4	52.0	53.0		
New Zealand General Insurance expense ratio	(%)	33.2	33.4	31.9	32.8		
Financial position							
Total assets	($ million)	97,109	96,801	95,748	94,445	0.3	1.4
Net tangible assets	($ million)	7,969	7,816	7,692	7,601	2.0	3.6
Net assets	($ million)	13,790	13,652	13,570	13,446	1.0	1.6
Average Shareholders' Equity	($ million)	13,638	13,625	13,303	13,261	0.1	2.5
Capital							
General Insurance Group PCA coverage	(times)	1.77	1.78	1.67	1.73		
Bank capital adequacy ratio - Total	(%)	14.59	13.48	13.53	13.97		
Bank Common Equity Tier 1 ratio	(%)	9.23	9.20	9.21	9.45		
Suncorp Life total capital	($ million)	561	625	567	541	(10.2)	(1.1)
Additional capital held by Suncorp Group Limited	($ million)	86	121	148	243	(28.9)	(41.9)

(1) Refer to Appendix 10 for definitions.

Appendix 2 – Ratio Calculations (continued)

Earnings per share

Numerator	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	$M	$M	$M	$M	$M	$M
Earnings:						
Profit attributable to ordinary equity holders of the company (basic)	1,075	1,038	538	537	508	530
Interest expense on convertible preference shares (net of tax)	40	43	20	20	22	21
Interest expense on convertible capital notes (net of tax)	2	-	2	-	-	-
Profit attributable to ordinary equity holders of the company (diluted)	1,117	1,081	560	557	530	551

Denominator	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares
Weighted average number of shares:						
Weighted average number of ordinary shares (basic)	1,282,167,879	1,278,537,834	1,283,666,294	1,280,693,895	1,278,551,701	1,278,526,717
Effect of conversion of convertible preference shares	66,852,101	79,666,795	66,852,101	73,384,999	79,666,795	79,932,669
Effect of conversion of convertible capital notes	4,078,093	-	8,223,778	-	-	-
Weighted average number of ordinary shares (diluted)	1,353,098,073	1,358,204,629	1,358,742,173	1,354,078,894	1,358,218,496	1,358,459,386

Cash earnings per share

Numerator	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	$M	$M	$M	$M	$M	$M
Earnings:						
Cash Profit attributable to ordinary equity holders of the company (basic)	1,145	1,089	561	584	533	556
Interest expense on convertible preference shares (net of tax)	40	43	20	20	22	21
Interest expense on convertible capital notes (net of tax)	2	-	2	-	-	-
Cash Profit attributable to ordinary equity holders of the company (diluted)	1,187	1,132	583	604	555	577

Denominator	Full Year Ended		Half Year Ended			
	Jun-17	Jun-16	Jun-17	Dec-16	Jun-16	Dec-15
	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares	No. of Shares
Weighted average number of shares:						
Weighted average number of ordinary shares (basic)	1,282,167,879	1,278,537,834	1,283,666,294	1,280,693,895	1,278,551,701	1,278,526,717
Effect of conversion of convertible preference shares	66,852,101	79,666,795	66,852,101	73,384,999	79,666,795	79,932,669
Effect of conversion of convertible capital notes	4,078,093	-	8,223,778	-	-	-
Weighted average number of ordinary shares (diluted)	1,353,098,073	1,358,204,629	1,358,742,173	1,354,078,894	1,358,218,496	1,358,459,386

Appendix 2 – Ratio calculations (continued)

ASX listed securities

	Half Year Ended			
	Jun-17	Dec-16	Jun-16	Dec-15
Ordinary shares (SUN) each fully paid				
Number at the end of the period	1,292,699,888	1,290,197,330	1,286,600,980	1,286,600,980
Dividend declared for the period (cents per share)	40	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	5,600,000
Dividend declared for the period ($ per share) (1)	2.28	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	4,000,000
Dividend declared for the period ($ per share) (1)	1.83	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	7,700,000
Interest per note	2.28	2.31	2.48	2.51
Floating Rate Capital Notes (SBKHB)				
Number at the end of the period	715,383	715,383	715,383	715,383
Interest per note	1.25	1.27	1.44	1.48
Convertible Capital Notes (SUNPF) each fully paid				
Number at the end of the period	3,750,000	-	-	-
Dividend declared for the period ($ per note) (1)	1.52	-	-	-

(1) Classified as interest expense.

Appendix 3 – Reported Underlying ITR

	Jun-17 $M	Jun-16 $M	Jun-15 $M
Reported ITR	**965**	**782**	**894**
Reported reserve releases (above) below long-run expectations	(166)	(228)	(309)
Natural hazards above (below) long-run allowances	89	60	473
Investment income mismatch	(46)	207	85
Other:			
Risk margin	(19)	(50)	(26)
Abnormal (Simplification/restructuring) expenses	61	67	41
Reinsurance backup cover	53	-	-
Underlying ITR	**937**	**838**	**1,158**
Underlying ITR ratio	**11.5%**	**10.6%**	**14.7%**

Appendix 4 – General Insurance ITR split

Consumer Insurance (Australia)

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	4,890	4,787	2.2	2,462	2,428	2,404	2,383	1.4	2.4
Net earned premium	4,264	4,242	0.5	2,118	2,146	2,098	2,144	(1.3)	1.0
Net incurred claims	(3,101)	(3,219)	(3.7)	(1,541)	(1,560)	(1,609)	(1,610)	(1.2)	(4.2)
Acquisition expenses	(494)	(487)	1.4	(243)	(251)	(244)	(243)	(3.2)	(0.4)
Other underwriting expenses	(295)	(278)	6.1	(143)	(152)	(125)	(153)	(5.9)	14.4
Total operating expenses	(789)	(765)	3.1	(386)	(403)	(369)	(396)	(4.2)	4.6
Underwriting result	374	258	45.0	191	183	120	138	4.4	59.2
Investment income - insurance funds	83	(1)	n/a	32	51	(12)	11	(37.3)	n/a
Insurance trading result	457	257	77.8	223	234	108	149	(4.7)	106.5

	%	%	%	%	%	%
Ratios						
Acquisition expenses ratio	11.6	11.5	11.5	11.7	11.6	11.3
Other underwriting expenses ratio	6.9	6.6	6.8	7.1	6.0	7.1
Total operating expenses ratio	18.6	18.1	18.2	18.8	17.6	18.4
Loss ratio	72.7	75.9	72.8	72.7	76.7	75.1
Combined operating ratio	91.3	94.0	91.0	91.5	94.3	93.5
Insurance trading ratio	10.7	6.1	10.5	10.9	5.1	6.9

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

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	3,221	3,016	6.8	1,618	1,603	1,603	1,413	0.9	0.9
Net earned premium	2,808	2,651	5.9	1,402	1,406	1,315	1,336	(0.3)	6.6
Net incurred claims	(1,822)	(1,880)	(3.1)	(1,008)	(814)	(944)	(936)	23.8	6.8
Acquisition expenses	(413)	(419)	(1.4)	(202)	(211)	(208)	(211)	(4.3)	(2.9)
Other underwriting expenses	(240)	(227)	5.7	(132)	(108)	(110)	(117)	22.2	20.0
Total operating expenses	(653)	(646)	1.1	(334)	(319)	(318)	(328)	4.7	5.0
Underwriting result	333	125	166.4	60	273	53	72	(78.0)	13.2
Investment income - insurance funds	122	237	(48.5)	138	(16)	155	82	n/a	(11.0)
Insurance trading result	455	362	25.7	198	257	208	154	(23.0)	(4.8)

	%	%	%	%	%	%
Ratios						
Acquisition expenses ratio	14.7	15.8	14.4	15.0	15.8	15.8
Other underwriting expenses ratio	8.5	8.6	9.4	7.7	8.4	8.8
Total operating expenses ratio	23.3	24.4	23.8	22.7	24.2	24.6
Loss ratio	64.9	70.9	71.9	57.9	71.8	70.1
Combined operating ratio	88.1	95.3	95.7	80.6	96.0	94.7
Insurance trading ratio	16.2	13.7	14.1	18.3	15.8	11.5

Appendix 4 – General Insurance ITR split (continued)

New Zealand (AU$)

	Full Year Ended		Jun-17		Half Year ended			Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	1,345	1,228	9.5	666	679	607	621	(1.9)	9.7
Net earned premium	1,099	1,045	5.2	542	557	533	512	(2.7)	1.7
Net incurred claims	(693)	(562)	23.3	(339)	(354)	(286)	(276)	(4.2)	18.5
Acquisition expenses	(256)	(240)	6.7	(124)	(132)	(120)	(120)	(6.1)	3.3
Other underwriting expenses	(110)	(98)	12.2	(56)	(54)	(50)	(48)	3.7	12.0
Total operating expenses	(366)	(338)	8.3	(180)	(186)	(170)	(168)	(3.2)	5.9
Underwriting result	40	145	(72.4)	23	17	77	68	35.3	(70.1)
Investment income - insurance funds	13	18	(27.8)	9	4	12	6	125.0	(25.0)
Insurance trading result	53	163	(67.5)	32	21	89	74	52.4	(64.0)

	%	%		%	%	%	%
Ratios							
Acquisition expenses ratio	23.3	23.0		22.9	23.7	22.5	23.4
Other underwriting expenses ratio	10.0	9.4		10.3	9.7	9.4	9.4
Total operating expenses ratio	33.3	32.4		33.2	33.4	31.9	32.8
Loss ratio	63.1	53.8		62.5	63.6	53.7	53.9
Combined operating ratio	96.4	86.2		95.7	97.0	85.6	86.7
Insurance trading ratio	4.8	15.6		5.9	3.8	16.7	14.5

General Insurance short-tail (includes New Zealand)

	Full Year Ended		Jun-17		Half Year Ended			Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Short-tail									
Gross written premium	7,171	6,966	2.9	3,586	3,585	3,494	3,472	-	2.6
Net earned premium	6,062	6,006	0.9	2,999	3,063	2,996	3,010	(2.1)	0.1
Net incurred claims	(4,314)	(4,360)	(1.1)	(2,167)	(2,147)	(2,163)	(2,197)	0.9	0.2
Acquisition expenses	(925)	(907)	2.0	(453)	(472)	(459)	(448)	(4.0)	(1.3)
Other underwriting expenses	(524)	(483)	8.5	(265)	(259)	(228)	(255)	2.3	16.2
Total operating expenses	(1,449)	(1,390)	4.2	(718)	(731)	(687)	(703)	(1.8)	4.5
Underwriting result	299	256	16.8	114	185	146	110	(38.4)	(21.9)
Investment income - insurance funds	109	28	289.3	53	56	8	20	(5.4)	large
Insurance trading result	**408**	**284**	**43.7**	**167**	**241**	**154**	**130**	**(30.7)**	**8.4**

	%	%		%	%	%	%
Ratios							
Acquisition expenses ratio	15.3	15.1		15.1	15.4	15.3	14.9
Other underwriting expenses ratio	8.6	8.0		8.8	8.5	7.6	8.5
Total operating expenses ratio	23.9	23.1		23.9	23.9	22.9	23.4
Loss ratio	71.2	72.6		72.3	70.1	72.2	73.0
Combined operating ratio	95.1	95.7		96.2	94.0	95.1	96.4
Insurance trading ratio	6.7	4.7		5.6	7.9	5.1	4.3

Appendix 4 – General Insurance ITR split (continued)

General Insurance long-tail (includes New Zealand)

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Long-tail									
Gross written premium	2,285	2,065	10.7	1,160	1,125	1,120	945	3.1	3.6
Net earned premium	2,108	1,932	9.1	1,062	1,046	950	982	1.5	11.8
Net incurred claims	(1,302)	(1,301)	0.1	(721)	(581)	(676)	(625)	24.1	6.7
Acquisition expenses	(238)	(239)	(0.4)	(116)	(122)	(113)	(126)	(4.9)	2.7
Other underwriting expenses	(120)	(120)	-	(65)	(55)	(57)	(63)	18.2	14.0
Total operating expenses	(358)	(359)	(0.3)	(181)	(177)	(170)	(189)	2.3	6.5
Underwriting result	448	272	64.7	160	288	104	168	(44.4)	53.8
Investment income - insurance funds	109	226	(51.8)	126	(17)	147	79	n/a	(14.3)
Insurance trading result	**557**	**498**	**11.8**	**286**	**271**	**251**	**247**	**5.5**	**13.9**

	%	%	%	%	%	%
Ratios						
Acquisition expenses ratio	11.3	12.4	10.9	11.6	11.9	12.8
Other underwriting expenses ratio	5.7	6.2	6.1	5.3	6.0	6.4
Total operating expenses ratio	17.0	18.6	17.0	16.9	17.9	19.2
Loss ratio	61.8	67.3	67.9	55.5	71.2	63.7
Combined operating ratio	78.8	85.9	84.9	72.4	89.1	82.9
Insurance trading ratio	26.4	25.8	26.9	25.9	26.4	25.2

Appendix 5 – Group Capital

Group capital position

	As at 30 June 2017					
	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	-	-	-	12,797	12,797	12,717
Subsidiary share capital (eliminated upon consolidation)	7,375	3,870	1,980	(13,225)	-	-
Reserves	26	(1,003)	320	811	154	163
Retained profits and non-controlling interests	208	591	(261)	323	861	693
Insurance liabilities in excess of liability valuation	502	-	-	-	502	495
Goodwill and other intangible assets	(4,922)	(486)	(217)	(397)	(6,022)	(6,070)
Net deferred tax liabilities/(assets) [1]	(67)	(38)	102	(117)	(120)	(126)
Policy liability adjustment [2]	-	-	(1,461)	-	(1,461)	(1,422)
Other Tier 1 deductions	(7)	29	(2)	(106)	(86)	(112)
Common Equity Tier 1 Capital	**3,115**	**2,963**	**461**	**86**	**6,625**	**6,338**
Additional Tier 1 Capital						
Eligible hybrid capital	510	825	-	-	1,335	960
Additional Tier 1 Capital	**510**	**825**	**-**	**-**	**1,335**	**960**
Tier 1 Capital	**3,625**	**3,788**	**461**	**86**	**7,960**	**7,298**
Tier 2 Capital						
General reserve for credit losses	-	155	-	-	155	167
Eligible Subordinated notes	555	670	100	-	1,325	995
Transitional Subordinated notes	-	72	-	-	72	400
Tier 2 Capital	**555**	**897**	**100**	**-**	**1,552**	**1,562**
Total Capital	**4,180**	**4,685**	**561**	**86**	**9,512**	**8,860**
Represented by:						
Capital in Australian regulated entities	3,663	4,669	416	-	8,748	8,027
Capital in New Zealand regulated entities	454	-	98	-	552	533
Capital in unregulated entities [3]	63	16	47	86	212	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] Jun-17 $M	GI Group [1] Jun-16 $M
Common Equity Tier 1 Capital		
Ordinary share capital	7,375	7,375
Reserves	26	26
Retained profits and non-controlling interests	208	(9)
Insurance liabilities in excess of liability valuation	502	495
Goodwill and other intangible assets	(4,922)	(4,995)
Net deferred tax assets	(67)	(60)
Other Tier 1 deductions	(7)	(5)
Common Equity Tier 1 Capital	**3,115**	**2,827**
Additional Tier 1 Capital	510	510
Tier 1 Capital	**3,625**	**3,337**
Tier 2 Capital		
Eligible subordinated notes	555	225
Transitional subordinated notes	-	328
Tier 2 Capital	**555**	**553**
Total Capital	**4,180**	**3,890**
Prescribed Capital Amount		
Outstanding claims risk charge	900	917
Premium liabilities risk charge	569	556
Total insurance risk charge	1,469	1,473
Insurance concentration risk charge	250	250
Asset risk charge	848	782
Operational risk charge	294	298
Aggregation benefit	(503)	(475)
Total Prescribed Capital Amount (PCA)	**2,358**	**2,328**
Common Equity Tier 1 Ratio	**1.32**	**1.21**
Total Capital Ratio	**1.77**	**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
	Jun-17	Jun-17	Jun-17	Jun-16
	$M	$M	$M	$M
Common Equity Tier 1 Capital				
Ordinary share capital	2,648	1,222	3,870	3,870
Reserves	(16)	(987)	(1,003)	(982)
Retained profits	570	21	591	543
Goodwill and other intangible assets	(246)	(240)	(486)	(480)
Net deferred tax assets	(38)	-	(38)	(50)
Other Tier 1 deductions	29	-	29	(5)
Common Equity Tier 1 Capital	**2,947**	**16**	**2,963**	**2,896**
Additional Tier 1 Capital				
Eligible hybrid capital	825	-	825	450
Additional Tier 1 Capital	**825**	**-**	**825**	**450**
Tier 1 Capital	**3,772**	**16**	**3,788**	**3,346**
Tier 2 Capital				
General reserve for credit losses	155	-	155	167
Eligible Subordinated notes	670	-	670	670
Transitional Subordinated notes	72	-	72	72
Tier 2 Capital	**897**	**-**	**897**	**909**
Total Capital	**4,669**	**16**	**4,685**	**4,255**
Risk-Weighted Assets				
Credit risk	28,621	-	28,621	28,000
Market risk	62	-	62	108
Operational risk	3,424	-	3,424	3,351
Total Risk-Weighted Assets	**32,107**	**-**	**32,107**	**31,459**
Common Equity Tier 1 Ratio	**9.18%**		**9.23%**	**9.21%**
Total Capital Ratio	**14.54%**		**14.59%**	**13.53%**

Appendix 5 – Group Capital (continued)

Life capital

	Life Co Australia	Life Co New Zealand [(1)]	Other Entities [(2)]	Total Life Group	Total Life Group
	Jun-17	Jun-17	Jun-17	Jun-17	Jun-16
	$M	$M	$M	$M	$M
Common Equity Tier 1 Capital					
Ordinary share capital	730	204	1,046	1,980	1,970
Reserves	-	37	283	320	320
Retained profits and non-controlling interests	615	167	(1,043)	(261)	(271)
Goodwill and other intangible assets	-	-	(217)	(217)	(223)
Net deferred tax liabilities [(3)]	-	105	(3)	102	94
Policy liability adjustment [(4)]	(1,048)	(413)	-	(1,461)	(1,422)
Other Tier 1 deductions	-	(2)	-	(2)	(1)
Common Equity Tier 1 Capital	**297**	**98**	**66**	**461**	**467**
Additional Tier 1 Capital	-	-	-	-	-
Tier 1 Capital	**297**	**98**	**66**	**461**	**467**
Tier 2 Capital					
Eligible Subordinated notes	100	-	-	100	100
Tier 2 Capital	**100**	**-**	**-**	**100**	**100**
Total Capital	**397**	**98**	**66**	**561**	**567**
Prescribed Capital Amount					
Insurance risk charge	5	27	-	32	59
Asset risk charge	79	18	-	97	119
Operational risk charge	31	-	-	31	37
Aggregation benefit	(4)	-	-	(4)	(15)
Combined stress scenario adjustment	57	-	-	57	41
Other regulatory requirements	-	-	17	17	19
Total Prescribed Capital Amount (PCA) [(5)]	**168**	**45**	**17**	**230**	**260**
Common Equity Tier 1 Ratio	**1.77**	**2.18**	**3.88**	**2.00**	**1.80**
Total Capital Ratio	**2.36**	**2.18**	**3.88**	**2.44**	**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	30 June 2017 GI $M	Bank $M	Life $M	SGL $M	Total Balance $M	Regulatory Capital $M
AAIL Subordinated Debt	320 bps	Oct 2022	Oct 2016	328	-	-	-	328	330
AAIL Subordinated Debt	330 bps	Nov 2020	Nov 2015	224	-	-	-	224	225
SGL Subordinated Debt (1) (2)	285 bps	Nov 2018	May 2013	-	667	100	-	767	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**552**	**739**	**100**	**-**	**1,391**	**1,397**
SGL CPS2 (1) (3)	465 bps	Dec 2017	Nov 2012	110	449	-	-	559	560
SGL CPS3 (1) (3)	340 bps	June 2020	May 2014	396	-	-	-	396	400
SGL Capital Notes (1) (3)	410 bps	June 2022	May 2017	-	368	-	-	368	375
Total Additional Tier 1 Capital				**506**	**817**	**-**	**-**	**1,323**	**1,335**
Total				**948**	**1,556**	**100**	**-**	**2,714**	**2,732**

	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	99	-	-	-	99	108
AAIL Subordinated Debt (2)	-	Jun 2017	Jun 2007	231	-	-	-	231	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

	Full Year Ended		Jun-17	Half Year Ended				Jun-17	Jun-17
	Jun-17	Jun-16	vs Jun-16	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	%	$M	$M	$M	$M	%	%
Insurance (Australia) operating expenses									
Acquisition expenses	907	906	0.1	445	462	452	454	(3.7)	(1.5)
Other underwriting expenses	535	505	5.9	275	260	235	270	5.8	17.0
Life operating expenses	174	165	5.5	92	82	83	82	12.2	10.8
Insurance (Australia) operating expenses	**1,616**	**1,576**	**2.5**	**812**	**804**	**770**	**806**	**1.0**	**5.5**
New Zealand operating expenses									
Acquisition expenses	256	240	6.7	124	132	120	120	(6.1)	3.3
Other underwriting expenses	110	98	12.2	56	54	50	48	3.7	12.0
Life operating expenses	34	34	-	17	17	16	18	-	6.3
New Zealand operating expenses	**400**	**372**	**7.5**	**197**	**203**	**186**	**186**	**(3.0)**	**5.9**
Banking & Wealth operating expenses									
Banking operating expenses	636	639	(0.5)	329	307	313	326	7.2	5.1
Wealth operating expenses	94	82	14.6	48	46	40	42	4.3	20.0
Banking & Wealth operating expenses	**730**	**721**	**1.2**	**377**	**353**	**353**	**368**	**6.8**	**6.8**
Group total operating expenses	**2,746**	**2,669**	**2.9**	**1,386**	**1,360**	**1,309**	**1,360**	**1.9**	**5.9**

Appendix 7 – Life Embedded Value (includes New Zealand and other)

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

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Adjusted net worth	**86**	**132**	**78**	**85**	**(34.8)**	**10.3**
Value of distributable profits	1,647	1,670	1,689	1,623	(1.4)	(2.5)
Value of imputation credits	228	234	247	228	(2.6)	(7.7)
Value of in-force	**1,875**	**1,904**	**1,936**	**1,851**	**(1.5)**	**(3.2)**
Traditional Embedded Value	**1,961**	**2,036**	**2,014**	**1,936**	**(3.7)**	**(2.6)**

Change in Embedded Value

	Jun-16 To Jun-17
	$M
Opening Embedded Value	**2,014**
Expected return	80
Experience and future assumption changes	
Discount rate and FX	(56)
Expenses/Volumes	53
Lapses	11
Claims	(21)
Other [1]	(55)
Closing Embedded Value prior to	**2,026**
Dividends / transfers [2]	(60)
Release of franking credits	(5)
Closing Embedded Value	**1,961**

[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	
	Jun-17	Jun-16
	$M	$M
Base Embedded Value	**1,961**	**2,014**
Embedded Value assuming		
Discount rate and returns 1% higher	1,926	1,955
Discount rate and returns 1% lower	1,997	2,081
Discontinuance rates 10% lower	2,153	2,224
Renewal expenses 10% lower	1,987	2,066
Claims 10% lower	2,177	2,177

Assumptions

The assumptions used for valuing in-force business 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.

Life risk assumptions (Australia)

	Jun-17	Jun-16
	% per annum	% per annum
Investment return for underlying asset classes (gross of tax)		
Risk-free rate (at 10 years)	2.7	2.0
Cash	2.7	2.0
Fixed interest	3.7	2.5
Australian equities (inc. allowance for franking credits)	6.7	6.0
International equities	7.0	6.0
Property	6.9	4.5
Investment returns (net of tax)	**2.7**	**2.3**
Inflation		
Benefit indexation	2.5	2.5
Expense Inflation	2.5	2.5
Risk discount rate	**6.7**	**6.0**

Life risk assumptions (New Zealand)

	Jun-17	Jun-16
	% per annum	% per annum
Investment return for underlying asset classes (gross of tax)		
Risk-free rate (at 10 years)	3.8	3.2
Cash	3.3	2.7
Fixed interest	3.3	2.7
Australian equities (inc. allowance for franking credits)	7.5	6.9
International equities	6.5	5.9
Property	5.5	4.9
Investment returns (net of tax)	**2.4**	**2.0**
Inflation		
Expense Inflation	2.3	2.3
Risk discount rate	**7.0**	**6.3**

Appendix 8 – Statement of assets and liabilities

General Insurance

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Assets						
Cash and cash equivalents	621	517	444	285	20.1	39.9
Derivatives	36	27	28	37	33.3	28.6
Investment securities	12,186	12,421	12,536	12,086	(1.9)	(2.8)
Premiums outstanding	2,603	2,403	2,498	2,338	8.3	4.2
Reinsurance and other recoveries	3,135	2,460	1,714	2,035	27.4	82.9
Deferred reinsurance assets	837	644	858	582	30.0	(2.4)
Deferred acquisition costs	700	688	673	652	1.7	4.0
Due from related parties	198	185	180	165	7.0	10.0
Property, plant and equipment	47	53	46	38	(11.3)	2.2
Deferred tax assets	35	65	17	-	(46.2)	105.9
Goodwill and intangible assets	4,952	4,977	5,036	5,061	(0.5)	(1.7)
Other assets	781	718	708	516	8.8	10.3
Total Asset	26,131	25,158	24,738	23,795	3.9	5.6
Liabilities						
Payables and other liabilities	758	631	763	517	20.1	(0.7)
Derivatives	19	194	177	139	(90.2)	(89.3)
Due to related parties	331	325	299	182	1.8	10.7
Deferred tax liabilities	16	16	14	34	-	14.3
Unearned premium liabilities	4,959	4,921	4,864	4,681	0.8	2.0
Outstanding claims liabilities	10,624	9,957	9,425	9,479	6.7	12.7
Loan capital	552	762	552	588	(27.6)	-
Current tax liabilities	3	2	5	-	50.0	(40.0)
Amount due to reinsurers	737	343	726	311	114.9	1.5
Total liabilities	17,999	17,151	16,825	15,931	4.9	7.0
Net assets	**8,132**	**8,007**	**7,913**	**7,864**	**1.6**	**2.8**

Reconciliation of Net assets to Common Equity Tier 1 Capital

Net assets	**8,132**	**8,007**	**7,913**	**7,864**
Insurance liabilities in excess of liability valuation	502	415	495	505
Reserves excluded from regulatory capital	(12)	(13)	(11)	(11)
Additional Tier 1 capital	(510)	(510)	(510)	(510)
Goodwill allocated to GI Business	(4,410)	(4,412)	(4,465)	(4,461)
Other Intangibles (including software assets)	(580)	(634)	(590)	(586)
Other Tier 1 deductions	(7)	(5)	(5)	(4)
Common Equity Tier 1 Capital	**3,115**	**2,848**	**2,827**	**2,797**

Appendix 8 – Statement of assets and liabilities (continued)

Life Insurance and Wealth

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Total assets						
Assets						
Invested assets	2,359	2,138	2,206	4,957	10.3	6.9
Assets backing annuity policies	123	125	140	130	(1.6)	(12.1)
Assets backing participating policies	2,292	2,314	2,314	2,247	(1.0)	(1.0)
Deferred tax assets	23	24	33	53	(4.2)	(30.3)
Reinsurance ceded	585	408	461	419	43.4	26.9
Other assets	398	315	345	271	26.3	15.4
Goodwill and intangible assets	217	218	223	223	(0.5)	(2.7)
	5,997	**5,542**	**5,722**	**8,300**	**8.2**	**4.8**
Liabilities						
Payables	508	182	287	257	179.1	77.0
Subordinated Debt	100	100	100	100	-	-
Outstanding claims liabilities	328	277	309	234	18.4	6.1
Deferred tax liabilities	105	102	95	91	2.9	10.5
Policy liabilities	2,670	2,559	2,651	5,381	4.3	0.7
Unvested policyholder benefits (1)	247	284	261	318	(13.0)	(5.4)
	3,958	**3,504**	**3,703**	**6,381**	**13.0**	**6.9**
Total net assets	**2,039**	**2,038**	**2,019**	**1,919**	**0.0**	**1.0**
Policyholder assets						
Invested assets	705	747	715	3,512	(5.6)	(1.4)
Assets backing annuity policies	123	125	140	130	(1.6)	(12.1)
Assets backing participating policies	2,292	2,314	2,314	2,247	(1.0)	(1.0)
Other assets	16	33	43	65	(51.5)	(62.8)
	3,136	**3,219**	**3,212**	**5,954**	**(2.6)**	**(2.4)**
Liabilities						
Payables	-	-	-	-	-	-
Policy liabilities	2,889	2,935	2,951	5,636	(1.6)	(2.1)
Unvested policyholder benefits (1)	247	284	261	318	(13.0)	(5.4)
	3,136	**3,219**	**3,212**	**5,954**	**(2.6)**	**(2.4)**
Policyholder net assets	**-**	**-**	**-**	**-**	**n/a**	**n/a**
Shareholder assets						
Assets						
Invested assets	1,654	1,391	1,491	1,445	18.9	10.9
Deferred tax assets	23	24	33	53	(4.2)	(30.3)
Reinsurance ceded	585	408	461	419	43.4	26.9
Other assets	382	282	302	206	35.5	26.5
Goodwill and intangible assets	217	218	223	223	(0.5)	(2.7)
	2,861	**2,323**	**2,510**	**2,346**	**23.2**	**14.0**
Liabilities						
Payables	508	182	287	257	179.1	77.0
Subordinated Debt	100	100	100	100	-	-
Outstanding claims liabilities	328	277	309	234	18.4	6.1
Deferred tax liabilities	105	102	95	91	2.9	10.5
Policy liabilities	(219)	(376)	(300)	(255)	(41.8)	(27.0)
	822	**285**	**491**	**427**	**188.4**	**67.4**
Shareholder net assets	**2,039**	**2,038**	**2,019**	**1,919**	**0.0**	**1.0**

Reconciliation of net equity to Common Equity Tier 1 Capital				
Net equity - Life line of business	2,039	2,038	2,019	1,919
Goodwill & intangibles	(217)	(218)	(223)	(223)
Policy liability adjustment and Deferred tax	(1,359)	(1,294)	(1,328)	(1,254)
Other Tier 1 Deductions	(2)	(1)	(1)	(1)
Common Equity Tier 1 Capital	**461**	**525**	**467**	**441**

(1) Includes participating business policyholder retained profits.

Appendix 8 – Statement of assets and liabilities (continued)

Bank

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M	Jun-17 vs Dec-16 %	Jun-17 vs Jun-16 %
Assets						
Cash and cash equivalents	903	1,323	1,028	765	(31.7)	(12.2)
Receivables due from other banks	567	473	552	464	19.9	2.7
Trading securities	1,520	1,597	1,497	1,119	(4.8)	1.5
Derivatives	138	729	675	663	(81.1)	(79.6)
Investment securities	4,560	5,304	5,225	5,520	(14.0)	(12.7)
Loans and advances	55,197	54,047	54,134	52,673	2.1	2.0
Due from related parties	316	332	295	268	(4.8)	7.1
Deferred tax assets	51	48	44	47	6.3	15.9
Other assets	147	185	145	190	(20.5)	1.4
Goodwill and intangible assets	262	262	262	262	-	-
Total assets	63,661	64,300	63,857	61,971	(1.0)	(0.3)
Liabilities						
Deposits and short-term borrowings	45,427	46,477	45,421	44,022	(2.3)	0.0
Derivatives	354	377	498	358	(6.1)	(28.9)
Payables due to other banks	50	512	332	401	(90.2)	(84.9)
Payables and other liabilities	357	366	346	323	(2.5)	3.2
Due to related parties	63	61	135	99	3.3	(53.3)
Securitisation liabilities	3,088	2,204	2,544	3,154	40.1	21.4
Debt issues	9,216	9,585	9,860	8,891	(3.8)	(6.5)
Subordinated notes	742	742	742	742	-	-
Total liabilities	59,297	60,324	59,878	57,990	(1.7)	(1.0)
Net assets	**4,364**	**3,976**	**3,979**	**3,981**	**9.8**	**9.7**

	Jun-17 $M	Dec-16 $M	Jun-16 $M	Dec-15 $M
Reconciliation of net equity to Common Equity Tier 1 Capital				
Net equity - Banking line of business	4,364	3,976	3,979	3,981
Additional Tier 1 capital	(825)	(450)	(450)	(450)
Goodwill allocated to Banking Business	(240)	(240)	(240)	(240)
Regulatory capital equity adjustments	(16)	(17)	(29)	(23)
Regulatory capital adjustments	(254)	(287)	(295)	(299)
Other reserves excluded from Common Equity Tier 1 ratio	(82)	(85)	(85)	(96)
Common Equity Tier 1 Capital	**2,947**	**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				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Cash	352	324	500	407	8.6	(29.6)
Fixed interest securities	999	827	713	798	20.8	40.1
Equities	84	29	31	18	189.7	171.0
Property	10	3	10	9	233.3	-
Total	**1,445**	**1,183**	**1,254**	**1,232**	**22.1**	**15.2**

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

	Half Year Ended				Jun-17	Jun-17
	Jun-17	Dec-16	Jun-16	Dec-15	vs Dec-16	vs Jun-16
	$M	$M	$M	$M	%	%
Cash	23	9	27	26	155.6	(14.8)
Fixed interest securities	196	207	221	201	(5.3)	(11.3)
Total	**219**	**216**	**248**	**227**	**1.4**	**(11.7)**

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 the Life Insurance 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
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	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 management and administration	Funds where the Wealth Australia business receives a fee for the administration and management 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 functions	The net profit after tax for the Insurance (Australia), Banking & Wealth and New Zealand functions
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

Appendix 11 – 2017/18 key dates [1]

Ordinary shares (SUN)

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**
Half year results announcement	**15 February 2018**
Ex-dividend date	21 February 2018
Dividend payment	5 April 2018

Convertible Preference Shares 2 (SUNPC)

Ex-dividend date	8 September 2017
Dividend payment	18 September 2017
Ex-dividend date	8 December 2017
Dividend payment	18 December 2017
Ex-dividend date	9 March 2018
Dividend payment	19 March 2018
Ex-dividend date	8 June 2018
Dividend payment	18 June 2018

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	1 September 2017
Dividend payment	18 September 2017
Ex-dividend date	1 December 2017
Dividend payment	18 December 2017
Ex-dividend date	2 March 2018
Dividend payment	19 March 2018
Ex-dividend date	31 May 2018
Dividend payment	18 June 2018

Subordinated Notes (SUNPD)

Ex-interest date	11 August 2017
Interest payment	22 August 2017
Ex-interest date	13 November 2017
Interest payment	22 November 2017
Ex-interest date	13 February 2018
Interest payment	22 February 2018
Ex-interest date	11 May 2018
Interest payment	22 May 2018

Floating Rate Capital Notes (SBKHB)

Ex-interest date	14 August 2017
Interest payment	30 August 2017
Ex-interest date	14 November 2017
Interest payment	30 November 2017
Ex-interest date	14 February 2018
Interest payment	2 March 2018
Ex-interest date	14 May 2018
Interest payment	30 May 2018

Suncorp Capital Notes (SUNPF)

Ex-distribution date	1 September 2017
Distribution payment	18 September 2017
Ex-distribution date	1 December 2017
Distribution payment	18 December 2017
Ex-distribution date	2 March 2018
Distribution payment	19 March 2018
Ex-distribution date	31 May 2018
Distribution payment	18 June 2018

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

To see more, go online
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